OWEN Electric

A Touchstone Energy Cooperative

Rate Case No. 2008-00154

SECOND DATA REQUEST OF COMMISSION STAFF

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October 16, 2008

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: **PSC Case No. 2008-00154**
Owen Electric Cooperative

Dear Ms. Stumbo:

Please find in Case No. 2008-00154 the original and seven (7) copies of Applicant's response to "Second Data Request of Commission Staff to Owen Electric Cooperative, Inc". This relates to the application for adjustment of rates by Owen Electric Cooperative, Inc..

Contact me at (502) 732-6689 or Rebecca Witt at (502) 484-3471 if there are any questions.

Thanks for your assistance in this matter.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.

James M. Crawford
James M. Crawford
Counsel for Owen Electric Cooperative, Inc.

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

APPLICANT'S RESPONSES TO
SECOND DATA REQUEST OF COMMISSION STAFF

The applicant, Owen Electric Cooperative, Inc. makes the following responses to the "Second Data Request of Commission Staff", as follows:

1. The witnesses who are prepared to answer questions concerning each request are Robert Hood, Rebecca Witt, Alan Zumstein, and Jim Adkins.

2. Rebecca Witt, Senior Vice President of Corporate Services of Owen Electric Cooperative, Inc. is the person supervising the preparation of the responses on behalf of the applicant.

3. The responses and Exhibits are attached hereto and incorporated by reference herein.

James M Crawford

JAMES M. CRAWFORD
CRAWFORD & BAXTER, P.S.C.
P.O. Box 353
Carrollton, Kentucky 41008
Attorney for Owen Electric Cooperative
Telephone: 502-732-6689

The undersigned, Rebecca Witt, as Senior Vice President of Corporate Services of Owen Electric Cooperative, Inc., being first duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: October 16, 2008.

OWEN ELECTRIC COOPERATIVE, INC.

By: Rebecca Witt
REBECCA WITT
SENIOR VP OF CORPORATE SERVICES

Subscribed, sworn to, and acknowledged before me by Rebecca Witt, as Senior Vice President of Corporate Services for Owen Electric Cooperative, Inc. on behalf of said Corporation this 16th day of October, 2008.

Laura M. Scroggins
Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

Original and Seven Copies
Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Copy

Hon. Lawrence W. Cook
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

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

This 16th day of October, 2008

James M Crawford

ATTORNEY FOR
OWEN ELECTRIC COOPERATIVE, INC.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC COOPERATIVE, INC FOR ADJUSTMENT OF RATES	)))	CASE NO. 2008-00154

SECOND DATA REQUEST OF COMMISSION STAFF TO OWEN ELECTRIC COOPERATIVE INC.

Owen Electric Cooperative, Inc. ("Owen"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record The information requested herein is due on or before October 17, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Owen shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect For any request to which

Owen fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Exhibit B of the application, pages 28 and 29 of 61. Should these pages have the heading of "Schedule XIII" rather than "Schedule XII?"

2. Owen's current tariff includes rates for which no revenues are shown on Exhibit J. For each rate listed below, state whether any customers were charged the rate in 2007 If so, update Exhibit J and all other applicable schedules to include the information.

a. Schedule VIII – Large Industrial Rate LPC1

b. Schedule IX – Large Industrial Rate LPC2

c Schedule X – Large Industrial Rate LPC1-A

d Schedule XII – Large Industrial Rate LPB1-A

e Schedule 1-B-Farm & Home – Time of Day

f. Schedule 1-C-Small Commercial – Time of Day

g. Schedule III SOLS -- Special Outdoor Lighting Service

3. Refer to the direct testimony of James R. Adkins ("Adkins Testimony") at Exhibit H-4, page 4 of 7. Mr Adkins states that the largest percentage increases were

given to the outdoor lighting rate classes. Explain how it was determined that the outdoor lighting classes should receive the largest increases.

4 Refer to Exhibit I of the application. Explain why the percentage increase was calculated by dividing the "Increase Amount" by the "Proposed Rate" rather than dividing it by the "Existing Rate."

5. Refer to Exhibit J of the application at page 7 of 14. This schedule shows a rate of $3.60 labeled as "interruptible credit." Explain this item and state how the rate shown and resulting credit were calculated.

6. Refer to Exhibit J of the application at page 10 of 14. Explain how the Proposed Revenue was calculated for the first three items on this schedule as follows: Existing pole, One pole added, and Two poles added.

7. Refer to Exhibit J of the application at page 13 of 14. Explain why this page does not include the rate used to calculate the revenues.

8. Refer to Exhibit N of the application at page 15 of 23. Regarding the pension plan sponsored by the National Rural Electric Cooperative Association, it is stated that, "[s]ubsequent to April 2005, there is no requirement for employees to contribute to this plan." Explain why this change was made and what effect this change has had on Owen's expense related to this plan.

9. Refer to Exhibit N of the application at page 17 of 23. It is stated that, as of December 31, 2007, Owen had deposits in institutions that exceeded the insured maximum by $1,128,938. Given the bank failures that have occurred in the past several months, state what plans Owen has to safeguard this "at risk" amount or explain why it is not necessary to do so.

10 Provide a copy of Exhibits J and R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected.

11. Refer to Exhibit R of the application. State whether the methodology used for this cost-of-service study is different from that used in previous cases involving other East Kentucky Power Cooperative, Inc. distribution cooperatives and, if so, explain the differences.

12. Refer to Exhibit R of the application, Schedule 1, page 7 of 55. At the bottom of the page, under Schedule 2, "Revenue Required from Energy" is shown at $3,524,991. Explain how this amount was calculated.

13. Refer to Exhibit R of the application, Schedule 4, page 13 of 55. Explain how the $5,219,936 shown as Distribution Consumer Services expense for the Farm and Home class was calculated. If a correction is necessary, please file a copy of all schedules that would require updating as a result.

14 Refer to Exhibit R of the application, Schedule 6, pages 29 and 32 of 55.

a. For accounts 580 – 589 and the line Total Operations, the logic for allocating these accounts appears to be circular. It appears that the "Dist Oper" allocation factor is derived from numbers in the Total Operations line, which themselves are the sum of accounts 580 - 589. However, accounts 580 and 588 are also allocated using the "Dist Oper" allocation factor. Explain the circularity of this methodology.

b. A similar argument also applies to accounts 590 – 598 and the line Total Distribution Maintenance. Explain the circularity of this methodology.

c. Explain where in the cost-of-service study the allocation factors for accounts 582, 583, 584, 593 and 594 are derived.

d. Explain whether there were any operational expenses related to poles and transformers during the test year and, if so, where those expenses appear in the cost-of-service study.

e. Explain where the allocator for account 589 Rents is derived.

15. Refer to Exhibit R, Schedule 6, pages 30 and 33 of 55.

a. Explain whether accounts 920 – 935 are allocated using the "Dist Plant" allocation factor.

b. The allocation factor for "Total Admin & General" is listed as "Dist Plant," but on Schedule 8, page 37 of 55, the allocation factor appears to be "Total General Plant." Which allocation factor should be used on Schedule 6?

16. Refer to Exhibit R of the application, Schedule 6, page 31 of 55. Explain why Forfeited Discounts and Miscellaneous Service Revenues are allocated based on Rate Base rather than direct assignment.

17. Refer to Exhibit R of the application, Schedule 8, page 37 of 55.

a. Explain why the allocation factor for account 367 Underground Conductor appears to be the same allocation factor derived on Schedule 9, page 40 of 55, which is a combination of investment in both Overhead Conductor and Poles.

b. Explain why the allocation factor for account 364 Poles, Towers and Fixtures does not seem to match the allocation factor derived on Schedule 9, page 38 of 55.

c. Explain what the number "187,857,581" appearing in the $$$$ column represents.

d. Explain the rationale for and what allocation factor is used for "Accumulated Depreciation."

e. Explain the derivation of the allocation factor for "Total General Plant."

18. Refer to Exhibit R, Schedule 9, page 38 of 55. Were the 28-foot aluminum and fiberglass poles included in the regression? If not, explain why not.

19. Refer to Exhibit R, Schedule 9, page 39 of 55. Provide an explanation for the size of the overhead conductor that is currently being installed.

20. Refer to Exhibit R, Schedule 9, pages 40-41 of 55.

a. Provide an explanation of which transformers are currently being installed.

b. On page 40 of 55 in the "Size" column, there are three sets of transformers ranging in size from 7.5 kVa to 50 kVa which have corresponding values in the "Predicted Value" column. Explain whether the three sets of transformers were the only sizes used in the regression and whether the correspondingly sized transformers were summed together for use in the regression.

21. Refer to Exhibit R, Schedule 10, pages 42-47 of 55.

a. Explain how and where the rate class percentages on pages 42–45 of 55 are used in the cost-of-service study. On Schedule 5, page 21 of 55, lines 2 and 3, the allocation factors do not appear to match any allocation factor in Schedule 10.

b. On page 47 of 55 for the Total column, explain how the Transformers number was derived and how the resulting percentages derived from Class monthly peak demands are used.

c. Explain how Rate Class CP and Monthly Peak Demands are derived.

22. Refer to Exhibit R of the application, Schedule 11, pages 48-51 of 55.

a. Explain the differences in Number of Customers shown on these pages

b. Explain how the Relative Cost was determined on pages 49-51.

23. Refer to Exhibit R of the application, Schedule 11, pages 53-55. Explain how the "Factor" column on these pages was determined.

