

A Touchstone Energy Cooperative 

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COMMISSION

October 17, 2008

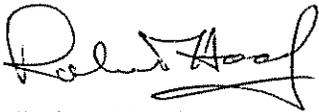
Stephanie L Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

Dear Ms. Stumbo:

Please find enclosed the original and ten (10) copies of the responses to the Attorney General's Order "Initial Request for Information" to Owen Electric Cooperative, Inc. posted on October 2, 2008.

Please contact me with any questions regarding this filing.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert Hood", with a stylized flourish at the end.

Robert Hood  
President and CEO

Enclosure

Cc Attorney General  
Utility Intervention and Rate Division  
1024 Capital Center Drive  
Frankfort, KY 40601

Michael Kurtz, Esq.  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, Ohio 45202

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PUBLIC SERVICE  
COMMISSION

**OWEN Electric**

A Touchstone Energy Cooperative 

**Rate Case No.  
2008-00154**

**INITIAL REQUEST FOR  
INFORMATION OF THE  
ATTORNEY GENERAL**

**8205 Hwy 127 N  
PO Box 400  
Owenton, KY 40359  
502-484-3471**

RECEIVED

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

OCT 02 2008  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC )  
COOPERATIVE, INC. FOR ADJUSTMENT ) Case No. 2008-00154  
OF RATES )

INITIAL REQUESTS FOR INFORMATION  
OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Owen Electric Cooperative, Inc., to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

JACK CONWAY  
ATTORNEY GENERAL OF KENTUCKY



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DENNIS HOWARD II  
LAWRENCE W. COOK  
PAUL D. ADAMS  
ASSISTANT ATTORNEYS GENERAL  
FRANKFORT KY 40601-8204  
(502) 696-5453  
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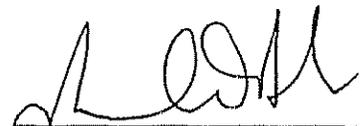
**CERTIFICATE OF SERVICE AND NOTICE OF FILING**

I hereby give notice that this the 2<sup>nd</sup> day of October 2008, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below

Honorable James M. Crawford  
Crawford & Baxter, P.S.C.  
523 Highland Ave.  
P.O. Box 353  
Carrollton, KY 41008

Honorable Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

Robert Hood  
President & CEO  
Owen Electric Cooperative, Inc.  
8205 Highway 127 North  
P.O. Box 400  
Owenton, KY 40359

  
\_\_\_\_\_  
Assistant Attorney General

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION TO OWEN ELECTRIC  
COOPERATIVE  
CASE NO. 2008-00154

1. With regard to prepayments, please provide the following information:
  - a. What makes up the prepayment balance in prepayment account 165.00 (e.g., 12/31/07 balance of \$85,500).
  - b. Please provide the portion of the 13-month average prepayment balance of \$483,537 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.
2. Given that OEC has the availability of \$2,352,442 worth of Consumer Deposit funds and has not deducted this Consumer Deposit balance from its rate base, explain why the Coop believes it appropriate to include Consumer Deposit interest expense (see Exhibit X, page 7) in its determination of the requested rate increase in this case. Stated differently, if Consumer Deposits are not to be considered for ratemaking purposes in this case, explain why the interest expenses associated with Consumer Deposits have been considered for ratemaking purposes by OEC.
3. Is OEC aware of the well-established and long-standing Commission ratemaking policy that consumer deposits may not be deducted from rate base and, consistent with that policy, that consumer deposit interest may not be included as an above-the-line ratemaking expense (see page 9 of the Commission's Order in Delta Natural Gas Company's 1999 rate case, Case No. 1999-176)?
4. Exhibit S, page 2 shows that the revenue and associated power cost normalizations for the Case No. 2006-0522 flow-through adjustment amount to \$5,256,227 and \$5,783,125, respectively. Please explain in detail why the power expense normalization adjustment is \$526,898 higher than the corresponding base revenue normalization adjustment.
5. For each of the income statement accounts listed on Exhibit X, pages 1 through 9, please provide a schedule showing a side-by-side comparison of the actual annual amounts (only annual amounts are requested, not monthly amounts) for the 2007 test year and calendar years 2004, 2005 and 2006
6. The first column of Exhibit 12, page 3 of 6 shows the number of events assumed in the quantification of the Non-Recurring Charge revenue adjustment. For each non-recurring charge listed, please provide the actual annual number of events in the test year and in each of the 3 years prior to the test year.
7. Please expand the year-end customer annualization adjustment on Exhibit 16 by also including Schedule III (Security Lights), Schedule OLS and Envirowatts in the net revenue annualization calculations. Provide this information in the same detail and format as shown on Exhibit 16.

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION TO OWEN ELECTRIC  
COOPERATIVE  
CASE NO. 2008-00154

8. As confirmed on Exhibit 3, page 1, during 2007 OEC completed the installation of a new AMI system and the corresponding removal of all existing meters. In this regard, please provide the following information:
  - a. Provide all O&M expenses (including meter expenses, maintenance expenses, outside services expenses, etc.) booked in the 2007 test year that were directly or indirectly associated with this one-time meter conversion project. Provide these O&M expenses in total and broken out by O&M expense account (account number and title).
  - b. The 2007 Meter Expense of \$522,168 in Acct. 58600 is 80% higher than the 2006 Meter Expense of \$290,726 in that same account. Please indicate the reasons for this and indicate what portion of the 2007 Meter Expense of \$522,168 is associated with the one-time AMR conversion project.
  - c. Will the completion of the AMR system result in expense savings? If so, please describe:
    - 1) the nature of the expense savings;
    - 2) the expense accounts in which these expense savings are expected to take place; and
    - 3) quantification of the expected annual expense savings that are not reflected in the adjusted test year operating expenses.If no expense savings are expected, explain why.
9. Please provide the actual expenses booked in the years 2003, 2004 and 2005 for the following expense accounts: Accounts 583.00, 584.00, 593.00, 593.20, and 903.00.
10. With regard to Account 912.00 – Demonstration & Selling expense, please provide the following information:
  - a. Actual expenses booked in each of the years 2003, 2004 and 2005.
  - b. Detailed breakout of the nature and purpose of the expense components making up the total test year expense amount of \$115,110.
11. Exhibit 1 does not include the “Analysis of Salaries and Wages for the years 2004, 2005, 2006 and the 2007 test year” that is always included in coop rate filings. Please provide this one-page analysis sheet for the current case.
12. With regard to the Payroll information shown on Exhibit 1, please explain why OEC has assumed normalized annual hours of 2,080 for the following employees who worked substantially less than 2,080 hours during the test year: salaried employee no. 5067 and hourly employee numbers 2056, 2320, 2331, 4045, 4052, 4053, and 5058.

