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BIG SANDY RURAL ELECTRIC COOPERATIVE

CASE NO. 2008-00401

**ATTORNEY GENERAL'S
SUPPLEMENTAL REQUESTS**

Big Sandy Rural Electric Cooperative
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Attorney General's Supplemental Requests

1. With regard to the responses to AG-1-6(a) and (b), explain why it would not be appropriate to impute representative monthly Account 450 and Account 451 revenue for December 2007 in order to properly recognize 12 months worth of revenues for the test year. If it would be appropriate, provide the representative monthly revenue amounts for Accounts 450 and 451. If it would not be appropriate, explain in detail why not.

Response

Big Sandy agrees it should be recognized. Computations are as follows:

Account 450 test year revenues	249,796
Normalize for 12 months (12/11)	<u>272,505</u>
Normalized increase	22,709
Account 451 test year revenues	70,175
Normalize for 12 months (12/11)	<u>76,555</u>
Normalized increase	6,380

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2. With regard to the response to accounts 586.00 (Meter) and 586.10 (Meter – AMI), please provide the following information:
- For 2006, the net expense in these two accounts was a credit of (\$3,324). Please explain the reasons for this.
 - For 2007, the total expense in these two accounts was \$154,467. Please provide this expense on a monthly basis.
 - For the test year ended 8/31/08, the total expense increased to \$425,699. Explain this very large increase over the actual 2007 expense (almost 3 times as high).
 - Provide the actual Account 586.00 (Meter) and Account 586.10 (Meter – AMI) expenses booked in 2008 and in the 12-month period ended 2/28/09.
 - Provide the actual Account 586.00 (Meter) and Account 586.10 (Meter – AMI) expenses included in the Board-approved 2008 budget; in the Board-approved 2009 budget; and (if available) in the Board-approved 2010 budget.

Responses

2.a. Big Sandy was in the process of changing out regular meters to AMI meters. Installation costs are recorded as a credit against this account when installed. During 2007 the credits against this account for installation of meters was (\$491,771) as a result of the mass installation of AMI meters.

2.b.

	<u>586.00</u>	<u>586.10</u>
January	42,530	9,180
February	1,247	6,841
March	(137,563)	6,014
April	24,003	6,617
May	42,322	7,168
June	(20,172)	5,704
July	(13,777)	4,677
August	38,437	5,887
September	22,905	5,178
October	8,621	6,290
November	34,221	6,175
December	35,788	6,173

2.c. During 2007 the credits for installation of meters was (\$491,771) and for the test year the credits were (\$83,750). Refer to AG-2-2a. in addition.

2.d.

	<u>586.00</u>	<u>586.10</u>	<u>Total</u>
Expenses booked in 2008	377,055	70,614	447,669
12 months ended 2/28/09	364,278	67,070	431,348

2.e.

	<u>Budget Years</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Account 586.00	178,502	265,804	n/a
Account 586.10, AMI	77,353	84,225	n/a
Total	255,855	350,029	

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3. With regard to the response to AG-1-9, please provide the following information:
 - a. Explain in detail the activities making up the Meter Changing/Testing program.
 - b. Explain when the Meter Changing/Testing program was started.
 - c. Explain whether the Meter Changing/Testing program underlying the test year expense of \$425,699 will be an ongoing program to be implemented each year in the future or whether the test year amount of \$425,699 includes start-up costs that will not be incurred on an ongoing recurring basis. If it includes such non-recurring start-up costs, please quantify the portion of the \$425,699 making up such non-recurring costs.

Response

- a. The meter changing/testing program is the process mandated by the PSC to change and test each meter every 8 years. Big Sandy physically changes these meters and tests them for accuracy once every eight years.
- b. The meter changing/testing program has been an ongoing process since the PSC first implemented this regulation. Big Sandy was given a temporary variation from this regulation during the initial installation period of our AMR devices, in which all meters were replaced. This “grace period” ended when Big Sandy completed its initial installation of AMR devices. Now, and for all future years, Big Sandy will be required to change every meter once every eight years, which equates to approximately 1,650 meters per year.