24. Refer to Exhibit S of the application, which shows the amount of the proposed increase based on attaining a Times Interest Earned Ratio ("TIER") of 2.0X.

a. Describe the methodology employed by Owen in determining that 2.0X was the appropriate TIER on which to base its requested rate increase.

b. Is Owen aware of any studies performed by Rural Utilities Service or the National Rural Utilities Cooperative Finance Corporation ("CFC") on the subject of the appropriate TIER level for an electric distributive cooperative? If yes, identify the studies and when they were performed.

c. Owen's request in this case for a 2.0X TIER would produce net margins of roughly $4.3 million. For each of the 5 calendar years immediately preceding the 2007 test year, provide the approximate net margins that would have been realized if Owen had achieved a TIER of 2.0X.

25. Refer to Exhibit X of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period.

a. Page 2 of 9 shows that Account 580.00, Operations Supervision, decreased from $405,818 in 2006 to $199,788 in 2007. Provide a detailed explanation for why this expense decreased by this magnitude

b. Page 2 of 9 shows that Account 584 00, Underground Line Expense, increased from $278,932 in 2006 to $449,924 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

c. Page 2 of 9 shows that Account 586.00, Meter Expense, increased from $290,168 in 2006 to $522,168 in 2007. Provide a detailed explanation for why this expense increased by this magnitude

d. Page 3 of 9 shows that Account 588 10, IT, decreased from $4,24,578 in 2006 to $138,834 in 2007. Provide a detailed explanation for why this expense decreased by this magnitude.

e. Page 3 of 9 shows that Account 590 00, Maintenance Supervision and Engineering, decreased from $267,115 in 2006 to $66,532 in 2007. Provide a detailed explanation for why this expense decreased by this magnitude.

f. Page 4 of 9 shows that Account 901.00, Supervision, increased from $86,672 in 2006 to $145,212 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

g. Page 6 of 9 shows that Account 926.00, Employee Pensions and Benefits, increased from $57,303 in 2006 to $142,947 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

h. Page 6 of 9 shows that Account 403.60, Distribution Depreciation, increased from $6,747,678 in 2006 to $8,992,599 in 2007 Provide a detailed explanation for why this expense increased by this magnitude

i. Page 6 of 9 shows that total depreciation in 2007 was $9,656,698, but page 2 of Exhibit 3 of the application states that test year depreciation was $10,118,271. Provide a detailed explanation for the discrepancy between the two reported depreciation expenses.

26. On page 1 of 8 of Exhibit 1, Owen states that its union employees are granted wage increases in August of each year. The wage increase for the union employees for 2008 is 3.5 percent. Provide all employment contracts between Owen and its union employees that are currently in effect and the most recent contracts previously in effect.

27. Listed on the "Employee Earnings and Hours" schedule contained on pages 3-6 of Exhibit 1 is a column entitled "performance bonus."

a. Provide a detailed description of the performance bonus, including the criteria used in granting the bonus and in determining the amount each employee receives

b. Provide copies of any written policy Owen has regarding the performance bonuses.

28 Refer to Exhibit 3 of the application.

a On page 1 of 6, Owen states that the depreciation study completed on December 31, 1995 will be updated when its meters are replaced with the

Automated Meter Information ("AMI") technology. Provide the projected date the depreciation study will be completed and submitted to the Commission.

b. On page 1 of 6, Owen states that, as a result of the implementation of the AMI system, the old meters were retired in 2007 and $1,500,000 has been removed from the proposed depreciation expense through the normalization process. Provide a schedule showing how the $1,500,000 was eliminated from pro forma operations and the amounts that Owen uses to offset the decrease.

c. Provide the time line for the installation of the AMI meters, a comparison of the project costs that have been incurred to date to the projected costs, and the total projected cost of the AMI project.

d. On page 2 of 6, there is a schedule comparing the normalized depreciation with the test year expense. Provide the account detail for test year depreciation expense for the distribution plant that totals $8,992,599.

e. On page 2 of 6, Owen proposes a depreciation rate of 6.67 percent for AMI-associated capital costs. Provide a narrative description, along with any related workpapers, spreadsheets, etc., that show how Owen's AMI depreciation rate was derived.

29. Refer to Exhibit 4, page 6 of 6, of the application, Analysis of Other Operating Taxes. The item shown on lines 15-19 is identified as the Public Service Company assessment. Provide a detailed description of this tax.

30. Refer to Exhibit 5 of the application.

a. Explain how it was determined that the proposed revenue increase would be sufficient to allow Owen to repay approximately one-half of the short-term note payable.

b. Page 2 of 3 is a schedule of Owen's outstanding long-term debt. Identify each of the long-term debt issuances that has a variable interest rate, explain the basis for changing the variable rate, and state how often the rate can be modified during the year

c. For those long-term debt issuances identified in 30(b), provide a schedule showing the effective interest rates for the 2-year period from January 1, 2006 through December 31, 2007.

d. There are approximately 4 CFC loans that have maturity dates ranging from August 2005 through August 2008.[1] Given that these loans have matured, explain why Owen has included the interest associated with these loans in its calculation of annualized interest.

e. Provide an update of the schedule on pages 2 and 3 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

31 Refer to Exhibit 7 of the application.

a. In calculating its proposed retirement and security expense, Owen uses normalized base wages of $7,172,880, however, Owen calculates projected

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[1] CFC Loan #9031005; CFC Loan #9031006; CFC Loan #9031007; and CFC Loan #9031008

wages of $8,277,749 on Exhibit 1. Provide a detailed explanation for the discrepancy between the wages listed on the two exhibits.

b. Owen lists the contribution rates for the non-union and union employees, but uses a different rate in calculating its adjustment. Provide the basis for the rate used by Owen in its calculation.

32. Refer to Exhibit 9 of the application.

a. Owen identifies Execuquest as a "Professional Recruiter" and reports paying them $6,250 during the test period. Describe the nature of the services provided by Execuquest and explain whether Owen considers this to be a normal, recurring expense.

b. Describe the nature of the expenditure of $4,779 for "Architectural design" paid to CDS Associates and explain how this expenditure benefits Owen's customers.

c. Describe the nature of the expenditure of $2,905 for "Emergency tabletop exercise" paid to Coop Consulting Group and explain how this expenditure benefits Owen's customers.

d. Describe the nature of the expenditure of $5,215 for "Ky Wins Job Evaluation" paid to KCTS and explain how this expenditure benefits Owen's customers.

e. During the test period, Owen paid $23,996 to NRECA for "AMR Consulting fees." Describe the nature of the expenditure and explain why it was expensed rather than capitalized as overhead cost for the AMI project.

33. Refer to Exhibit 11 of the application.

a. Owen states that the annual meeting and general advertising costs have been eliminated which would be a decrease to operating expenses of $26,493 However, Owen shows the elimination as an increase of $6,279 on Exhibit S, page 3 of 4. Provide a detailed explanation

b. On page 2 of 9, there is a payment of $10,000 to Kentucky Speedway for a billboard of general information Provide a detailed description or a picture of the billboard and explain why this cost should be included for rate-making purposes

c. On page 3 of 9, there is a payment of $4,800 to KAEC for a Washington youth tour. Provide a complete description of the tour and explain why this cost should be included for rate-making purposes

34 Refer to Exhibit 12 of the application at page 1 of 6 At the bottom of the page, under "Other Direct Costs," explain why it is appropriate to divide the annual cost per employee by 1,786 hours rather than 2,080 hours.

35. Refer to Exhibit 12 of the application at page 2 of 6. Given that the hourly rate used to calculate the "Direct Labor Charge" for nonrecurring costs consists of both the 85 87% actual hours worked and 14.13% non-working hours (as calculated by Owen on page 1), explain why it is appropriate to also include in the calculation of non-recurring charge expense the "Direct Wage Expense" which is calculated using the 14 13% non-working hours

36. Refer to Exhibit 12 of the application, at pages 5-6 of 6. On page 5, under "Labor for Overtime Charges," Owen seems to indicate that no extra mileage is required for a service trip during regular working hours because of coordination with other jobs,

but that mileage would be required for service trips after hours. However, in calculating its mileage expense, Owen has included mileage of 15 miles during regular working hours and 30 for after-hours service calls. Given that on page 6 Owen estimates the average service trip to be 15 miles, why would it not be more appropriate to include 15 miles for mileage regardless of when the service call occurs?

37. Refer to Exhibit 13 of the application.

a. Given that the last time Owen filed a rate case was in 1982, explain the rationale for the 3-year amortization period

b. Owen estimates the expenses associated with this rate case. On a monthly basis, beginning with May 2008, provide the amount of Owen's actual rate case expenses, by category, as done with the estimate.

38. Refer to Exhibit 14 of the application at page 4 of 4.

a. Reconcile the amounts listed in the second column labeled "Fuel Adjustment" under "Sales" with the amounts filed with the Commission by Owen in its fuel adjustment clause ("FAC") filings

b. Explain why the $609,273 shown as July "Fuel Adjustment" under "Purchases" does not reconcile to Owen's FAC filed with the Commission in July 2007, Line 13.a.