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION TO OWEN ELECTRIC  
COOPERATIVE  
CASE NO. 2008-00154

13. With regard to OEC's number of employees, please provide the number of employees (in total and broken out between salaried, hourly, summer and part-time) for each month from January 2007 through August 2008, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.
14. Please explain the nature and purpose of the \$184,962 Performance Bonus expense (i.e., what exactly does the performance bonus represent). In addition, explain why this expense should be allowed for ratemaking purposes in this case.
15. Exhibit 1, page 6 shows total test year overtime hours of 22,426 with an associated overtime expense amount of \$852,323. Please provide the actual overtime hours and associated overtime expenses booked by OEC during 2006, 2005 and 2004.
16. Exhibit 1, pages 1 and 5 show that the 2007 test year had 12 salaried employees who worked a total number of hours of 24,512 and 122 hourly employees who worked a total number of hours of 247,367. For each of the years 2004, 2005 and 2006, provide the same type of actual information, i.e., the total number of salaried employees and the associated total number of hours worked and the total hourly employees and the associated total number of hours worked.
17. Are the proposed annual FAS 106 expenses of \$18.854 for Directors shown on Exhibit 6, page 1 reflected for ratemaking purposes in this case? If so, indicate on which schedule and line item and explain why it is appropriate to charge these expenses for ratemaking purposes.
18. Are any FAS 106 expenses for OEC's outside attorneys reflected for ratemaking purposes in this case? If so, indicate on which schedule and line item and explain why it is appropriate to charge these expenses for ratemaking purposes.
19. Re. Exhibit 7, page 1: When the normalized salaries of \$1,160,661 are multiplied by the 2008 retirement ratio of 18.64% and the normalized hourly employee wages of \$6,012,219 are multiplied by the 2008 retirement ratio of 17.23%, the resultant total *pro forma* annualized retirement cost is \$1,252,252. In this regard, please provide the following information:
  - a. The calculated total retirement cost of \$1,252,252 represents a composite retirement ratio of 17.46%. Please reconcile this to the composite ratio of 18.08% used by OEC.
  - b. Would OEC agree that the more accurate annualized retirement expense should be \$1,252,252 rather than the claimed amount of \$1,296,857? If not, why not?

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION TO OWEN ELECTRIC  
COOPERATIVE  
CASE NO. 2008-00154

20. With regard to Exhibit 9 (Professional Services), please provide the following information:
  - a. Actual professional services expenses, in total and broken down between legal, engineering, accounting and other, for each of the years 2003 through 2006.
  - b. Nature and purpose of the Other Professional Services expenses for Execuquest, CDS Associates, KCTS ("Ky Wins Job Evaluation") and Gary Gibson. In addition, for each of these expense components indicate as to whether the expense is recurring or non-recurring.
21. With regard to the approximate \$24,000 AMR consulting fees included in the test year expense under Other Professional Fees (Exhibit 9, page 4), please provide the following information:
  - a. Nature and purpose of these expenses.
  - b. Now that the AMR project has been implemented isn't it true that the \$24,000 expense is non-recurring? If not, why not?
  - c. When was the AMR project completed (month and year)?
22. With regard to rate case expenses, please provide the actual expenses incurred to date for the current rate case, in total and broken out by expense component per Exhibit 13.
23. Please provide the regulatory assessments included in the test year as compares to 2004, 2005 and 2006 and indicate in which account these expenses are recorded.
24. Page 9 of OEC's 2007/2006 Annual Report states that the coop has recorded advertising expenses of \$325,403 in the 2007 test year. In this regard, please provide the following information:
  - a. Please reconcile this total amount of \$325,403 to the \$288,740 advertising expenses booked in account 930.10 and detailed in Exhibit 11.
  - b. Provide a detailed breakout (in the same format and detail as per Exhibit 11 of the remaining advertising expenses.
25. With regard to the advertising expenses detailed in Exhibit 11, please explain why the following expenses should be allowed for ratemaking purposes:
  - a. \$1,267 for home-town coop(check #77349)
  - b. \$4,800 for Washington Youth Tours (check #76440)
  - c. \$1,000 for sponsorship (check #76439)
  - d. \$693 for civic dues (check #76845)
  - e. \$212 for civic dues (check #77203)

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION TO OWEN ELECTRIC  
COOPERATIVE  
CASE NO. 2008-00154

- f. \$1,267 for TSE Living (check #77296 and check #77695)
  - g. \$1,267 for Balloon Glow (check #77349)
  - h. \$800 for Halloween safety (check # 77519 and check #77620)
  - i. Explain why the \$38,859 for EKPC Partners Plus expense credit should be removed for ratemaking purposes.
26. In the same detail as, for example, Exhibit 11, please provide a detailed breakout of the test year expense of \$259,827 for Office Supplies.
27. With regard to the Directors fees and expenses listed on Exhibit 10, please provide the following information:
- a. There are no descriptions of the nature and purpose for each of the "Other Board Meeting" fees and "Meeting Fees" for each of the directors. Please provide this information for each of the directors.
  - b. Explain the nature and purpose of the airfare expense of \$8,523 under General Expenses.
  - c. Explain the nature and purpose of each of the meetings making up the total meeting fees of \$6,115 under General Expenses.
  - d. Explain the nature and purpose of the Hotel charges of \$12,072 and meals charges of \$10,710 under General Expenses.
28. Traditionally, the PSC has disallowed for ratemaking purposes all NRECA Annual Meeting expenses other than the NRECA Annual Meeting expenses incurred by OEC's Designated or Alternate Representative to NRECA. Explain why OEC has included all of these NRECA Annual Meeting expenses for ratemaking purposes
29. Exhibit X, page 7 shows Customer Deposit interest expenses of \$689,738 in account 431.00. Should this be interest on Short Term Debt (Notes Payables)? If not, provide the correct answer.
30. Exhibit X, page 7 shows Other Interest expenses of \$130,051 in account 431.10. Should this be Customer Deposit interest expense? If not, provide the correct answer.
31. The Interest Expense – Other amount claimed by OEC in this case amounts to \$474,919. Please confirm that this amounts consists of one-half of the actual per books short term debt interest of \$689,738 (= \$344,869) plus the \$130,051 of Other Interest expense of \$130,051 in account 431.10.
32. Exhibit 5, page 2 shows that almost all of the long-term debt adjustment of \$478,648 is caused by the annualization of the interest associated with the

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION TO OWEN ELECTRIC  
COOPERATIVE  
CASE NO. 2008-00154

November 2007 RUS loan of \$13 million, which interest expense annualization adjustment has produced a long-term debt interest increase of \$438,278.

33. Please provide a schedule showing how the proceeds from the November 2007 RUS loan of \$13 million were used.
34. Exhibit W, page 11, account 231.00 shows that OEC's short term debt balance during the 11-month test year 1/1/07 through 11/30/07 averaged approximately \$15.2 million, but was reduced by almost \$10 million to \$5.7 million in the last month of the test year, December 2007. In this regard, please provide the following information:
  - a. Please confirm the above facts. If you do not agree, explain your disagreement.
  - b. Please confirm that the actual test year short term debt interest of \$689,738 is the interest associated with the short term debt balances in the test year, which average approximately \$14.4 million. If you do not agree, explain your disagreement.
  - c. Please confirm that, through its long-term debt interest annualization adjustment on Exhibit 5, page 2, the Company has assumed that the \$13 million RUS loan issued in November 2007 has been in effect for the entire 12 months of the test year. If you do not agree, explain your disagreement.
  - d. Please confirm that if the RUS loan of \$13 million had been in effect as of 1/1/07, and the proceeds of this loan had been used to redeem OEC's short term debt (as it did in December 2007), OEC's average short term debt balance, and the associated test year short term debt interest, would have been significantly lower than the actual \$14.4 million test year average short term debt balance. If you do not agree, explain your disagreement.
35. Exhibit X, pages 7-8, accounts 426.11 through 426.50 show that the \$36,933 expense for Other Deductions on Exhibit S, page 2, consists of the following expense items: Ind. Develop Authorities - \$27,000; Exec. Insurance - \$745; Penalties - \$5,604; and Misc Inc Deductions Other - \$3,582. In this regard, please provide the following information:
  - a. Explain the nature and purpose of each of the above-listed expense components
  - b. Explain why these expenses should be allowed for ratemaking purposes in this case.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

1. With regard to prepayments, please provide the following information:

a. what makes up the prepayment balance in prepayment account 165.00 (e.g., 12/31/07 balance of \$85,500).