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- c. The full cost of \$425,699 will be a recurring expense for all future years. These costs consist of mainly labor, overhead and transportation, therefore, no start-up costs are involved.

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4. With regard to the response to AG-1-10, please provide the following information:
- a. Explain in detail the activities making up the System Mapping project.
 - b. Provide the actual Account 588 (Miscellaneous Distribution) expenses for 2008 and the 12-month period ended 2/28/09.
 - c. Provide the Account 588.00 expenses included in the Board-approved 2008 budget; in the Board-approved 2009 budget; and (if applicable) in the Board-approved 2010 budget.
 - d. Explain when the System Mapping project was started in 2008.
 - e. Explain whether the System Mapping project expenses included in the test year expense of \$164,690 will be ongoing, recurring expenses to be incurred each year in the future or whether the test year amount of \$164,690 includes start-up costs that will not be incurred on an ongoing recurring basis. If it includes such non-recurring start-up costs, please quantify the portion of the \$164,690 making up such non-recurring costs.

Response

4.a. Employees are identifying each pole location and the associated hardware attached to the pole. When this portion of the project is complete, it will enable Big Sandy to digitally create staking sheets that are now manually prepared, locate customers during outages, and assist in designing the system for future growth and construction work plans.

4.b.

588.00

Expenses booked in 2008	245,643
12 month 2/28/09	223,738

4.c.

	<u>Budget Years</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Account 588.00	90,383	218,660	n/a

4.d. First quarter of 2008.

4.e. Hardware and software to operate the mapping system have capitalized. There are no other start-up costs that will be of a non-recurring nature.

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5. With regard to response to AG-1-12, is the support for the \$1,600 for the estimated testing costs also included in the attachment to the response to AG-1-12? If so, indicate where on the attachment. If not, provide the supporting source documentation.

Response

No. The question for AG-1-12.a. requested the account number where the \$1,600 would be recorded, which is account 588.00.

Big Sandy contacted a contractor who could perform the testing of equipment and clothing to ensure they meet the current code. The contractor stated it would take 2 days to perform the task, at \$100 per hour (=16 hrs x \$100).

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6. In response to AG-1-14, Big Sandy has provided a corrected Schedule 3, page 2 showing that the corrected annualized distribution plant depreciation expenses amount to \$1,679,661 rather than the originally filed amount of \$1,708,797. In this regard, please provide the following information:

- a. Reconcile the 2.80% depreciation rate for account 367 with the 2.78% for this account from the depreciation study and, if applicable, make the appropriate correction.
- b. Please also provide a corrected Schedule 3, page 3, showing the corrected "Normalized" total depreciation accruals of \$1,869,194 (also corrected for the item referenced in part (a) above, if applicable) the associated corrected Amount to Transportation Clearing, and the associated corrected depreciation expense.
- c. In addition, provide a revised Exhibit S, page 2 showing the corrected pro forma annualized depreciation expenses and the impact of this correction on the proposed rate increase.

Responses

6.a. Big Sandy should have used the 2.78%. This results in a normalized decrease of \$47 for account 367.00.

6.b. The revised Exhibit S, page 3 is attached. The amount for transportation clearing does not change from the application.

6.c. The revised Exhibit S, page 2 is attached. The effect of the change results in a reduction of (\$29,183) in the proposed rate increase.

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7. Please update the actual rate case expenses shown in response to AG-1-20 for invoices submitted and services rendered through the end of February and to date.