39. Refer to Exhibit 16 of the application at page 1 of 1.

a. Explain why the 55,952,448 Test Year Base Revenue shown for the Farm and Home class does not reconcile with Exhibit J, page 1 of 14.

b. Explain why the Total Billings of $2,858 for Schedule II Large Power and $83 for Schedule XI Large Industrial Rate do not reconcile to Exhibit J, pages 5 and 6, respectively

40. Refer to Exhibit 19 of the application at page 1 of 1. Explain the circumstances under which it was necessary to capitalize Benefits Distribution into Account 143 AR, Other, and Account 426, Donations

Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: October 2, 2008

cc: Parties of Record

Affiant, JAMES R. ADKINS, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

James R. Adkins
JAMES R. ADKINS

Subscribed and sworn to before me by the affiant, JAMES R. ADKINS, this 14th day of October, 2008.

Laura M. Scroggins
Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

Affiant, ALAN M. ZUMSTEIN, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

Alan Zumstein

ALAN M. ZUMSTEIN

Subscribed and sworn to before me by the affiant, ALAN M. ZUMSTEIN, this 14th day of October, 2008.

Laura M. Scroggins

Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

Affiant, REBECCA WITT, states that the answers given by her to the foregoing questions are true and correct to the best of his knowledge and belief.

Rebecca Witt
REBECCA WITT

Subscribed and sworn to before me by the affiant, REBECCA WITT, this 15th day of October, 2008.

Laura M. Scroggins
Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

Affiant, ROBERT HOOD, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

ROBERT HOOD

Subscribed and sworn to before me by the affiant, ROBERT HOOD, this 16th day of October, 2008.

Notary Public, Kentucky State At Large

My Commission Expires: May 2, 2012

Witness: Alan Zumstein

Owen Electric Cooperative
Case No. 2008-00154
Second Data Request of Commission Staff

1. Refer to Exhibit B of the application, pages 28 and 29 of 61. Should these pages have the heading of "Schedule XIII" rather than "Schedule XII".

Response

Yes, pages 28 and 29 should have the heading of Schedule XIII.

Witness: Alan Zumstein

Owen Electric Cooperative
Case No. 2008-00154
Second Data Request of Commission Staff

2. Owen's current tariff includes rates for which no revenues are shown on Exhibit J. For each rate listed below, state whether any customers were charged the rate in 2007. If so, update Exhibit J and all other applicable schedules to include the information.

a. Schedule VIII – Large Industrial Rate LPC-1
b. Schedule IX – Large Industrial Rate LPC2
c. Schedule X – Large Industrial Rate LPC1-A
d. Schedule XII – Large Industrial Rate LPB1-A
e. Schedule 1-B-Farm & Home – Time of Day
f. Schedule 1-C-Small Commercial – Time of Day
g. Schedule III SOLS – Special Outdoor Lighting Service

Response

There were no customers billed on any of these rates during 2007.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to the direct testimony of James R. Adkins ("Adkins Testimony") at Exhibit H-4, page 4 of 7. Mr. Adkins states that the largest percentage increases were given to the outdoor lighting rate classes. Explain how it was determined that the outdoor lighting classes should receive the largest increases.

R. The outdoor lighting classes were given the largest percentage increase in rates based on the results of the Cost of Service Study ("COSS"). The COSS is contained in Exhibit R of the original application. Schedule 3 in Exhibit R provides the results of the cost of service in statement of operations format with the outdoor lighting classes being three of the five rate classes where revenue for these rate classes is less than the costs to service. The three outdoor lighting classes have the lowest Times Interest Earned Ratios and Returns on Net Investment Rate Base.

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4. Refer to Exhibit I of the application. Explain why the percentage increase was calculated by dividing the "Increase Amount" by the "Proposed Rate" rather than dividing it by the "Existing Rate".

Response

This is a formula error. The "Increase Amount' should have been divided by the "Existing Rate".

Owen Electric Cooperative
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5. Refer to Exhibit J of the application at page 7 or 14. This schedule shows a rate of $3.60 labeled as "interruptible credit". Explain this item and state how the rate shown and resulting credit were calculated.

Response

Any customer where it is capable of interrupting at least 1,000 kW upon request, agreed upon by contract, within an agreed time after notice, to comply to the extent possible with Owen's request to interrupt a load will receive the interruption credit. The $3.60 is equal to the amount of credit granted by East Kentucky Power to Owen Electric. The billing determinants were the credits given to the Schedule XIII industrial customers during 2007

Owen Electric Cooperative
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6. Refer to Exhibit J of the application at page 10 of 14. Explain how the Proposed Revenue was calculated for the first three items on this schedule as follows: Existing pole, One pole added, and Two poles added.

Response

An effort was made to increase the lights by 30% overall. The security lights were too low in relation to the outdoor lights in Schedules I OLS and II SOLS, therefore the security lights in Schedule III were increased by 40% from $5.51 to $7.71. The difference between an Existing pole, One pole added, and Two poles added and so forth was $2.20. This difference was maintained from the existing to proposed rates.

Witness: Alan Zumstein

Owen Electric Cooperative
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7. Refer to Exhibit J of the application at page 13 of 14. Explain why this page does not include the rate used to calculate the revenues.

Response

This was an oversight only. There were no changes in this rate from EKPC or to customers during 2007. Owen is not proposing to change this rate.

Owen Electric Cooperative
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8. Refer to Exhibit N of the application at page 15 of 23. Regarding the pension plan sponsored by the National Rural Electric Cooperative Association, it is stated that, "(s)ubsequent to April 2005, there is no requirement for employees to contribute to this plan." Explain why this change was made and what effect this change has had on Owen's expense related to this plan.

Response: The reduction in employee contribution to the NRECA Retirement Plan was negotiated as a part of the Collective Bargaining Unit negotiation process. Owen Electric agreed to reduce the amount of employee contribution in exchange for a reduced wage increase for 2005. This change resulted in an increase in pension expense, but was offset, in part, by a reduced labor expense increase.

Testimony: Rebecca Witt

Owen Electric Cooperative
Case No. 2008-00154
Second Data Request of Commission Staff

9. Refer to Exhibit N of the application at page 17 of 23. It is stated that, as of December 31, 2007, Owen had deposits in institutions that exceeded the insured maximum by $1,128,938. Given the bank failures that have occurred in the past several months, state what plans Owen has to safeguard this "at Risk" amount or explain why it is not necessary to do so.

Response: Owen is indeed concerned about the risk of bank failures and is addressing this issue in the following ways:

a. We currently monitor our cash position on a daily basis. Excess funds are analyzed and, when appropriate, used to pay down our line of credit with CFC. If the line of credit is a zero balance, the excess funds are utilized to purchase commercial paper, also with CFC. This not only mitigates the risk associated with holding excess cash, but also provides interest income to the cooperative.

b. Owen is in the process of investigating the use of a cash management service with a separate financial institution other than our primary bank of depository. Many financial institutions offer services that provide for automatic sweeping excess cash out of the operating account and into secure financial instruments, resulting in increased interest income and reduced risk. Owen will continue to investigate this option and if feasible and cost effective, will implement such an arrangement.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Provide a copy of Exhibits J and R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected.

R. Attached is a copy of Exhibits J and R on a CD-ROM.

Q. Refer to Exhibit R of the application. State whether the methodology used for this cost of service study is different from that used in previous cases involving other East Kentucky Power Cooperative, Inc. distribution cooperatives and, if so, explain the differences.

R. The methodology used for this cost of service study is the same as that used in previous cases involving other East Kentucky Power Cooperative, Inc distribution cooperatives.

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R of the application, Schedule 1, page 7 of 55. At the bottom of page under Schedule 2, "Revenue Required from Energy" is shown at $3,524,991. Explain how this amount was calculated.

R. This "Revenue Required from Energy" amount of $3,524,991 is the difference of the revenue to be derived from the proposed customer charge for the Small Commercial subtracted from the total Revenue from Rates for Schedule 1 - Small Commercial. The labels for the part of this schedule dealing with the proposed rate design should have been better defined.

Additionally, some extraneous information exists on this schedule that should have been removed and that information listing billing units for a demand charge. No demand rate exists for either Schedule 1 - Farm and Home Rate or for Schedule 1 - Small Commercial.

Provided below is a new page 7 of 55 for Exhibit R with better defined labels and the removal of extraneous information.

Rate Design

Schedule 1 - Farm & Home		**Schedule I Farm & Home**	**chedule I ff-peak M**	**Schedule I Sml Com**
Proposec	**Revenue Required from**			
Revenue	**Rates**			
Revenue	Amount of Increase in			
Proposec	Revenue Requirements	3,542,168	-	220,656
Scheduli	Current Revenue from Rates	59,168,372	2,656	3,685,833
Proposec	Revenue from Rates after Increase	62,710,540	2,656	3,906,489
Revenue	from Customer Charge			
	Billing Units			
Revenue	Required from Energy			
Proposec	Consumer Charges	636,654	-	28,301
	Energy kWh	737,788,979	58,772	46,804,027

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Proposed Rate Design

Schedule 1 - Farm & Home

Proposed Customer Charge	$ 11.20
Revenue from Customer Charge	$ 7,132,896
Revenue Required from Energy (Total revenue less revenue from customer charge)	55,577,643
Proposed Energy Rate	$ 0.07533

Schedule 1 - Small Commercial

Proposed Customer Charge	$ 13.48
Revenue from Customer Charge	$ 381,497
Revenue Required from Energy (Total revenue less revenue from customer charge)	$ 3,524,991
Proposed Energy Rate	$ 0.07534

OWEN ELECTRIC COOPERATIVE
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RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R of the application, Schedule 4, page 13 of 55. Explain how the $5,219,936 shown as Distribution Consumer Services expense for the Farm and Home class was calculated. If a correction is necessary, please file a copy of all schedules that would require updating as a result.