**Response**

Long range work plan.

b. Please provide the portion of the 13-month average prepayment balance of \$483,537 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.

**Response**

\$11,101.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

2. Given that OEC has the availability of \$2,352,442 worth of Consumer Deposit funds and has not deducted this Consumer Deposit balance from its rate base, explain why the Coop believes it appropriate to include Consumer Deposit interest expense (see Exhibit X, page 7) in its determination of the requested rate increase in this case. Stated differently, if Consumer Deposits are not to be considered for ratemaking purposes in this case, explain why the interest expenses associated with consumer Deposits have been considered for ratemaking purposes by OEC.

**Response**

Consumer deposits are a current liability, not a deduction from capital. Since deposits are refundable, they should not be considered in the rate base. Historically, consumer deposits have not been removed from the rate base in calculating rate of return for distribution electric cooperatives. Owen has followed this practice in preparing rate base calculations. Since consumer deposits have not been deducted from the rate base, the interest should not be deducted either.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

3. Is OEC aware of the well-established and long-standing Commission ratemaking policy that consumer deposits may not be deducted from rate base and, consistent with that policy, that consumer deposit interest may not be included as an above-the-line ratemaking expense (see page 9 of the Commission's Order in Delta Natural Gas Company's 1999 rate case, Case No. 1999-176)?

**Response**

See response to Item 2 of this request for information.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

4. Exhibit S, page 2 shows that the revenue and associated power cost normalizations for the Case No. 2006-00522 flow-through adjustment amount to \$5,256,227 and \$5,783,125, respectively. Please explain in detail why the power expense normalization adjustment is \$526,898 higher than the corresponding base revenue normalization adjustment.

**Response**

This is due to the difference between the amount of kwh sold vs. the kwh purchased during the test year.



Owen Electric Cooperative  
Case No 2008-00154  
First Request of Attorney General

	2004	2005	2006	2007
440 10 Residential Sales - Rural	(\$46,968.299)	(\$55,550.919)	(\$58,613.658)	(\$66,226.928)
440 20 Security Lights Only	(145.290)	(173.746)	(204.011)	(232.856)
442 10 Commerical & Industrial Sales - Small	(2,604.403)	(3,106.575)	(3,458,993)	(3,732.482)
442 20 Commerical & Industrial Sales - Large	(14,672,721)	(19,651,700)	(23,851,875)	(25,305,086)
442 21 Gallatin Steel - Industrial Sales	(43,447.998)	(45,126,923)	(40,667,025)	(44,355,185)
444 00 Public Street & Highway Lighting	(42.771)	(44,933)	(58,784)	(52,325)
445 00 Other Sales to Public Authorities	(864.813)	(929.495)	(970.492)	(1,312.487)
450 00 Late Payment Penalties	(524.848)	(651.415)	(779.634)	(879.773)
451 00 Misc Serv Rev - Disconnect & Reconnect	(262.973)	(240.765)	(382.755)	(423.193)
451 10 Misc Serv Rev - Meter Reading Fee	0	0	0	0
452 00 Other Elec Rev - Bad Check Charges	(13.334)	(12.698)	(16.264)	(14.526)
454 00 Rent From Electric Property	(240.688)	(247.387)	(241.784)	(248.658)
454 10 Rental From U/G Temp Owned Base	(189.000)	(181.264)	(228.138)	(166.205)
454 20 Rental O/H Temp Meter Base	(35.250)	(33.285)	(25.789)	(20.280)
454 30 Rental UG Meter Base	(26,245)	(32,460)	(10,335)	(3,335)
456 00 Other Electric Revenue	(23,418)	(14,451)	(29,243)	(19,033)
555 00 Purchased Power	42,299.777	54,868,632	61,781.407	70,933.726
555 10 Gallatin Steel - Purchased Power	42,727.021	44,951,295	41,128.820	44,866.999
580 00 Oper Supervision & Engineering	214.049	288,473	405.818	199.778
581 00 Load Dispatching	10.669	11,998	35,016	0
582 00 Station Expense	4.838	25,610	9,291	12.684
583 00 Overhead Line Expense	1,312.758	1,043,666	1,470,657	1,393,617
583 10 Overhead Line Expense - Line Part	80.144	54,247	78,601	95,106
583 20 Transformer Outage	143	206	789	26,501
584 00 Underground Line Expense	212.891	188,919	278,932	449,924
586 00 Meter Expense	572.854	439,936	290,726	522,168
586 10 U/G Temp Meter Base Exp Owned	91.868	111.198	18,633	13,994
586 20 O/H Temp Meter Base Expense	25.253	17,680	29,448	22,509
586 30 U/G Temp Meter Base Expense	19,756	8,622	42,339	44,499
587 00 Consumer Installation Expense	350.302	329,820	347,657	405,186
588 00 Miscellaneous Distribution Exp	426.134	516,516	633,814	612,688
588 10 IT	141.788	167.647	0	0
588 20 New Telephone System	1.123	0	424.578	138.834
589 00 Rents	514	430	439	445
590 00 Maint Supervision & Engineering	143,639	159,415	267,115	66,532
593 00 Maint Overhead Lines	1,092,840	994,383	973,318	860,304
593 10 O/H Lines - Outage	470,523	243,325	286,154	229,621
593 20 Maint of O/H Lines - Right of Way	1,382,758	1,557,519	1,709,530	1,622,259
593 40 Maint of O/H Lines - Service OCR	14,340	15,909	34,564	24,571
593 50 Maint of O/H Lines - Pole Treatment	151,032	171,705	147,816	111,778
594 00 Maint of U/G Lines	365,616	341,771	309,041	216,497
594 10 U/G Outage	298	3,061	40,061	37,955
595 00 Maint of Line Transformers	42,822	79,431	35,549	29,565
597 00 Maint of Meters	36,319	34,386	38,273	14,920
901 00 Supervision of Consumer Accounts	53,996	33,623	86,672	145,212
902 00 Meter Reading Expense	426,841	544,938	567,146	426,634
903 00 Consumer Rec and Collection Expense	2,271.131	2,303,688	2,688,287	2,716,190
903 10 Consumer Rec and Collection Exp - IT	0	0	0	15,008
904 00 Uncollectable Accounts Expense	164.197	131,584	259,165	162,000

