

# OWEN Electric



A Touchstone Energy Cooperative



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COMMISSION

## **Rate Case No. 2008-00421**

**1ST DATA REQUEST OF GALLATIN STEEL TO  
OWEN ELECTRIC COOPERATIVE INC**

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

**OWEN Electric**

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January 16, 2009

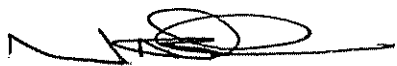
Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

Dear Mr. Derouen:

Please find enclosed the original and five (5) copies of the responses to Gallatin Steel's "First Set of Data Requests" to Owen Electric Cooperative, Inc. posted on January 8, 2009.

Please contact me with any questions regarding this filing.

Respectfully submitted,



Mark Stallons  
President and CEO

Enclosure

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

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

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of: The Application Of Owen Electric  
Cooperative Corporation For An Order Authorizing An  
Increase In Its Retail Electric Rates Equal To The Increase In  
Its Wholesale Power Costs

Case No. 2008-00421

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**FIRST SET OF DATA REQUESTS OF  
GALLATIN STEEL**

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JAN 08 2009

PUBLIC SERVICE  
COMMISSION

**Dated: January 7, 2009**

## DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it?
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "EKPC" means Eastern Kentucky Power Cooperative and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
12. "Owen" means Owen Electric Cooperative and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

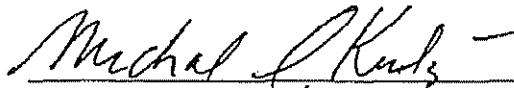
## INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Gallatin Steel. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**GALLATIN STEEL'S FIRST SET OF DATA REQUESTS TO OWEN ELECTRIC  
COOPERATIVE CORPORATION**  
Case No. 2008-00421

- Q.1. During the test year in this case, how much distribution revenue did Owen receive from Gallatin Steel?
- Q.2. Please identify the total investment by project that Owen has made to serve the Gallatin Steel load.
- Q.3. Please provide any cost-of-service results or information which you have identifying the rate of return earned by Owen on the Gallatin Steel load.
- Q.4. Does EKPC or Owen prepare the monthly electric bill with respect to Gallatin Steel.

Respectfully submitted,



Michael L. Kurtz, Esq.

**BOEHM, KURTZ & LOWRY**

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

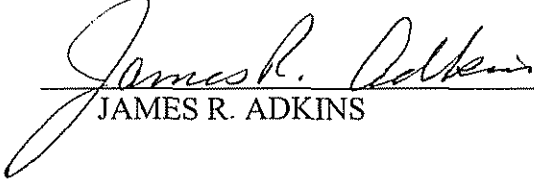
Ph: 513.421.2255 Fax: 513.421.2764

E:mail: [mkurtz@BKLawfirm.com](mailto:mkurtz@BKLawfirm.com)

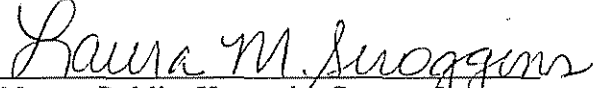
**COUNSEL FOR GALLATIN STEEL  
COMPANY**

January 7, 2009

Affiant, James R. Adkins, states that the answers given by hi to the foregoing questions are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
JAMES R. ADKINS

Subscribed and sworn to before me by the affiant, James R. Adkins, this 12<sup>th</sup> day of January, 2009.

  
\_\_\_\_\_  
Notary Public, Kentucky State at Large

My Commission Expires: May 2, 2012

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OWEN ELECTRIC COOPERATIVE  
CASE NO. 2008-00421

RESPONSE TO GALLATIN STEEL'S INITIAL DATA REQUEST

**Question:**

During the test year in this case, how much distribution revenue did Owen receive from Gallatin Steel?

**Response:**

Provided below is a brief summary of Owen Electric's gross margins on Gallatin Steel for 2007.

OWEN ELECTRIC COOPERATIVE				
<u>GROSS MARGIN ON GALLATIN STEEL FOR 2007</u>				
	Base Rates	Fuel Adjust- ment Clause	Environmental Surcharge	Total
Revenue - Owen Purchased Power	\$ 35,125,060	\$ 6,530,623	\$ 2,699,502	\$ 44,355,185
Costs - EKPC	34,771,911	6,530,623	3,564,465	44,866,999
Gross Margin (Loss)	\$ 353,149	\$ -	\$ (864,963)	\$ (511,814)

The amount of distribution revenue that Owen received from Gallatin Steel during the test year was a negative amount or loss of \$511,814.00 for the test year of 2007. Owen paid more to EKPC for wholesale power for Gallatin Steel than it received in retail revenue from Gallatin Steel.

Owen had a gross margin on base rates of \$353,149, zero gross margins on the fuel adjustment clause, and a gross loss on the environmental surcharge of \$864,963 in its activities with Gallatin Steel for 2007. 2006 activities contained very similar results.