R. This amount listed for Consumer Services for the Farm and Home class is a correct amount. It comes from Schedule 6 of Exhibit R, page 22 of 55, Line 42 in the last column on that page titled Schedule 1, Farm and Home, Consumer. The amount listed in that cell is $5,289,298. This amount differs from the amount contained on schedule 4, page 13 of 55 because it was felt that the COSS model allocations did not fully reflect an amount indicative of these costs for Gallatin Steel. This difference amounts to $69,362.

Gallatin Steel is the largest retail customer on Owen and the whole East Kentucky Power System. Its billing is much more involved and complex than any other customer and the customer service provided by Owen to Gallatin is provided from the highest echelons of Owen Electric. Based on inputs from management and its consultant, it developed an estimate of approximately 30 hours each month deals with services to Gallatin with an all inclusive cost of $100 per hour. This results in annual amount of $36,000. The remaining $33,362 is based on an estimate of PSC assessment that Owen would pay based on the revenues and costs associate with Gallatin Steel. provided below is the calculation of the PSC assessment.

Normalized Revenue from Gallatin Steel	38,931,361
Normalized Purchased Power Costs	38,578,211
Amount Subject to PSC Assessment	
(Revenue minus one-half the purchased power costs)	$ 19,642,255
Rate	0.00170
	33,362

This amount was subtracted from the Consumer Services amount for the Farmy and Home rate class.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R of the application, Schedule 6, pages 29 and 32 of 55.

a. For accounts 580-589 and the line Total Operations, the logic for allocating these accounts seem to be circular. It appears that the "Dist Oper" allocation factor is derived from numbers in the Total Operations line, which themselves are the sum of accounts 580-589. However, accounts 580-588 are also allocated using the "Dist Oper" allocation factor. Explain the circularity of this methodology.

R. a. Schedule 6 attempts to complete two of the necessary tasks associated with a COSS. The first task is the assignment of expenses to their functional areas which includes the below listed functions:

Purchased power
Lines
Transformers
Services
Meters
Consumer and accounting services, and
Outdoor lighting

The second task is the classification of the functionalized expenses as either demand-related, energy-related or consumer-related. For a distribution cooperative, all distribution expenses are either demand-related or customer-related. There are no distribution expenses that are energy-related. Two functionalized expenses areas contain both demand-related and consumer-related expenses and these areas are lines and transformers. The expenses in the functions for services, meters and consumer and accounting services are all considered to be consumer related.

For accounts 582 through 589, the approach taken is the following.

Account	Description	Function	Classification
582	Station Expense	Lines	Demand & Consumer
583	Overhead Line Exp.	Lines	Demand & Consumer
584	Underground Line Exp	Lines	Demand & Consumer
586	Meter Expense	Meters	Consumer
587	Consumer Installations	Lighting	Lighting

Account	Description	All above	Classification
580	Operations Supv & Eng	All above	Proportional to Above
588	Misc. Distribution Exp	All above	Proportional to Above
589	Rents	All above	Proportional to Above

Accounts 580, 588, and 589 allocated to the functions and classifications in proportion to the expenses for accounts 582 through 587. The Total Operations line is strictly a sum of the functions and classifications.

The rationale for this breakdown and approach is for the allocation of these costs to the appropriate rate class and for rate design purposes. Schedule 2 of this COSS provides a statement of operations in functional classification for the expense categories. One explicit example if the fact that a demand related expense is listed for lines as well as a consumer-related costs for lines. This breakdown allows for the potential for a differentiation of line costs in rate design. The process and approach used in schedule 6 helps to facilitate this process.

Q. b. A similar argument also applies to accounts 590-598 and line Total Distribution Maintenance. Explain the circularity of this methodology.

R. b. The response provided to item a listed above is appropriate for this item also. For accounts 590-598, the approach taken is the following:

Account	Description	Function	Classification
592	Maint of Station Equip	Lines	Demand & Consumer
593	Maint. Overhead Lines	Lines	Demand & Consumer
594	Maint of Underground Lines	Lines	Demand & Consumer
595	Maint Line Transformers	Transformers	Demand & Consumer
596	Maint of St Lg & Signal Sys	Lighting	Street Lighting
597	Maintenance of Meters	Meters	Consumer Related
598	Maint Misc Distrib Plant	All above	Proportional to Above
590	Maint Supv & Eng	All above	Proportional to Above

Accounts 590 and 598 are allocated to functions and classifications in proportion to the expenses for accounts 592 through 597.

Q. c. Explain where in the cost-of-service study the allocation factors for accounts 582, 583, 584, 593, and 594 are derived.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

R c. The basis for the assignment of the expenses in accounts 582, 583, 584, 593, and 594 as demand-related or consumer-related is contained in schedule 8 of the COSS on pages 38 through 41. In this schedule plant investment for poles, conductor and transformers is identified as either demand-related or consumer related based on the minimum system concept. Based on the percentage of investment that may be considered as demand-related or consumer related, the expenses associated with these investments is proportioned in the same manner.

Q. d. Explain whether there were any operational expenses related to poles and transformers during the test year and, if so, where those expenses appear in the cost of service study.

R d. Operational expenses for poles and transformers are integral part of schedules 4, 5 and 6 in the COSS. These schedules are on pages 13 through 34 of Exhibit R. The operational expense accounts for poles and transformers are contained in accounts 582, 583 and 584 in schedule 6 are classified as line expenses with demand-related and consumer-related components based on allocations from Schedule 9. In schedule 5 these line expenses are assigned to rate classes on the following basis. The demand-related costs are allocated to rate classes based on the sum of the rate class peak demands from Schedule 10. The consumer-related costs are allocated to the appropriate rate classes based on allocation percentages from Schedule 11.

For lines and transformers, the following percentages are utilized for the demand component and for the consumer component from Schedule 9.

Category	Demand Related	Consumer Related
Lines	68.23%	31.77%
Transformers	65.09%	34.91%

For the further assignment of these costs to the appropriate rate classes, the below listed amounts were taken from Schedules 10 and 11.

	Demand-Related	
Rate Class	Lines	Transformers
Schedule I - Farm and Home	66.20%	70.21%
Schedule IA - Off Peak Marketing	0.00%	0.00%
Schedule I - Small Commercial	4.75%	5.01%

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Rate Class	Lines	Transformers
Schedule II - Large Power	16.57%	17.47%
Schedule XI - Large Industrial Rate LPB1	4.72%	4.98%
Schedule XIII - Large Industrial Rate LPB2	5.11%	0.00%
Schedule XIV - Large Industrial Rate LPB	1.19%	1.26%
Schedule 2A - Time of Day	0.32%	0.34%
Schedule III - Security Lights	0.59%	0.62%
Schedule OLS - Outdoor Lighting Service	0.10%	0.11%
Schedule II SOLS - Special Outdoor Lighting Service	0.02%	0.02%
	100%	100%

	Consumer-Related	
Rate Class	Lines	Transformers
Schedule I - Farm and Home	95.01%	91.11%
Schedule IA - Off Peak Marketing	0.00%	0.00%
Schedule I - Small Commercial	3.89%	5.91%
Schedule II - Large Power	0.43%	1.98%
Schedule XI - Large Industrial Rate LPB1	0.02%	0.35%
Schedule XIII - Large Industrial Rate LPB2	0.00%	0.00%
Schedule XIV - Large Industrial Rate LPB	0.01%	0.16%
Schedule 2A - Time of Day	0.01%	0.06%
Schedule III - Security Lights	0.53%	0.35%
Schedule OLS - Outdoor Lighting Service	0.01%	0.01%
Schedule II SOLS - Special Outdoor Lighting Service	0.08%	0.05%
Gallatin Steel	0.00%	0.00%
	100%	100%

Q. e. Explain where the allocator for account 589 Rents is derived.

R. e. Account 589 Rents is allocated proportional on the basis of the allocated expenses for accounts 582 through 587.

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RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R, Schedule 6, pages 30 and 33 of 55.

a. Explain whether accounts 920-935 are allocated using the "Dist Plant" allocation factor

R. a. Accounts 920-935 are allocated in schedule 6, pages 30 and 33 of 35 on the basis of the percentages developed in Schedule 8 for the Net Investment Rate Base. The percentages listed under general plant in Schedule 8 are the basis for the allocations of accounts 920-935. The process is really a two step one. One schedule used to develop these percentages was not printed as a part of Schedule 9 in the COSS. That schedule in summary form is provided below:

Wages & Salaries	Total	Percent	Without Admin&Gen	Percent
Distribution Operations	1,539,255	32.6%	1,539,255	40.9%
Distribution Maintenance	873,879	18.5%	873,879	23.2%
Consumer Accounts	1,179,991	25.0%	1,179,991	31.4%
Consumer Assistance	168,998	3.6%	168,998	4.5%
Administrative & General	960,917	20.3%		
Total	4,723,040	100%	3,762,123	100%

The general plant allocator is a combination of the Distribution Plant percentages and the percentages in the above listed schedule.

Q. b. The allocation factor for "total Admin & General" is listed as "Dist Plant," but on Schedule 8, page 37 of 55, the allocation factor appears to be "Total General Plant." Which allocation factor should be used on Schedule 6?