907 00 Supervision of Customer Assist	83,164	57,177	47,244	46,288
908 00 Customer Assistance Expenses	80,473	61,278	53,986	93,462
909 00 Info & Instruct Advertising Expense	34,999	12,203	52,847	36,663
910 00 Misc Customer Serv & Inform Expense	109,960	105,540	57,955	93,332
912 00 Demonstrating & Selling - Key Accounts	71,712	66,521	76,254	115,110
920 00 Administrative & General Salaries	1,081,822	1,045,945	1,203,851	1,146,282
920 10 Administrative & General Salaries - IT	0	0	0	247,170
920 20 Adm & Gen Exp - Capital Credits	30,433	35,528	26,292	20,590
921 00 Office Supplies and Expense	216,141	245,628	263,609	259,827
921 20 Office Sup & Exp - Over/Short - Owenton	37	(10)	(80)	83
921 40 Office Sup & Exp - Over/Short - Grant	0	(3)	(40)	(61)
921 50 Office Sup & Exp - Over/Short - Boone	(213)	178	(265)	7
921 60 Office Sup & Exp - Over/Short - Pendleton	0	0	0	50
921 70 Office Sup & Exp - Over/Short - Scott	(0)	0	(1)	0
921 80 Office Sup & Exp - Over/Short - Bok	(0)	0	0	0
923 00 Outside Services Employed	224,136	117,610	189,756	95,017
925 00 Injuries and Damages	170,599	135,916	160,557	126,663
926 00 Employees Pensions & Benefits	51,139	30,911	57,303	142,947
929 00 Injuries and Damages	(80,781)	(94,514)	(97,443)	(115,772)
930 00 Misc Gen Exp - Directors Expense	313,633	265,747	289,869	274,558
930 10 Misc Gen Exp - General Advertising	216,439	229,719	293,917	288,740
930 30 Misc Gen Exp - Dues Pd Assoc Org	145,415	166,645	163,167	180,034
930 40 Misc Gen Exp - Annual Meeting Exp	59,679	73,622	74,503	73,283
931 00 Rents - Branch Offices	32,614	44,490	49,974	44,792
932 10 Maint Gen Plant - Structures	214,138	274,027	258,193	270,137
932 20 Maint Gen Plant - Office Equipment	0	75	0	420
932 80 Maint Gen Plant - Communication EQ	1,806	6,634	0	0
932 90 Maint Gen Plant - Misc Equipment	0	0	0	70
403 60 Depreciation Exp - Distribution Plant	5,843,612	6,200,658	6,747,678	8,992,599
403 70 Depreciation Exp - General Plant	570,980	623,810	627,281	664,100
408 20 Taxes - U S Unemployment	0	0	0	0
408 30 Taxes - U S FICA	(1,194)	0	0	0
408 40 Taxes - State Unemployment	0	0	0	0
408 70 Taxes - Other	101,665	102,680	123,962	128,898
427 10 Interest on RUS Construct. Loan	710,879	1,196,813	1,910,632	2,290,341
427 20 Interest on Other LTD - CFC	1,370,758	1,573,648	1,567,441	1,533,420
431 00 Interest on Short-Term Debt	298,633	171,186	138,669	689,738
431 10 Interest on Customer Deposits	110,867	121,404	135,776	130,051
426 10 Other Income Deduct - Donations	77,120	100,301	77,120	68,267
426 11 Misc Donation - Cap Credit Scholarship	24,000	26,000	25,000	27,000
426 20 Misc Deduction - Executive Retirement Ins	27,851	68,784	308	745
426 30 Penalties	36	2,618	8,461	5,604
426 50 Misc Income Deductions - Other	0	0	4,543	3,582
426 60 Misc Deduction - Directors Life Ins	(119)	(2,829)	(493)	0
419 00 Interest & Dividend Income	(111,187)	(181,692)	(184,016)	(113,134)
415 00 Revenues from Merchandising	(4,550)	(5,085)	(8,145)	(9,233)
416 00 Costs & Expenses of Merchandising	4,170	4,405	10,275	8,505
417 00 Revenues- Non Utility Operations	(25,317)	(18,581)	(18,561)	(18,640)
417 10 Expenses - Non Utility Operations	25,505	13,788	9,930	9,664
421 00 Misc Non- Operating Income			0	(8,923)
421 10 Misc Non- Operating Income	(6,354)	(9,577)	(2,125)	(14)
421 20 Gain(Loss) on Dieposal of Property	(169,071)	(128,271)	44,942	(12,954)
424 00 Other Cap Credits & Patronage Capital	(185,439)	(230,372)	(292,794)	(428,601)
Margins	<u>(\$3,233,634)</u>	<u>(\$3,847,830)</u>	<u>(\$971,790)</u>	<u>\$826,057</u>



Owen Electric Cooperative  
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6. The first column of Exhibit 12, page 3 of 6 shows the number of events assumed in the quantification of the Non-Recurring Charge revenue adjustment. For each non-recurring charge listed, please provide the actual annual number of events in the test year and in each of the 3 years prior to the test year.

**Response**

There were no events assumed in the quantification of the Non-Recurring Charge revenue adjustment, the events recorded in Exhibit 12, page 3 of 6 of the application are the actual number of events during the test year. The number of events for the 3 years prior to the test year are:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Return check	2033	1587	1667
Collection	6646	4647	5137
Disconnect	5719	3174	3508
Meter tests	18	18	14
Overtime	294	291	279



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7. Please expand the year-end customer annualization adjustment on Exhibit 16 by also including Schedule III (Security Lights), Schedule OLS, and Envirowatts in the net revenue annualization calculations. Provide this information in the same detail and format as shown on Exhibit 16.

**Response**

The response is attached.

Owen Electric Cooperative  
Case No. 2008-00154  
End of Test Year Customer Adjustment

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	Sch I Farm & Home	Sch I Small Commercial	Sch II Large Power	Sch XI Large Ind Rate LPB1	Sch XIII Large Ind Rate LPB2	Sch XIV Large Ind Rate LPB	Sch 2A Large Pwr T-O-D	Sch III Security Lights	Sch OLS Outdoor Lights	Envirowatts
December, 2006	52,359	2,551	243	8	2	4	9	10,802	1,880	219,900
January, 2007	52,393	2,586	242	8	2	4	9	10,799	1,887	219,900
February	52,517	2,566	244	8	2	5	9	10,797	1,923	231,900
March	52,357	2,546	239	8	2	5	9	10,728	1,933	218,800
April	52,660	2,535	250	8	2	5	9	10,710	1,978	218,800
May	52,850	2,454	232	8	2	5	8	10,681	2,008	220,400
June	53,120	2,255	236	8	2	5	7	10,642	2,068	220,400
July	53,346	2,278	238	8	2	5	8	10,521	2,159	220,400
August	53,436	2,239	235	8	2	5	8	10,468	2,236	221,700
September	53,575	2,238	240	8	2	5	8	11,350	2,380	221,700
October	53,381	2,225	239	8	2	5	8	10,250	2,405	227,800
November	53,484	2,198	244	9	2	6	8	10,209	2,504	224,900
December	53,535	2,191	245	9	2	4	8	10,147	2,536	223,400
Average	53,001	2,373	241	8	2	5	8	10,623	2,146	222,308
Increase	<u>534</u>	<u>(182)</u>	<u>4</u>	<u>1</u>	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>(476)</u>	<u>390</u>	<u>1,092</u>
Test year base revenue	55,784,720	3,466,798	12,183,554	3,557,595	4,586,346	953,066	275,772	676,195	220,912	
kwh useage	737,788,979	46,804,027	184,179,473	68,688,339	112,662,049	15,977,494	4,040,256	5,721,178	2,315,513	
Average per kwh	0.07561	0.07407	0.06615	0.05179	0.04071	0.05965	0.06826	0.11819	0.09541	
Total billings	636,654	28,301	2,884	98	24	59	99	127,302	26,017	
Average monthly kwh use	1,159	1,654	63,863	700,901	4,694,252	270,805	40,811	45	89	
Increase in consumers, times average use, times average rate, times 12 months, equals additional revenues										
Increase in revenues	561,480	(267,534)	202,778	435,624	0	(193,844)	0	(30,341)	39,738	360
Increase in consumers, times average use, times average cost per kwh purchased, times 12 months, equals additional power cost										
Increase in power cost	338,319	(164,554)	139,657	383,189	0	(148,051)	0	(11,695)	18,976	311
Net increase	223,161	(102,980)	63,121	52,435	0	(45,793)	0	(18,645)	20,762	49
Adjustment	<u>192,110</u>									
Base power cost			56,288,336							
Kwh purchased			1,235,502,993							
Cost per kwh purchased			0.04556							



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8. As confirmed on Exhibit 3, page 1, during 2007 OEC completed the installation of a new AMI system and the corresponding removal of all existing meters. In this regard please provide the following information:

General Response: The AMI conversion project is not yet complete. While it is true that all of the old meters were retired from the plant system during 2007, as evidenced by Exhibit 3, the installation of the new AMI meters is not expected to be complete until the end of 2008. Additionally, even after the meters are all installed, work still remains to enhance the communications system for the project.

a. Please provide all O&M expenses (including meter expenses, maintenance expenses, outside services expenses, etc.) booked in the 2007 test year that were directly or indirectly associated with this one-time meter conversion project. Provide these O&M expenses in total and broken out by O&M expense account (account number and title).