Owen has not suffered any detrimental effects from this gross loss on Gallatin Steel for the simple fact that Owen has remained whole as the loss on the environmental surcharge has been made up through its application to the other rate classes.

Owen is seeking in this rate application a dollar for dollar flow through of its increase in wholesale power costs applicable to Gallatin Steel

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OWEN ELECTRIC COOPERATIVE  
CASE NO. 2008-00421

RESPONSE TO GALLATIN STEEL'S INITIAL DATA REQUEST

**Question:**

Please identify the total investment by project that Owen has made to serve the Gallatin load.

**Response:**

It was originally believed that Owen Electric itself had incurred no investment to provide service to Gallatin Steel. This belief was utilized in the development of the Applications in Case No. 2008-00154 and in this case, Case No. 2008-00421. Based upon additional review and investigation, Owen has determined that it made investments to provide service to Gallatin. Owen has not historically kept track of individual projects relating to Gallatin Steel, however based on information from employees who had a significant involvement in these projects, and based on an initial investigation of Owen's records, the current amount of plant investment relating to Gallatin Steel is estimated to be approximately \$400,000. The projects fall into four major categories: Lighting on the property, Additional/Temporary services on the property, Repair/Relocate, and Auxiliary Feeds. Considerable additional work will be required to determine the exact amount of investment by project. The \$400,000 amount is considered to be a conservative estimate, and the actual amount of the investment made by Owen on Gallatin's behalf may actually be higher.

Over the period in which Gallatin Steel has received retail electric service from Owen, Owen has filled many maintenance orders for Gallatin for work on their property such as

moving electric facilities, changing out lights and other items. Owen did not send a bill to Gallatin for these services. It would be extremely difficult and time consuming to determine the value of these types of services that have been rendered to Gallatin Steel.

It should be noted that Owen Electric is very appreciative of the employment and the many positive contributions that Gallatin Steel has made to the retail service area of Owen. In return, Owen has attempted to be a good steward of its responsibility to insure good service, to serve Gallatin Steel's and all of Owen's members' interests through its representation and advocacy on EKPC's board of directors and other boards throughout the industry. Owen's senior personnel spend many hours each month in reviewing the wholesale power invoice relative to Gallatin to insure proper billing, preparing the retail invoice, analyzing any service problems, and attending to other matters related to Gallatin Steel. Owen appreciates the opportunity to serve Gallatin Steel and will continue to be a good steward and advocate for Gallatin and all members.



OWEN ELECTRIC COOPERATIVE  
CASE NO. 2008-00421

RESPONSE TO GALLATIN STEEL'S INITIAL DATA REQUEST

**Question:**

Please provide any cost-of-service results or information which you have identifying the rate of return by Owen on the Gallatin Steel load.

**Response:**

In response to Item 2 above, an estimate of Owen's investment for Gallatin Steel was provided. Additionally in a fully allocated cost-of-service study, Gallatin would receive some allocation of general plant. Based on the cost-of-service study filed in Case No. 2008-00154, this allocated net investment rate base for Gallatin has been calculated to be \$302,888 with an annual interest expense on long term debt of \$16,418 (\$96 from the cost of service study and \$16322 for the other investment). The rate return and Time Interest Earned Ratio ("TIER") calculations are provided below:

KEY RATIOS ON GALLATIN STEEL FOR 2007		
	Base Rates	Total Activity
Gross Margin (Loss)	\$ 353,149	\$ (511,814)
Less: Expenses	<u>86,918</u>	<u>86,918</u>
Net Margin (Loss)	266,231	(598,732)
Interest on LTD	<u>16,418</u>	<u>16,418</u>
	<u>\$ 282,649</u>	<u>\$ (582,314)</u>
TIER	<u>17.2</u>	<u>(35.5)</u>
Rate Base	<u>410,936</u>	<u>410,936</u>
Rate of Return	<u>68.8%</u>	<u>-141.7%</u>

The rates of return on net investment rate base and the TIER amounts vary dramatically depending if one looks at the results from base rate considerations or from all activities. The final results are those results from all activities. The ratios may not be applicable in the Gallatin Steel situation.





OWEN ELECTRIC COOPERATIVE  
CASE NO. 2008-00421

RESPONSE TO GALLATIN STEEL'S INITIAL DATA REQUEST

**Question:**

Dose EKPC or Owen prepare the monthly electric bill with respect to Gallatin Steel.

**Response:**

Electric bills are prepared by both entities. EKPC prepares the wholesale electric bill applicable to Gallatin Steel and Owen utilizes the information provided to prepare the retail electric invoice applicable to Gallatin Steel. In its preparation of the retail bill, Owen will review the wholesale power in a meticulous manner to insure the proper billing to Gallatin Steel.