Response

	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>Total</u>
Attorney					0
Consulting		32,278			32,278
Depreciation study	18,000				18,000
Advertising	1,103				1,103
Supplies	971				971
Subtotal	20,074	32,278	0	0	52,352
Internal costs					
Total	20,074	32,278	0	0	52,352

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8. With regard to the response to AG-1-32, please provide the following information:

a. Explain why the following expenses should be included for ratemaking purposes: \$100 – cancer walk; \$370.99 – pocket calendars; \$252 – apple day sponsor; \$12.50 – yearbook donation; \$1,928.93 – Washington Youth Group expenses; \$100 – sponsor; and \$422.50 – Kiwanis dues.

b. Explain the nature and purpose of the \$1,545 expense for Touchstone Energy Sponsor and explain why the expense should receive rate recovery.

Response

8.a. Big Sandy should have removed these items.

8.b. This was for a sponsorship that should have been removed.

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9. With regard to the response to PSC-2-14, please confirm that you agree that \$25,189 ($=\$37,784 \times 2/3$) worth of legal fees should be removed from the test year expenses.

Response

Yes.

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10. With regard to the response to AG-1-25, if the filing already includes 2080 regular hours for each employee and already includes overtime expenses for the appropriate applicable employees, why is it appropriate to then on top of that, also charge the ratepayers for \$9,600 dispatch expenses for "after-hours telephone calls?"

Response

Employees who are paid for on-call dispatch do not get paid for either regular or overtime wages for this service. This is a flat fee for answering "after-hours telephone calls." The time spent on dispatch is not included in the overtime hours. Employees who have overtime hours work this outside of the time they are paid for Dispatch wages. As such, there is not a duplication of payment for regular, overtime, and dispatch.

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11. Big Sandy referred to the responses to PSC-2-6(a) and (b) in response to AG-1-22(a), (b), and (c). However, the responses to PSC-2-6(a) and (b) do not provide the answers sought in AG-1-22(a), (b), and (c). Please provide the responses to the specific information requested in AG-1-22(a), (b), and (c).

Response

AG-1-22(a) There was an error in the formula calculating the ratios for payroll tax, FAS 106 and pension expense.

AG-1-22(b) Big Sandy should have used the same ration as payroll.

AG-1-22(c) This is the result of an error in the formula for O&M ratios.

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12. With regard to BSRECC's response to AG 1-36:
- a. Identify the name of the bank at which Mr. Shepherd is employed.
 - b. Provide the current amount of the balance in the account.
 - c. Provide the average month's end balance for each month of the test year.

Response

- a. The name of the bank is City National Bank.
- b. The following the balances in the accounts as of 02/28/2009:

Special Const. Acct.	\$ 477.50
Sweep Account	\$ 23,156.21
DDA Account	\$ 204.44
Money Market Acct.	\$123,524.89

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c.

	<u>Special Const.</u>	<u>Sweep Acct.</u>	<u>DDA Acct.</u>	<u>Money Market</u>
Sep. 2007	\$ 477.50	\$22,476.43	\$ 200.00	\$ 88,523.15
Oct. 2007	\$ 477.50	\$22,558.08	\$ 200.00	\$ 88,908.32
Nov. 2007	\$ 477.50	\$22,634.53	\$ 200.00	\$ 49,412.16
Dec. 2007	\$ 477.50	\$22,708.88	\$ 200.00	\$ 64,859.21
Jan. 2008	\$ 477.50	\$22,779.48	\$ 200.00	\$ 84,236.05
Feb. 2008	\$ 88,712.79	\$22,830.54	\$ 200.00	\$103,891.93
Mar. 2008	\$ 477.50	\$22,893.24	\$ 200.00	\$129,653.48
Apr. 2008	\$ 477.50	\$22,949.22	\$ 200.00	\$154,885.98
May 2008	\$ 477.50	\$22,990.64	\$ 200.00	\$179,333.98
Jun. 2008	\$ 477.50	\$23,023.85	\$ 200.00	\$197,353.29
July 2008	\$ 477.50	\$23,051.74	\$ 200.00	\$166,424.99
Aug. 2008	\$172,977.50	\$23,069.19	\$ 200.00	\$133,608.88