Response: Most of the expenses associated with the AMI project that are being expensed, and are not recurring, are for outside services employed. Chapman Metering was engaged to install the meters and their time was recorded as OEC labor would have been had the labor to install the meters been done by OEC personnel. That is, the initial estimate of labor for installation was capitalized at the time of equipment purchase with a corresponding credit being recorded in Account 586.00 – Meter Expense. The 586.00 account was then charged when the meters were installed. During the test year, Chapman was paid \$287,616.17 for this installation, which was recorded through the above mentioned process. Owen also engaged NRECA to assist in the project development process. They were paid \$23,996.51 during the test year and this expense was recorded in Account 923.00 – Professional Services. Please refer to Second Data Request of Commission Staff – Exhibit #32(e) for additional detail. Other expenses incurred during the initial implementation process have been for Owen personnel responsible for the implementation of the project and for monitoring the system. These expenses are likely to continue as continued monitoring will be needed, and upgrades and improvements are expected over time.

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b. The 2007 Meter Expense of \$522,168 in Account 586.00 is 80% higher than the 2006 Meter Expense of \$290,726 in that same account. Please indicate the reasons for this and indicate what portion of \$522,168 is associated with the one-time AMR conversion project.

Response: At the end of 2006 a large number of meters were purchased that were capitalized. The estimated installation charges for these meters were capitalized along with a corresponding credit of \$428,541 being recorded in account 586.00. Because the labor charges to actually install these meters was recorded in a subsequent year, this resulted in a much lower amount being charged to 586.00 during 2006, than is normal.

c. Will the completion of the AMR result in expense savings? If so, please describe:  
1) the nature of the expense savings;  
2) the expense accounts in which these savings are expected to take place, and;  
3) quantification of the expected annual expense savings that are not reflected in the adjusted test year operating expenses  
If no expense savings are expected, explain why.

Response: Owen expects savings as a result of the AMI project in the areas of Collection/Disconnect labor, High bill reading verifications, Read-in/Read-Outs, Voltage complaint trips, Outage verification trips, and energy audits. Currently those savings appear to be approximately \$24,000/month and they are seen in Accounts 902.00. Savings incurred in this account will likely be offset to a large degree with additional expenses in the Meter Expense area. These expenses are for additional staff needed to monitor and maintain the AMI system. There will still be costs associated with changing out and testing the meters under the PSC program, adding additional meters for normal growth, changing out bad meters, and monitoring and improving the system over time. Since Owen is still in the installation phase of the project, it is difficult to predict what, if any, our actual dollar savings for implementing this system will be. It is expected that some small overall dollar savings for the cooperative may materialize, but the primary benefit of the project will be improved efficiency, reduced outage times, and other benefits relating to improved communications made possible by the AMI system.



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First Request of Attorney General

	2003	2004	2005
583.00 Overhead Line Expense	1,328,606	1,312,758	1,043,666
584.00 Underground Line Expense	233,433	212,891	188,919
593.00 Maintenance of O/H Lines	908,199	1,092,840	994,383
593.20 Maint of O/H Lines - Right of Way	1,318,960	1,382,758	1,557,519
903.00 Consumer Rec and Collection Expense	2,215,483	2,271,131	2,303,688



Owen Electric Cooperative  
Case No 2008 - 00154  
First Request of Attorney General

a. Actual Expenses for Account 912.00 for 2003, 2004, 2005

	2003	2004	2005
912.00 Demonstratin & Selling expense	\$72,416	\$71,712	\$66,521

b. Detailed breakdown of 2007 Expenses for Account 912.00

Labor Expense	\$53,446
Employee Benefits	36,793
Mileage Expense	2,944
Educational & Training Expense	150
Meals	5,195
Lodging	768
Transportation Expense	547
General Office Supplies	393
Advertising	850
Subscriptions	43
Mailing Expense	329
Telephone Expense	509
Key Account Sponsorships & Expenses	15,221
Partner's Plus Reimbursement	(2,155)
	<u>\$115,035</u>



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

11. Exhibit 1 does not include the "Analysis of Salaries and Wages for the years 2004, 2005, 2006 and the 2007 test year" that is always included in coop rate filings. Please provide the one-page analysis for the current case.

**Response**

Attached.

Owen Electric Cooperative  
Case No. 2008-00154

Exhibit 11  
page 2 of 2  
Witness: Alan Zumstein

Analysis of Salaries and Wages  
For the calendar years 2004 through 2006  
and the Test year

Line No	Item (a)	Twelve Months Ended						Test year 2007	
		2004		2005		2006		Amount (l)	% (m)
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)		
1	Wages charged to expense:								
2	Distribution expense	2,240,791	12%	2,262,772	1%	2,621,650	16%	2,413,134	-8%
3	Customer accounts expense	956,604	-4%	1,074,461	12%	1,256,876	17%	1,179,991	-6%
4	Customer service and information	191,898	15%	172,428	-10%	118,353	-31%	166,998	41%
5	Sales expense								
6	Administrative and general expenses:								
	(a) Administrative and general	646,642	10%	712,649	10%	726,954	2%	833,873	15%
	(b) Office supplies and expense								
	(c) Outside services employed								
	(d) Property insurance								
	(e) Injuries and damages	62,475	2%	56,179	-10%	63,346	13%	52,797	-17%
	(f) Employees hospitalization and benefits								
	(g) Retirement and security								
	(h) Miscellaneous general	18,735	27%	21,950	17%	17,287	-21%	19,763	14%
	(i) Maintenance of general plant	49,890	38%	49,892	0%	48,927	-2%	54,484	11%
7	Total administrative and general expenses L6(a) to L6(i)	777,742	11%	840,670	-3%	856,514	-3%	960,917	-3%
8	Charged to clearing and others	636,067	21%	855,726	35%	510,528	-40%	681,683	34%
9	Total salaries and wages charged to expense and other L2 to L6 + L7 + L8	4,803,102	9%	5,206,057	8%	5,363,921	3%	5,402,723	1%
10	Wages capitalized	2,346,861	21%	2,492,738	6%	2,545,676	2%	2,620,844	3%
11	Total salaries and wages	7,149,963	13%	7,698,795	8%	7,909,597	3%	8,023,567	1%
12	Ratio of salaries and wages charged to expense to total wages L9 / L11	67%		68%		68%		67%	
13	Ratio of salaries and wages capitalized to total wages L10 / L11	33%		32%		32%		33%	
14	Overtime wages	906,834	25%	1,140,884	26%	878,704	-23%	858,473	-2%
15	Overtime hours	25,291		31,556		25,220		23,087	



Owen Electric Cooperative  
Case No. 2008-00154  
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12. With regard to the Payroll information shown on Exhibit 1, please explain why OEC has assumed normalized annual hours of 2,080 for the following employees who worked substantially less than 2,080 hours during the test year: salaried employee no. 5067 and hourly employee numbers 2056, 2320, 2331, 4045, 4052, 4053, and 5058.