R b The proper allocation factor is the one identified as "Total General Plant" General Plant has been assigned the general functions of distribution, consumer accounts and consumer assistance on the basis of wages and salaries. 35.9 percent of General Plant is Assigned to the Consumer and Accounting functions and with the remainder split among the distribution of lines, transformers, services, meters, and lighting on the basis of allocated distribution plant in Schedule 8.

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RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R of the application, Schedule 6, page 31 of 55. Explain why why Forfeited Discounts and Miscellaneous Service Revenues are allocated based on Rate Base rather than direct assgnment.

R Since these items are not accounted for on a basis that would allowed for direct assignment, Rate Base has been the basis for the allocations of all other income or miscellaneous income amounts.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R of the application, Schedule 8, page 37 of 55.

a. Explain why the allocation factor for account 367 appears to be the same allocation factor derived on Schedule 9, page 40 of 55, which is a combination of investment in Overhead Conductor and Poles.

R a Account 367, Underground Conductors and Devices, has utilized the same allocation factors as for overhead lines. The rationale for utilizing this same allocation factors for electric cooperatives has been these:

1. The investment in these types of facilities is much less than overhead lines for most electric cooperatives; and
2. The minimum size and/or minimum system concept normally embraces a minimum cost approach as well and the cost for overhead installations is normally less.

Q. b. Explain why the allocation factor for account 364 Poles, Towers, and Fixtures does not seem to match the allocation factor derived on Schedule 9, page 38 of 55.

R. . The allocation factor for Account for Poles Towers and Fixtures used on page 37 is based on the allocation factors in Schedule 9 for Lines. This allocation factor is a weighted average of the percentages developed for poles and conductor.

Q. c. Explain what the number "187,857,581" appearing in the $$$$ column represents.

R. c That amounts is the sum of Total Utility Plant plus CWIP.

Q. d. Explain the rationale for and what allocation factor is used for "Accumulated Depreciation."

R. d. The basis for the allocation factor for "Accumulated Depreciation is Total Utility plant from Schedule 8.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. e. Explain the derivation of the allocation factor for "Total General Plant."

R. e. Please see the explanation provided in the answer to Item 15a.

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RESPONSES TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R, Schedule 9, page 38 of 55. Were the 28 foot aluminum and fiberglass poles included in the regression? If not, explain why not?

R. These poles were not included in regression because these poles are not poles normally used in the distribution lines for minimum service type conditions.

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RESPONSE TO COMMISSIONS STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R, Schedule 9, page 39 of 55. Provide an explanation for the size of overhead conductor that is currently being installed.

R. The minimum size overhead conductor currently being installed is 2 ACSR and it has historically been the size installed.

Owen Electric Cooperative
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Response to Commission Staff's Second Data Request

Q. Refer to Exhibit R Schedule 9, pages 40-41.

a. Provide an explanation of which are transformers are currently being installed.

b. The minimum size transformers currently being installed by rate class are listed below:

Schedule	Size
Schedule 1 - Resi Farm & Home	10 KVA
Schedule I - Off Peak Marketing	-
Schedule I - Small Commercial	25 KVA
Schedule II - Large Power	25 KVA
Schedule XI - Large Industrial Rate LPBI	1000 KVA Pad
Schedule XIII - Large Industrial Rate LPB2	-
Schedule XIV - Large Industrial Rate LPB	500 KVA Pad
Schedule 2A - Time of Day	25 KVA
Schedule III Security Lights	1.5 KVA CSP
Schedule OLS - Outdoor Lighting Service	1.5 KVA CSP
Schedule II OLS - Special Outdoor Lighting	1.5 KVA CSP

Q. b. On page 40 of 55 in the "Size" Column, there are three sets of transformers ranging in size form 7.5 kVa to 50 kVa which have corresponding values in the "Predicted Value" column. Explain whether the three sets of transformers were the only sizes used in the regression whether the corresponding sized transformers were summed together for use in the regression.

R. b. All three sets of transformers were used in the regression and the corresponding sizes were summed for use in the regression.

RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

Q. Refer to Exhibit R, Schedule 10, pages 42-45.

a. Explain how and where the rate class percentages on pages 42-45 of 55 are used in the cost of service study. On Schedule 5, page 21 of 55, lines 2 and 3, the allocation factors do not appear to match any allocation factor in schedule 10.

R. a. The allocation factors for lines 2 and 3 do come from Schedule 10. For line 2, the rate classes of Schedule XI - LPB1, Schedule XIII - LPB2 and Schedule XIV - PPB are based on EKPC's Schedule B and these allocations are contained in Schedule 10, Part B at the bottom identified as Rate B Percent. All other rate classes are based on the same part identified as Rate E Percent as these rates are based on EKPC's Schedule E. The purchased power costs comes from the adjustment to purchased power costs or Exhibit 14 of the original application.

For line 3, the same basis does apply. For the above three rate schedules based on EKPC's Schedule B, their energy allocation comes from Schedule 10, Part A at the bottom identified as Rate B Percent. All other rate classes are based on the same part identified as Rate E Percent. Additionally, the purchased power costs come from Exhibit 14.

Q. b. On pages 47 of 55 for the Total Column, explain how the Transformers number was derived and how the resulting percentages derived from Class monthly peak demands are used.

R. b. The transformer percentage was derived by a summation for those rate classes for which Owen supplies the transformer.

Q. c. Explain how Rate Class CP and Monthly Peak Demands are derived.

R. c. The Rate Class CP and Monthly Peak Demands is based on information provided by East Kentucky Power Cooperative ("EKPC"). EKPC conducts load research throughout the distribution cooperative systems served. Based on the load research of EKPC and the billing analysis provided to EKPC, the monthly contributions to the CP demand, the monthly class peak demands and the sum of the monthly peak demands for all consumers by rate class is developed by EKPC and then given to the cooperative for use in their cost of service studies.

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Q. Refer to Exhibit R of the application, Schedule 11, pages 48-51 of 55.

a. Explain the differences in Number of Customers shown on these pages.

R. a. The allocation factors developed in this schedule has the purpose to allocate the consumer related costs. Some the costs are based on accounts while others is based on number of services offered.

The reasons for the difference in customers is the following reasons:

1 Lines - Number of customers is based on the number of individual accounts. None is listed for the Off-peak Marketing rate because this rate is for ETS purposes. The lighting accounts are based those lighting where the account is strictly lights only with no other type of service on that account.

2 Transformers - The Off-peak Marketing rate has none for the same reasons as for lines above. The other differences rests with the lighting rates and is based on the number of transformers that have been installed for lighting reasons alone. All other rate classes list the same number of customers.

3 Services - The Off-peak marketing rate lists customers for the first time because additional service has been provided for installation. Additionally, services are installed for all the lights and that is the reason for the change in customers there. All other rate classes continue to have the same number of customers.

4 Meters - The number listed is the same as services but not all are used in the development of the allocation factors.

5 Consumer and Accounting Service - Same number as for lines except the customers for Off-peak Marketing is included because they do create some consumer and accounting costs.

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Q. b Explain how the Relative Cost was determined on pages 49-51.

R b. The relative cost is based on multiple of the basic cost of the service for the residential rate class and applies only to transformers, services and meters. The relative cost for residential is always set at one (1.0) and the costs for all other classes are determined relative to the cost for the residential class.

Using transformers, the cost for the residential class for the minimum size transformer is $401.25. The costs for the small commercial class is $636.29 or 1.59 times the cost of the transformer for the residential class. This same process is followed for all other relative value calculations.

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2nd Data Request of Commission Staff

Item 23
Page 1 of 1
Witness: Jim Adkins

Q. Refer to Exhibit R of the application, Schedule 11, pages 53-55. Explain how the "Factor" column on these pages were determined.

R. The factors for these pages have the following basis:

1 For meter reading, a factor of one was utilized for those rate classes with energy charges. A factor of two was assigned to those rate classes with demand and energy charges. And a factor of four was assigned to those rate classes with its rates based on special wholesale rates with ratcheted or excess demands and energy minimums based on the demand. The rationale is to develop a factor that measures the cost of meter readings for each type of customer and rate class.

2 For consumer records, the factor attempts to measure the cost for record keeping each type of consumer and is based on bill complexity. For a residential customer as an example, a rate for the customer charge exists, plus one for energy with two adjustment clauses: the fuel adjustment clause and the environmental surcharge. The rate classes based on special wholesale rates have demand minimums and energy which increases their factor. Gallatin Steel has the most complex bill.

3 For customer assistance, a factor of one was assigned to all classes with exception of the lighting classes and Gallatin Steel. Lighting was given a factor of .25 while Gallatin was assigned a factor of 100. This high factor for Gallatin Steel does not provide a cost that comes any where near the amount of time spent on Gallatin or the cost.

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Second Data Request of Commission Staff

24. Refer to Exhibit S of the application, which shows the amount of the proposed increase based on attaining a Times Interest Earned Ratio ("TIER") of 2.0x.

a. Describe the methodology employed by Owen in determining that 2.0x was the appropriate TIER on which to base its requested rate increase.

Response:

A TIER of 2.0x will allow Owen to increase its margins, which will result in an increase in equity. This will allow Owen to meet its mortgage requirement for TIER and DSC, and hopefully, allow it to continue to return capital credits to its members.

b. Is Owen aware of any studies performed by Rural Utilities Service or the National Rural Utilities Cooperative Finance Corporation ("CFC") on the subject of the appropriate TIER level for an electric distributive cooperative? If yes, identify the studies and when they were performed.