**Response**

5067	Hired during 2007
2056	Job reclassification, now full time position
2320	Part time to full time
2331	Hired during 2007
4045	Part time to full time
4052	Hired during 2007
4053	Hired during 2007
5058	Disability in 2007, full time in 2008



Owen Electric Cooperative  
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13. With regard to OEC's number of employees, please provide the number of employees (in total and broken out between salaried, hourly, summer and part-time) for each month from January 2007 through August 2008, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.

**Response**

<u>Date</u>	<u>Salaried</u>	<u>Hourly</u>	<u>Summer/ Part-Time</u>	<u>Total</u>
Jan-07	14	123	1	138
Feb-07	11	124		135
Mar-07	11	122		133
Apr-07	11	124		135
May-07	11	125		136
Jun-07	11	125	1	137
Jul-07	11	126	1	138
Aug-07	11	125	1	137
Sep-07	12	124		136
Oct-07	12	125		137
Nov-07	12	124		136
Dec-07	12	124		136
Jan-08	12	122	1	135
Feb-08	12	120		132
Mar-08	12	121		133
Apr-08	12	124		136
May-08	12	124	2	138
Jun-08	12	124	2	138
Jul-08	12	126	2	140
Aug-08	12	126	2	140



Owen Electric Cooperative  
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First Data Request of Attorney General

Please explain the nature and purpose of the \$184,962 Performance Bonus expense (i.e., what exactly does the performance bonus represent). In addition, explain why this expense should be allowed for ratemaking purposes in this case.

Response: Please refer to the Second Data Request of Commission Staff – Exhibit #27.



Owen Electric Cooperative  
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15. Exhibit 1, page 6 shows total test year overtime hours of 22,426 with an associated overtime expense amount of \$852,323. Please provide the actual overtime hours and associated overtime expenses booked by OEC during 2006, 2005, and 2004.

**Response**

Refer to Item 11 of this request for information.



Owen Electric Cooperative  
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16. Exhibit 1, pages 1 and 5 show that the 2007 test year had 12 salaried employees who worked a total number of hours of 24,512 and 122 hourly employees who worked a total number of hours of 247,367. For each of the years 2004, 2005, and 2006, provide the same type of actual information, i.e., the total number of salaried employees and the associated total number of hours worked and the total hourly employees and the associated total number of hours worked.

**Response**

	<u>Salary Employees</u>		<u>Non-Salary Employees</u>	
	<u>Number</u>	<u>Hours Worked</u>	<u>Number</u>	<u>Hours Worked</u>
2006	12	23,897	123	253,163
2005	13	24,530	113	233,691
2004	13	24,098	108	228,583



Owen Electric Cooperative  
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17. Are the proposed annual FAS 106 expenses of \$18,854 for Directors shown on Exhibit 6, page 1 reflected for ratemaking purposes in this case? If so, indicate on which schedule and line item and explain why it is appropriate to charge these expenses for ratemaking purposes.

**Response**

No.



Owen Electric Cooperative  
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18. Are any FAS 106 expenses for OEC's outside attorneys reflected for ratemaking purposes in this case? If so, indicate on which schedule and line item and explain why it is appropriate to charge these expenses for ratemaking purposes.

**Response**

No.



Owen Electric Cooperative  
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19. Re. Exhibit 7, page 1: When the normalized salaries of \$1,160,661 are multiplied by the 2008 retirement ratio of 18.64% and the normalized hourly employee wages of \$6,012,219 are multiplied by the 2008 retirement ratio of 17.23%, the resultant total pro forma annualized retirement cost is \$1,252,252. In this regard, please provide the following information:

a. The calculated total retirement cost of \$1,252,252 represents a composite retirement ratio of 17.46%. Please reconcile this to the composite ratio of 18.085 used by OEC.

**Response**

See PSC #2, 31.b.

b. Would OEC agree that the more accurate annualized retirement expense should be \$1,252,252 rather than the claimed amount of \$1,296,857? If not, why not?

**Response**

No. The above calculation assumes that all hourly employees are union. That is an incorrect assumption. Approximately 61% of total labor is non-union and 39% is union. The calculations included with the application are correct.



Owen Electric Cooperative  
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First Data Request of Attorney General

20. With regard to Exhibit 9 (Professional Services), please provide the following information:

a. Actual professional services expenses, in total and broken down between legal, engineering, accounting and other, for each of the years 2003 through 2006.

Response: See attached schedule of expenses.

b. Nature and purpose of the Other Professional Services expenses for Execquest, CDS Associates, KCTS (“Ky Wins Job Evaluation”) and Gary Gibson. In additions, for each of these expense components indicate as to whether the expense is recurring or non-recurring.

Response: For Execquest, CDS Associates, KCTS (“Ky Wins Job Evaluation”) refer to Second Data Request of Commission Staff – Exhibit #32. The expenses paid to Gary Gibson were for accounting consultation services. There is no current plan to engage Mr. Gibson in the future.

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Case No 2008 - 00154  
First Request of Attorney General

Professional Services

	2003	2004	2005	2006
Legal	4,052	23,425	32,791	41,046
Engineering	12,500	13,805	0	477
Accounting	13,847	31,562	19,115	19,550
Other Professional	48,602	155,344	65,704	128,683
Total	<u>79,000</u>	<u>224,136</u>	<u>117,610</u>	<u>189,756</u>



Owen Electric Cooperative  
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First Data Request of Attorney General

21. With regard to the approximate \$24,000 AMR consulting fees included in the test year expense under Other Professional Fees (Exhibit 9, page 4), please provide the following information:

a. Nature and purpose of these expenses.

Response: Please refer to Second Data Request of Commission Staff – Exhibit #32(e).

b. Now that the AMR project has been implemented isn't it true that the \$24,000 expense is non-recurring? If not, why not?

Response: Please refer to Second Data Request of Commission Staff – Exhibit #32(e).

c. When was the AMR project completed (month and year)?

Response: The AMI project is not yet completed. The majority of the project should be completed by December 2008.



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22. With regard to rate case expenses, please provide the actual expenses incurred to date for the current rate case, in total and broken out by expense component per Exhibit 13.

Response: Please refer to Second Data Request of Commission Staff – Exhibit 37(b).



Owen Electric Cooperative  
Case No. 2008-00154  
First Data Request of Attorney General

23. Please provide the regulatory assessments included in the test year as compares to 2004, 2005, and 2006 and indicate in which account these expenses are recorded.

Response: These expenses are recorded in account 408.70 – Taxes – Other. Please refer to First Data Request of Attorney General Exhibit #5 for the annual amounts for years 2004, 2005, 2006, and the test year.



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24. Page 9 of OEC's 2007/2006 Annual report states that the coop has recorded advertising expenses of \$325,403 in the 2007 test year. In this regard, please provide the following information:

- a. Please reconcile this total amount of \$325,403 to the \$288,740 advertising expenses booked in account 930.10 and detailed in Exhibit 11.

**Response**

The difference is the amount listed in Account No. 909.00, Information and Instructional Advertising in the amount of \$36,663.

- b. Provide a detailed breakout (in the same format and detail as per Exhibit 11 of the remaining advertising expenses.

**Response**

See attached.

Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information  
Test Year December 31, 2007

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
06/15/07	75822	East Ky Power Coop	250.00	Tent set up
02/16/07	74325	Arlinghaus Builders	1,200.00	Geothermal/ASCH rebates
02/02/07	74238	David Kelly	750.00	Geothermal rebate
05/11/07	75451	Norman Miller	200.00	Heat pump rebate
09/21/07	77006	WCPO Radio	7,500.00	Living Green
10/19/07	77291	Tatonka Biological	450.00	Environmental program
09/07/07	76797	Darrell Crase	2,400.00	Geothermal/ASCH rebates
12/03/07	77745	Darrell Crase	1,200.00	Geothermal/ASCH rebates
var		Consumer adjustments	55,175.00	Geothermal/ASCH rebates
var		East Ky Power Coop	<u>(32,462.50)</u>	Geothermal/ASCH rebates
			<u>36,662.50</u>	

All of the above are for energy conservation programs.



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25. With regard to the advertising expenses detailed in Exhibit 11, please explain why the following expenses should be allowed for ratemaking purposes:

- a. \$1,267 for home-town coop (Check #77349)

**Response**

Should have been removed

- b. \$4,800 for Washington Youth Tours (check #76440)

**Response**

Should have been removed

- c. \$1,000 for sponsorship (check #76439)

**Response**

Should have been removed

- d. \$693 for civic dues (check #76845)

**Response**

Should have been removed

- e. \$212 for civic dues (check #77203)

**Response**

This was removed.

- f. \$1,267 for TSE Living (check #77296 and check #77695)

**Response**

Safety related advertising on a seasonal basis.

- g. \$1,267 for Balloon Glow (check #77349)

**Response**

See Item 25.a. above for same check number, amount and explanation.

- h. \$800 for Halloween safety (check #77519 and #77620)

**Response**

Should have been removed

- i. Explain why the \$38,859 for EKPC Partners Plus expense credit should be removed for ratemaking purposes.

**Response**

EKPC has notified its members that it has discontinued the Partners Plus program as of December 31, 2007. There will not be any payments from EKPC for 2008.



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26. In the same detail as, for example, Exhibit 11, please provide a detailed breakout of the test year expense of \$259,827 for Office Supplies.

**Response**

Supplies	21,305.37
Telephone	49,565.97
Postage	17,157.37
Bank wires and charges	13,730.12
Utilities	16,599.25
Office equipment maintenance	17,854.56
Computer supplies	1,202.09
Chamber of commerce dues	3,771.69
Dues - other	450.00
Travel	10,290.13
Educational & training	35,495.38
Employee coffee	1,766.85
Subscriptions	2,585.55
Employee memberships	1,448.00
Property insurance	31,797.30
Property tax	24,249.92
Civic dues and expenses	1,078.25
Donations	100.00
Employee earnings and benefits	<u>9,378.98</u>
	<u><u>259,826.78</u></u>



Owen Electric Cooperative  
Case No. 2008-00154  
First Data Request of Attorney General

27. With regard to the Directors fees and expenses listed on Exhibit 10, please provide the following information:

a. There are no descriptions of the nature and purpose for each of the "Other Board Meeting" fees and "Meeting Fees" for each of the directors. Please provide this information for each of the directors.

Response: Please see attached schedules.

b. Explain the nature and purpose of the airfare expense of \$8,523 under General Expenses.

Response: Airfare expenses are for transportation to the Legislative conference and to other Director conferences, meetings, and training events.

c. Explain the nature and purpose of each of the meetings making up the total meeting fees of \$6,115 under General Expenses.

Response: These expenses are for conference fees for the NRECA annual meetings and for other Director conferences, meetings, and training events.

d. Explain the nature and purpose of the Hotel charges of \$12,072 and meals charges of \$10,710 under General Expenses.

Response: Hotel charges are for various conferences and training sessions attended by Directors of the Board. Meals charges are for meals served as a part of the monthly and special Board meetings, as well as meal expenses incurred during various trainings and other meetings.

Owen Electric Cooperative  
Case No 2008-000154  
Robert True

Exhibit 27  
page 2 of 9  
Witness: Rebecca Witt

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>	
3/25/2007	74967	True Robert		1,300 00	NRECA Annual Meeting	
4/25/2007	75286	True Robert	325 00		Audit Committee Meeting	
5/24/2007	75541	True Robert		1,300 00	Legislative Conference	x Removed
6/21/2007	75984	True Robert	325.00		EKPC Annual Meeting	x Removed
6/21/2007	75984	True Robert	325 00		Owen Annual Meeting	
8/24/2007	76704	True Robert	325 00		Wage and Salary Meeting	
9/27/2007	77062	True Robert	325.00		Special Board Meeting	
11/29/2007	77778	True Robert		650 00	KAEC Annaul Meeting	x Removed
11/29/2007	77778	True Robert		325 00	Budget Committee Meeting	
11/29/2007	77778	True Robert		325 00	CFC Meeting	
			1,625 00	3,900 00		

Owen Electric Cooperative  
Case No. 2008-000154  
**Frank Jackson**

Exhibit 27  
page 3 of 9  
Witness: Rebecca Witt

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Explanation</u>
6/21/2007	75945	Jackson Frank	325.00	Owen Annual Meeting
8/24/2007	76680	Jackson Frank	325.00	Wage and Salary Meeting
9/27/2008	77035	Jackson Frank	325.00	Special Board Meeting
12/3/2007	77757	Jackson Frank	325.00	CFC Meeting
12/3/2007	77757	Jackson Frank	650.00	KAEC Meeting
			1,950.00	

Owen Electric Cooperative  
Case No. 2008-000154  
John Grant

Exhibit 27  
page 4 of 9  
Witness: Rebecca Witt

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<u>Date</u>	<u>Check Number</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>	
2/22/2007	74507		1,300.00	NRECA Directors Conference	
3/30/2007	74932		2,600.00	NRECA Annual Meeting	
4/27/2007	75243	325.00		Audit committee Meeting	
5/24/2007	75537		1,300.00	Legislative Conference	x Removed
6/22/2007	75934	325.00		Owen Annual Meeting	
8/24/2007	76676	325.00		Wage and Salary Meeting	
9/27/2007	77033	325.00		Special Board Meeting	
12/3/2007	77753	650.00		KAEC Annual Meeting	x Removed
		1,950.00	5,200.00		

Owen Electric Cooperative  
Case No 2008-000154  
**Ann Bond**

Exhibit 27  
page 5 of 9  
Witness: Rebecca Witt

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>	
1/26/2007	74148	Bond Ann	325 00		Budget/Bid Meeting	
2/23/2007	74473	Bond Ann		1,300 00	NRECA Directors Conference	
3/30/2007	74900	Bond Ann		1,300 00	NRECA Annual Meeting	
4/27/2007	75214	Bond Ann	325 00		Bavarian Lanfill Opening	x Removed
5/24/2007	75534	Bond Ann		1,300 00	Legislative Conference	x Removed
6/22/2007	75896	Bond Ann	325 00		EKPC Annual Meeting	x Removed
6/22/2007	75896	Bond Ann	325 00		Owen Annual Meeting	
9/27/2007	77017	Bond Ann	325 00		Special Board Meeting	
12/3/2007	77777	Bond Ann		650 00	KAEC Annual Meeting	x Removed
12/3/2007	77777	Bond Ann		325 00	Budget Committee Meeting	
12/3/2007	77777	Bond Ann		325 00	CFC Meeting	
12/13/2007	77879	Bond Ann	325 00		Special Board Meeting	
			1,950 00	5,200 00		

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>	
1/25/2007	74153	Gosney S	325.00		Bid, Budget Meeting	
6/22/2007	75931	Gosney S	325.00		EKPC Annual Meeting	x Removed
6/22/2007	75931	Gosney S	325.00		Owen Annual Meeting	
9/27/2007	77031	Gosney S	325.00		Special Board Meeting	
12/3/2007	77752	Gosney S		650.00	KAEC Annual Meeting	x Removed
12/3/2007	77752	Gosney S		325.00	Budget Committee Meeting	
12/3/2007	77752	Gosney S		325.00	CFC Meeting	
12/14/2007	77902	Gosney S	325.00		Special Board Meeting	
			1,625.00	1,300.00		

Owen Electric Cooperative  
Case No 2008-000154  
**Patricia Kinman**

Exhibit 27  
page 7 of 9  
Witness: Rebecca Witt

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>	
1/26/2007	74157	Kinman H	325 00		Bid, Budget Meeting	
3/30/2007	74940	Kinman H		1,300 00	NRECA Directors Meeting	
4/27/2007	75259	Kinman H	325 00		Landfill Opening Meeting	x Removed
5/24/2007	75539	Kinman H		1,300 00	Legislative conference	x Removed
6/22/2007	75950	Kinman H	325 00		Owen Annual Meeting	
9/27/2007	77037	Kinman H	325 00		Special Board Meeting	
11/30/2007	77718	Kinman H	650 00		CFC Meeting	
12/14/2007	77910	Kinman H	325 00		Special Board Meeting	
			2,275 00	2,600 00		0 00

Owen Electric Cooperative  
Case No. 2008-000154  
Eddie McCord

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>
1/26/2007	74160	Mccord E	325.00		Bid, Budget Meeting
2/23/2007	74525	Mccord E		1,300.00	NRECA Directors conference
3/30/2007	74943	Mccord E		1,300.00	NRECA Annual Meeting
4/27/2007	75262	Mccord E	325.00		Landfill Opening Meeting x Removed
6/22/2007	75956	Mccord E	650.00		Owen Annual Meeting x Removed
9/27/2007	77039	Mccord E	325.00		Special Board Meeting
12/3/2007	77760	Mccord E		650.00	KAEC Annual Meeting x Removed
12/3/2007	77760	Mccord E		325.00	Budget committee Meeting
12/3/2007	77760	Mccord E		325.00	CFC Meeting
12/14/2007	77915	Mccord E	325.00		Special board Meeting
			1,950.00	3,900.00	

Owen Electric Cooperative  
Case No 2008-000154  
Bruce Gosney

Exhibit 27  
page 9 of 9  
Witness: Rebecca Witt

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<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Other Bd Mtg</u>	<u>Meeting Fees</u>	<u>Explanation</u>	
2/23/2007	74503	Gosney B		1,300 00	NRECA Directors Conference	
3/30/2007	74930	Gosney B		1,300.00	NRECA Annual Meeting	
4/27/2007	75240	Gosney B	325 00		Landfill Opening Meeting	x Removed
4/27/2007	75240	Gosney B	325 00		Audit Committee Meeting	
5/24/2007	75535	Gosney B		1,300 00	Legislative Meeting	x Removed
6/22/2007	75930	Gosney B	325 00		Owen Annual Meeting	
9/27/2007	77030	Gosney B	325 00		Special Board Meeting	
11/29/2007	77751	Gosney B	975 00		Wage and Salary Meeting	x Removed
			2,275 00	3,900 00		



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

28. Traditionally, the PSC has disallowed for ratemaking purposes all NRECA Annual Meeting expenses other than the NRECA Annual Meeting expenses incurred by OEC's Designated or Alternate Representative to NRECA. Explain why OEC has included all of these NRECA Annual Meeting expenses for ratemaking purposes.

**Response**

The NRECA annual meeting is a combination of training and educational seminars for directors during the day and more organizational activities in the evenings. These training and educational seminars are similar to the training and educational seminars that NRECA sponsors at Director Conferences and Regional Meetings. As such, these costs and expenses should be included for rate making purposes for all directors that attend the NRECA annual meeting.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

29. Exhibit X, page 7 shows Customer Deposit interest expenses of \$689,738 in account 431.00. Should this be interest on Short Term Debt (Notes Payable)? If not, provide the correct answer.

**Response**

Yes.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

30. Exhibit X, page 7 shows Other Interest expenses of \$130,051 in account 431.10. Should this be Customer Deposit interest expense? If not, provide the correct answer.

**Response**

Yes.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

31. The Interest Expense – Other amount claimed by OEC in this case amounts to \$474,919. Please confirm that this amounts consists of one-half of the actual per books short term debt interest of \$689,738 (=\$344,869) plus the \$130,051 of Other Interest expense of \$130,051 in account 431.10.

**Response**

Yes.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

32. Exhibit 5, page 2 shows that almost all of the long-term debt adjustment of \$478,648 is caused by the annualization of the interest associated with the November 2007 RUS loan of \$13 million, which interest expense annualization adjustment has produced a long-term debt interest increase of \$438,278.

Yes.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

33. Please provide a schedule showing how the proceeds from the November 2007 RUS loan of \$13 million were used.

**Response**

Cash balance increase	\$1,146K
Receivable increase	\$1,740K
Reduce short term borrowings	<u>\$10,103K</u>
Total	\$12,989K



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

34. Exhibit W, page 11, account 231.00 shows that OEC's short term debt balance during the 11-month test year 1/1/07 through 11/30/07 averaged approximately \$15.2 million, but was reduced by almost \$10 million to \$5.7 million in the last month of the test year, December 2007. In this regard, please provide the following information:

a. Please confirm the above facts. If you do not agree, explain your disagreement.

**Response**

Yes.

b. Please confirm that the actual test year short term debt interest of \$689,738 is the interest associated with the short term debt balances in the test year, which average approximately \$14.4 million. If you do not agree, explain your disagreement.

**Response**

Yes.

c. Please confirm that, through its long-term debt interest annualization adjustment on Exhibit 5, page 2, the Company has assumed that the \$13 million RUS loan issued in November 2007 has been in effect for the entire 12 months of the test year. If you do not agree, explain your disagreement.

**Response**

Owen normalized the interest on long term debt using the same process as has been used before this Commission in numerous cases. This is to normalize the interest on long term debt using the balances as of the end of the test year.

d. Please confirm that if the RUS loan of \$13 million had been in effect as of 1/1/07, and the proceeds of this loan had been used to redeem OEC's short term debt (as it did in December 2007), OEC's average short term debt balance, and the associated test year short term debt interest, would have been significantly lower than the actual \$14.4 million test year average short term debt balance. If you do not agree, explain your disagreement.

**Response**

Yes.



Owen Electric Cooperative  
Case No. 2008-00154  
AG's Initial Requests for Information

35. Exhibit X, pages 7-8, accounts 426.11 through 426.50 show that the \$36,933 expense for Other Deductions on Exhibit S, page 2, consists of the following expense items: Ind. Develop Authorities - \$27,000; Exec. Insurance - \$745; Penalties - \$5,604; and Misc. Inc. Deductions Other - \$4,582. In this regard, please provide the following information:

a. Explain the nature and purpose of each of the above listed expense components.

**Response**

- Ind. Develop Authorities – this is actually scholarships awarded by Owen.
- Exec. Insurance – payment for retired executive.
- Penalties – sales tax paid late.
- Misc. Inc. Deductions – adjust patronage from associated organization, should have been recorded in Account 424.00, Other Capital Credits

b. Explain why these expenses should be allowed for ratemaking purposes in this case.

**Response**

The first three (3) items above should have been removed. The last item titled Misc. Inc. Deductions should have been recorded in another account and not removed for rate making purposes.