Response

Owen is not aware of any studies performed by either RUS or CFC that addresses an appropriate TIER level. Both have minimum requirements in their mortgage agreements. CFC will periodically address equity levels, but does not give a specific or target level that is appropriate, but does give ranges. This is generally about 35%.

c. Owen's request in this case for a 2.0x TIER would produce net margins of roughly $4.3 million. For each of the 5 calendar years immediately preceding the 2007 test year, provide the approximate net margins that would have been realized if Owen had achieved a TIER of 2.0x.

Response

Year	Net Margins
2006	$3,478,074
2005	$2,770,461
2004	$2,081,637
2003	$2,028,332
2002	$2,388,491

Owen Electric Cooperative
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Second Data Request of Commission Staff

25. Refer to Exhibit X of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately proceeding the test period.

a. Page 2 of 9 shows that Account 580.00, Operations Supervision, decreased from $405,818 in 2006 to $199,788 in 2007. Provide a detailed explanation for why this expense decreased by this magnitude.

Response: Labor expense was lower during 2007 due to vacancy in the SR VP – Engineering & Operations position. Additionally, more supervisory time was capitalized during 2007 as a result of labor analysis, thus reducing the amount charged to this account.

b. Page 2 of 9 shows that Account 584.00, Underground Line Expense, increased from $278,932 in 2006 to $449,924 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

Response: Larger amounts of transformers purchased during 2006, resulting in larger credit for installation labor than in 2007. The installation labor charge for 2006 was $517,471 as opposed to $55,952 for 2007.

c. Page 2 of 9 shows that Account 586.00, Meter Expense, increased from $290,168 in 2006 to $522,168 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

Response: Implementation of AMI project during 2007 required larger amounts of internal labor expensed to this account as well as additional contractor expenses. See response to question 28(c) for detailed cost information regarding the AMI project.

d. Page 3 of 9 shows that Account 588.10, IT, decreased from $424.578 in 2006 to $138,834 in 2007. Provide a detailed explanation for why this expense decreased by this magnitude.

Response: Wages and salaries for the Information Technology group were charged to account 588.10 during 2006. These expenses were allocated differently during 2007. $247,170 of the difference was charged to 920.10 during 2007.

e. Page 3 of 9 shows that Account 590.00, Maintenance Supervision and Engineering, decreased from $267,115 in 2006 to $66,532 in 2007. Provide a detailed explanation for why this expense decreased by this magnitude.

Response: Labor expense was lower during 2007 due to vacancy in the SR VP – Engineering & Operations position. Additionally, more supervisory time was capitalized during 2007 as a result of labor analysis.

f. Page 4 of 9 shows that Account 901.00, Supervision, increased from $86,672 in 2006 to $145,212 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

Response: Supervisors of the Customer Service group charged more labor to 901.00 during 2007 than they did in 2006, $45,295 in 2007 vs. $13,364 in 2006. During 2006, more time was charged to other accounts, especially account 903.00.

g. Page 6 of 9 shows that Account 926.00, Employee Pensions and Benefits, increased from $57,303 in 2006 to $142,947 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

Response: Amounts recorded in this account are for miscellaneous retiree benefits, as well as miscellaneous earnings for current employees that are then cleared out to other accounts based on the allocation of labor for the employees' regular labor. Because the miscellaneous earnings amount originally charged here are allocated through the payroll process, associated benefits relating to those earnings are also charged here, and then cleared out as appropriate. During 2007, some benefit allocation charges were not cleared out as they should have been, resulting in a larger balance at the end of 2007.

h. Page 6 of 9 shows that Account 403.60, Distribution Depreciation, increased from $6,747,678 in 2006 to $8,992,599 in 2007. Provide a detailed explanation for why this expense increased by this magnitude.

Response: As a result of the implementation of the AMI project, old meters needed to be retired during 2007. This resulted in an adjustment of $1,500,000 in additional depreciation expense during 2007. See question 28(b) for a detailed explanation regarding this entry.

i. Page 6 of 9 shows that total depreciation in 2007 was $9,656,698, but page 2 of Exhibit 3 of the application states that test year depreciation was $10,118,271. Provide a detailed explanation for the discrepancy between the two reported depreciation expenses.

Response: The difference of $461,573 between the two expenses is the depreciation expense for transportation, power operated equipment, and other tangible property that is charged to clearing accounts and cleared to all other accounts as appropriate.

Witness: Alan Zumstein

Owen Electric Cooperative
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Second Data Request of Commission Staff

26. On page 1 of 8 of Exhibit 1, Owen states that its union employees are granted wage increases in August of each year. The wage increase for the union employees for 2008 is 3.5 percent. Provide all employment contracts between Owen and its union employees that are currently in effect and the most recent contracts previously in effect.

Response

See Exhibit 21 of the application. The current contract is included as pages 1 through 23 and the previous contract is listed as pages 24 through67.

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27. Listed on the "Employee Earnings and Hours" schedule contained on pagers 3-6 of Exhibit 1 is a column entitled "performance bonus."

a. Provide a detailed description of the performance bonus, including the criteria used in granting the bonus and in determining the amount each employee receives.

Response: Performance bonuses are calculated based on a set of Key Performance Indicators which are developed by the cooperative's President/CEO and approved by the Board of Directors. The Key Performance Indicators are established in the areas of safety, reliability, cost, customer service, and finance. Each indicator has a threshold, target, and stretch goal established, and a payout value is established for each. Different payout values are set for employees and management staff. The management staff category is further broken down into Department Heads, VP/Manager, and Line Managers. The President/CEO is not included in the Performance Incentive Program.

b. Provide copies of any written policy Owen has regarding the performance bonuses.

Response: There are no written policies regarding how the performance incentives are determined. They are established at the discretion of the CEO/President and approved by the Board of Directors, as per the attached Wage and Salary Policy.

WAGE AND SALARY POLICY

I OBJECTIVES

A. To establish salaries that will attract and retain qualified personnel and encourage strong performance, growth and development.

B. To provide the employees with an assurance that his or her salary compares fairly with what is paid for other positions having similar duties and responsibilities within the area that the Cooperative recruits.

C. To assure both management and employees that performance will be appraised systematically, fairly and consistently, and that each employee will be provided with the advice, counsel, assistance and training needed to enable them to develop, improve and advance within the organization within demonstrated capabilities.

D. To enable management to determine more accurately budget requirements and training needs and to do this on a planned and controlled basis.

II. POLICY CONTENT

A. Each year, CEO/President shall present to the Board of Directors any revisions to the ranges in the Wage and Salary Plan. These revisions will be based on the COMPensate™ methodology, which reflect changes in labor market values.

B. The CEO/President shall recommend an annual salary increase budget to the Board of Directors for their consideration and action no later than the November meeting. This budget will include both merit and performance incentive increases.

III. RESPONSIBILITY

A. The CEO/President is responsible to fulfill the provisions of this policy and to report annually to the Board of Directors on how the plan is being administered.

B. The Board of Directors is responsible for approving any changes in this policy.

Date Policy Reviewed by Board 08/23/07
Amended:

08/23/07	01/26/95	08/24/89
10/25/01	01/27/94	02/23/89
02/24/00	01/28/93	02/25/88
01/26/99	02/27/92	09/25/86
01/22/98	10/24/91	
01/23/97	01/24/91	
01/25/96	01/25/90	

Owen Electric Cooperative
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Second Data Request of Commission Staff

24. Refer to Exhibit 3 of the application.

a. On page 1 of 6, Owen states that the depreciation study completed on December 31, 2005 will be updated when its meters are replaced with the Automated Meter Information ("AMI") technology. Provide the projected date the depreciation study will be completed and submitted to the Commission.

Response

Owen has already contacted Gannett Fleming Valuation and Rate Consultants, Inc. to commence the preparation of the depreciation study. The completed study will be submitted to the Commission immediately upon completion of the study.

b. On page 1 of 6, Owen states that, as a result of the implementation of the AMI system, the old meters were retired in 2007 and $1,500,000 has been removed from the proposed depreciation expense through the normalization process. Provide a schedule showing how the $1,500,000 was eliminated from pro forma operations and amounts that Owen uses to offset the decrease.

Response

The depreciation of $1,500,000 included for meters written-off during the year was eliminated from the pro forma depreciation by not including it in the normalized deprecation expense. This was included in depreciation expense during the test year.

c. Provide the time line for the installation of the AMI meters, a comparison of the project costs that have been incurred to date to the projected costs, and the total projected cost of the AMI project.

Response

The AMI meter project started during the last quarter of 2006. It is scheduled to be completed in the last quarter of 2008. The total project was estimated to be completed in approximately 24 months. Project costs are as follows through October 2008:

	Incurred to Date		Total
	Budget	Actual	Project
Capital	8,090,925	8,550,131	8,329,378
Expense	523,526	172,916	598,315

d. On page 2 of 6, there is a schedule comparing the normalized depreciation with the test year expense. Provide the account detail for test year depreciation expense for the distribution plant that totals $8,992,599.

Response

Acct	**Description**	**Dep Amount**
364	Poles	2,208,821
365	Overhead conductor	1,789,754
367	Underground conductor	1,226,663
368	Transformers	695,152
369	Services	864,689
370	Meters	140,744
370.10	Meters, AMI	263,436
370.20	Meters, AMI comm. Devices	51,615
370.30	Meters, AMI software	6,054
371	Install on cust. premises	240,433
373	Street lights	5,238
	Subtotal	7,492,599
370	Meters, additional	1,500,000
	Total for test year	8,992,599

e. On page 2 of 6, Owen proposes a depreciation rate of 6.67 percent for AMI-associated capital costs. Provide a narrative description, along with any related workpapers, spreadsheets, etc. that show how Owen's AMI depreciation rate was derived.

Response

AMI technology has not been used long enough to develop either vintage or simulated lives. Therefore, estimated lives have been used based on conversations with vendors and other distribution electric cooperatives that use this, or similar, technologies.

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29. Refer to Exhibit 4, page 6 of 6, of the application, Analysis of Other Operating Taxes. The item shown on lines 15-19 is identified as the Public Service Company Assessment. Provide a detailed description of this tax.

Response

As a public service company, Owen must pay taxes on its real property, tangible property, and manufacturing machinery. This return is filed with the Kentucky Revenue Cabinet, Property Tax Valuation Department, each year. The total tax reflected on page 6 of 6, lines 17-19, is paid to the Kentucky State Treasurer.

The total as reported to the Revenue Cabinet is further allocated to each of the taxing districts as listed in Exhibit 4 of the application.

Witness: Alan Zumstein

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30. Refer to Exhibit 5 of the application.

a. Explain how it was determined that the proposed revenue increase would be sufficient to allow Owen to repay approximately one-half of the short-term note payable.

Response

Short term debt is issued for payments related to expenses in the ordinary course of business, the purchase power bill, material and supplies, insurance as it comes due, construction projects, and others, when there is insufficient funds available. The short term debt is repaid from cash generated from operations and from advances on long term debt. Since the amount of short term debt is more than the revenue requested in this application ($$5,7 million short term debt and 44 million rate request) it is estimated that the additional revenues will come in at approximately 1/12 each month and the short term debt is the full amount at the end of the test period. As such, it is estimated that it will take well in excess of one year to generate the funds to repay the short term debt. That is the reason the adjustment for short term interest was estimated at one-half.

b. Page 2 of 3 is a schedule of Owen's outstanding long-term debt. Identify each of the long-term debt issuances that has a variable interest rate, explain the basis for changing the variable rate, and state how often the rate can be modified during the year.

Response

Owen does not have any variable interest rate notes. There are several that have short-term fixed rates that have repricing of interest rates that vary from 1 to 3 years. These are reflected in the response to Item 30.e. attached.

c. For those long-term debt issuances identified in 30(b), provide a schedule showing the effective interest rates for the 2-year period from January 1, 2006 through December 31, 2007.

Response

Not applicable since there are no variable interest rate loans.

d. There are approximately 4 CFC loans that have maturity dates ranging from August 2005 through August 2008. Given that these loans have matured, explain why Owen has included the interest associated with these loans in its calculation of annualized interest.

Response

The maturity date on these and subsequent CFC loans have been listed incorrectly. See e. attached for the correct maturity dates.

e. Provide an update of the schedule on pages 2 and 3 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

Response

See attached.

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Schedule of Outstanding Long-Term Debt
December 31, 2007

Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	f = fixed v = variable	Interest Rate Term	New Repricing Date	Cost Rate to Maturity 9/30/2008	Annualized Cost
RUS loans								
B320	Dec-95	Nov-2030	1,547,468	f	1 yr	12/1/2008	3.620%	56,018
B321	Apr-96	Apr-2031	1,467,067	f	maturity		5.370%	78,781
B325	Nov-97	Nov-2032	1,557,195	f	1 yr	12/1/2008	3.620%	56,370
B326	May-98	May-2033	1,367,696	f	maturity		4.370%	59,768
A330	Nov-2007	Nov-2042	13,000,000	f	2 yr	10/1/2009	4.460%	579,800
			18,939,426					830,739
FFB loans								
FFB0010	Jan-99	Dec-2033	2,474,833	f	maturity		5.913%	146,337
FFB0015	Jan-99	Dec-2033	2,727,444	f	maturity		5.417%	147,746
FFB0020	Jan-99	Dec-2033	10,829,888	f	maturity		5.298%	573,767
FFB0050	Sep-2003	Aug-2038	11,518,913	f	maturity		5.277%	607,853
FFB0060	Sep-2003	Aug-2038	3,437,548	f	2 yr	1/1/2010	4.815%	165,518
FFB0065	May-2006	May-2041	4,902,463	f	maturity		5.192%	254,536
FFB0070	Sep-2006	Aug-2041	970,847	f	maturity		4.917%	47,737
			36,861,936					1,943,493
CFC loans								
9004	Apr-73	Apr-2008	14,935	f	maturity		7.00%	1,045
9008	Feb-74	Feb-2009	24,533	f	maturity		7.00%	1,717
9011	Mar-75	Mar-2010	95,263	f	maturity		5.80%	5,525
9014	Jul-76	Jun-2011	142,089	f	maturity		6.00%	8,525
9016	Nov-77	Nov-2012	374,990	f	maturity		6.05%	22,687
9019	Mar-80	Mar-2015	665,845	f	maturity		6.10%	40,617
9021	Nov-81	Oct-2016	916,744	f	maturity		6.20%	56,838
9024	May-85	May-2020	619,851	f	3 yr	5/1/2010	6.50%	40,290
9025	Nov-87	Nov-2022	1,337,950	f	3 yr	5/1/2010	6.50%	86,967
9026	Oct-91	Oct-2026	1,649,019	f	1 yr	5/1/2009	5.55%	91,521
9027	Jan-94	Jan-2029	2,150,257	f	1 yr	5/1/2009	5.70%	122,565
902801	Aug-96	Aug-2031	1,300,017	f	1 yr	5/1/2011	5.95%	77,351
902802	May-97	May-2032	1,477,970	f	1 yr	5/1/2011	6.15%	90,895
9031004	Aug-2003	Aug-2007	0	f	maturity		3.50%	0
9031005	Aug-2003	Aug-2008	1,219,376	f	maturity		3.50%	42,678
9031006	Aug-2003	Aug-2009	1,219,376	f	maturity		3.95%	48,165
9031007	Aug-2003	Aug-2010	1,219,376	f	maturity		4.45%	54,262
9031008	Aug-2003	Aug-2011	1,219,376	f	maturity		4.70%	57,311
9031009	Aug-2003	Aug-2012	1,219,376	f	maturity		5.00%	60,969
9031010	Aug-2003	Aug-2013	1,219,376	f	maturity		5.20%	63,408
9031011	Aug-2003	Aug-2014	1,219,376	f	maturity		5.40%	65,846
9031012	Aug-2003	Aug-2015	1,219,376	f	maturity		6.65%	81,089
9031013	Aug-2003	Aug-2016	1,219,376	f	maturity		5.65%	68,895
9031014	Aug-2003	Aug-2017	1,219,376	f	maturity		5.70%	69,504
9031015	Aug-2003	Aug-2018	1,219,376	f	maturity		5.80%	70,724
9031016	Aug-2003	Aug-2019	1,219,376	f	maturity		5.85%	71,333
9031017	Aug-2003	Aug-2020	1,219,376	f	maturity		5.90%	71,943
9031018	Aug-2003	Aug-2021	1,219,376	f	maturity		6.60%	80,479
			27,840,727					1,553,149
Total long term debt and annualized cost			83,642,089					4,327,381
Annualized cost rate [Total Col. (j) / Total Col. (d)]								5.17%

Witness: Alan Zumstein

Owen Electric Cooperative
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31. Refer to Exhibit 7 of the application.

a. In calculating its proposed retirement and security expense, Owen uses normalized base wages of $7,172,880, however, Owen calculates projected wages of $8,277,749 on Exhibit 1. Provide a detailed explanation for the discrepancy between the wages listed on the two exhibits.

Response

Owen pays retirement benefits on base wages only, not overtime and other compensation. Owen used the base normalized wages for salary and hourly employees to arrive at the total wages eligible for retirement benefits.

b. Owen lists the contribution rates for the non-union and union employees, but uses a different rate in calculating its adjustment. Provide the basis for the rate used by Owen in its calculation.

Response

Owen used a composite rate based on internal projections as follows:

Non-union	4,142,809	18.64%	772,220
Union	2,696,204	17.23%	464,556
Total est. contributions			1,236,776
Total est. wages	6,839,013		6,839,013
Composite rate			18.08%

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Refer to Exhibit 9 of the application

a. Owen identifies Execquest as a "Professional Recruiter" and reports paying them $6,250 during the test period. Describe the nature of the services provided by Execquest and explain whether Owen considers this to be a normal recurring expense.

Response: Execquest is a professional recruiting consulting company Owen has utilized since 2005 to assist in filling management level employment vacancies. Owen plans to continue to utilize this service, on an as needed basis, to assist in this capacity. While there are no specific plans in this regard, Owen does anticipate vacancies will occur over the next several years as a result of upcoming retirements. Professional recruiting services will likely be needed on those occasions.

b. Describe the nature of the expenditure of $4,779 for "Architectural design" paid to CDS Associates and explain how this expenditure benefits Owen's customers.

Response: This expenditure was for the initial study to determine the feasibility of converting the headquarters facility into a "green" facility. The project was undertaken to improve efficiency, promote environmental awareness, and to reduce costs by making facility improvements. However, after evaluating the initial reports, the project was determined not to be cost effective, and was dropped. Owen will continue to pursue areas where cost efficiencies can be attained by managing our facilities in the best possible way.

c. Describe the nature of the expenditure of $2,905 for "Emergency tabletop exercise" paid to Coop Consulting Group and explain how this expenditure benefits Owen's customers.

Response: This expenditure was for assisting Owen in conducting the first emergency response tabletop exercise required by RUS. This was a new requirement and Owen did not have the internal expertise at the time to complete this exercise. It benefited our members by helping to determine restoration policies and procedures and expedite outage restoration time.

d. Describe the nature of the expenditure of $5,215 for "Ky Wins Job Evaluation" paid to KCTS and explain how this expenditure benefits Owen's customers.

Response: The Ky Wins Job Evaluation is a grant program sponsored by the Kentucky Community College System that provides for DACUM evaluations of selected job descriptions. Under this program each selected job is evaluated for the required job duties and tasks, and the skill set needed to successfully perform the job is determined. The grant program provides for this evaluation at a substantially reduced fee and provides for a better understanding of the requirements for each position. This is a great benefit when the evaluated jobs become vacant because Owen has a clear understanding of the qualifications needed for each position. The program promotes efficiency and accuracy in the hiring process by ensuring that only qualified candidates are considered for employment. The program also improves efficiency by assisting existing employees in skill improvement and better knowledge of their jobs. This is an on-going project which Owen expects to continue for some time. There are still many job descriptions that need to be evaluated and as new positions are developed, they will need evaluation as well.

e. During the test period, Owen paid $23,996 to NRECA for "AMR Consulting fees." Describe the nature of the expenditure and explain why it was expensed rather than capitalized as overhead cost for the AMI project.

Response: This expenditure was for the consultation services provided by NRECA employees in implementing the AMI project. These individuals assisted Owen employees in setting up the project, developing tracking mechanisms for all aspects of the project, and assisting with vendor negotiations. The costs were expensed because they were supportive in nature and not directly related to the installation of the meters themselves. This was a benefit to our members by ensuring that the project was implemented in an appropriate, cost effective, way and that the best possible prices were negotiated with the vendors selected. The AMI project as a whole is proving to be a benefit to our members by reducing the number of trips needed, reducing disconnect and reconnect times, providing improved communications with the meters and therefore improving reliability and reducing outage times. It also will provide for additional rate design options in the future that will hopefully provide our members with gains in efficiency and reduced costs. It is anticipated that updates will be needed which will necessitate the need for additional consultations, training, and other related expenses. These costs will be necessary to maintain the AMI system and to provide the continued value the system is designed to obtain. Additionally, expenses relating to expanded use of the AMI system will likely be needed.

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33. Refer to Exhibit 11 of the application

a. Owen states that the annual meeting and general advertising costs have been eliminated which would be a decrease to operating expenses of $26,493. However, Owen shows the elimination as an increase of $6,279 on Exhibit S, page 3 of 4. Provide a detailed explanation.

Response: The $(6,279) is the result of adding the eliminated amounts of ($16,386) and $10,107 for accounts 930.10 and 930.40 respectively, and is a credit. The credit balance would then necessitate the ($6,279) being added back in on the Exhibit S schedule. The reason for the credit after elimination for account 930.10 is that Owen received reimbursement during the test year from East KY Power Cooperative for its Partner's Plus program. This program has been eliminated by East Ky Power, and therefore the credits will no longer be available. Please reference pages 1 of 9 and 5 of 9 in Exhibit 11.

b. On page 2 of 9, there is a payment of $10,000 to Kentucky Speedway for a billboard of general information. Provide a detailed description or a picture of the billboard and explain why this cost should be included fro rate-making purposes.

Response: The billboard is located outside the racetrack and has Owen Electric Cooperative's name, states that Owen is "a Touchtone Energy Cooperative" and has general information regarding Owen's contact information, including our web site. The billboard benefits the members by providing an additional form of communicating with our members. It also provides an additional means of promoting our web site, which allows members to get billing, outage, energy efficiency, and other information easily and efficiently.

c. On page 3 of 9, there is a payment of $4,800 to KAEC for a Washington Youth Tour. Provide a complete description of the tour and explain why this cost should be included for rate-making purposes.

Response: This cost was left in for rate making purposes in error, and should have been removed.

Witness: Alan Zumstein

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34. Refer to Exhibit 12 of the application at page 1 of 6. At the bottom of the page, under "Other Direct Costs," explain why it is appropriate to divide the annual cost per employee by 1,786 hours rather than 2,080 hours.

Response

2,080 is the total number of hours that an employee can work if they perform 8 hours of work each day. Since employee receive vacation, holidays, and sick days off work, the direct costs should be divided by the actual hours an employee works on an annual basis.

Witness: Alan Zumstein

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35. Refer to Exhibit 12 of the application at page 2 of 6. Given that the hourly rate used to calculate the "Direct Labor Charge" for nonrecurring costs consists of both the 85.87% actual hours worked and 14.13% non-working hours (as calculated by Owen on page 1), explain why it is appropriate to also include in the calculation of non-recurring charge expense the "Direct Wage Expense" which is calculated using the 14.13% non-working hours.

Response

Using the "Direct Labor Charge" allows this rate to include vacation, holiday, and sick time. The "Direct Wage Expense" is only the benefits that are associated with labor. This method allows Owen to capture both the direct and other benefits in addition to the direct labor.

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36. Refer to Exhibit 12 of the application, at page 5-6 of 6. On page 5, under "Labor for Overtime Charges," Owen seems to indicate that no extra mileage is required for a service trip during regular working hours because of coordination with other jobs, but that mileage would be required for service trips after hours. However, in calculating its mileage expense, Owen has included mileage of 15 miles during regular working hours and 30 for after-hours service calls. Given that on page 6 Owen estimates the average service trip to be 15 miles, why would it not be more appropriate to include 15 miles for mileage regardless of when the service call occurs?

Response

If an average service call is 15 miles, then the service men will need another 15 miles to get back to the office, or location from which they originated. During regular working hours, the serviceman can go to the next location instead of returning to the office, or location from which they originated the trip.

Witness: Alan Zumstein

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37. Refer to Exhibit 13 of the application.

a. Given that the last time Owen filed a rate case was in 1982, explain the rationale for the 3-year amortization period.

Response

Owen has been very fortunate in that it has not been necessary to file for an increase since 1982, however, with rising costs and expenses, it is not likely that Owen will go this long before another increase is required. That length of time is an unknown. Given those circumstances, Owen has elected to use the same amortization period as other cooperatives that have recently filed applications with this Commission and has elected a 3-year amortization period.

b. Owen estimates the expenses associated with this rate case. On a monthly basis, beginning with May 2008, provide the amount of Owen's actual rate case expenses, by category, as done with the estimate.

Response

The response is attached.

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Monthly Update of Rate Case Expenses

	June	July	August	September	October	November	December	Total
External costs:								
Attorney								0.00
Consulting			27,680.00	14,597.00				42,277.00
Advertising			792.73	4,422.40				5,215.13
Supplies		38.12	80.59	258.19				376.90
Subtotal	0.00	38.12	28,553.32	19,277.59	0.00	0.00	0.00	47,869.03
Internal costs:								
Labor costs	8,921.00	7,266.10	8,501.56	933.55				25,622.21
Total	8,921.00	7,304.22	37,054.88	20,211.14	0.00	0.00	0.00	73,491.24

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38. Refer to Exhibit 14 of the application at page 4 of 4.

a. Reconcile the amounts listed in the second column labeled "Fuel Adjustment" under "Sales" with the amounts filed with the Commission by Owen in its fuel adjustment clause ("FAC") filings.

Response

The actual fuel adjustment billed to Owen's customers will not match the amount on the FAC filings due to carryover from the prior month for any (Over)/Under Recovery of fuel adjustment.

b. Explain why the $609,273 shown as July "Fuel Adjustment" under "Purchases" does not reconcile to Owen's FAC filed with the Commission in July 2007, Line 13.a.

Response

The July 2007 power bill included an adjustment of ($15,017) specifically for an industrial customer that was passed on to it. The power bill from EKPC stated a fuel adjustment of $624,290 (before the adjustment), that was properly included in the FAC filed with the Commission. The net amount was listed in Exhibit 14.

Witness: Alan Zumstein

Owen Electric Cooperative
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39. Refer to Exhibit 16 of the application at page 1 of 1.

a. Explain why the 55,952,448 Test Year Base Revenue shown for the Farm and Home class does not reconcile with Exhibit J, page 1 of 14.

Response

This amount was included in error. The correct amount is reflected in the response to the Attorney General, Initial Requests for Information, Item 7.

b. Explain why the total Billings of $2,858 for Schedule II Large Power and $83 for Schedule XI Large Industrial Rate do not reconcile to Exhibit J, pages 5 and 6, respectively.

Response

This amount was included in error. The correct amount is reflected in the response to the Attorney General, Initial Requests for Information, Item 7.

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40. Refer to Exhibit 19 of the application at page 1 of 1. Explain the circumstances under which it was necessary to capitalize Benefits Distribution into Account 143 AR, Other, and Account 426, Donations.

Response

Generally labor is recorded in Account 143, AR, Other when amounts will be billed to other entities, i.e., insurance claims, other cooperatives for storms or other assistance, or others. To capture all costs and expenses, the benefits must be allocated to this account.

To determine the actual, and total cost of a donation, the labor and benefits are allocated to the project.

Benefits that are not allocated to these accounts would be allocated to all other expense accounts, when in fact, they should be allocated with the labor associated with that activity.