

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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AUG 11 2009

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF LICKING VALLEY RURAL )  
ELECTRIC COOPERATIVE CORPORATION ) CASE NO. 2009-00016  
FOR AN ADJUSTMENT OF RATES )

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Requests for Information to Licking Valley Rural Electric Cooperative Corporation [hereinafter referred to as "LVRECC"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

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

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

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for LVRECC with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional

information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

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

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

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

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

(10) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to

whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

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

(12) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,  
JACK CONWAY  
ATTORNEY GENERAL

A handwritten signature in cursive script, appearing to read "Dennis G. Howard, II", is written over a horizontal line.


DENNIS G. HOWARD, II  
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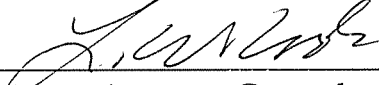
*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Hon. Gregory D. Allen  
Attorney at Law  
Collins & Allen Attorneys at Law  
P.O. Box 475  
Salyersville, KY 41465

Kerry K. Howard  
Manager, Finance and Administration  
Licking Valley R.E.C.C.  
P. O. Box 605  
West Liberty, KY 41472

  
this \_\_\_ day of August, 2009

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

**LICKING VALLEY RURAL ELECTRIC COOPERATIVE**

**CASE NO. 2009-00016**

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1. Please provide the portion of the 13-month average prepayment balance of \$133,729 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.
2. Please provide a copy of the PSC Order and/or any other PSC rulings stating that non-cash patronage dividends are not considered as net margins for ratemaking purposes.
3. Please provide a side-by-side comparison of the actual annual revenue, expense and tax amounts for each of the detailed income statement accounts shown on Exhibit X, pages 1 through 7 for the years 2005, 2006, 2007 and the test year.
4. With regard to Exhibit 13, page 1, please provide the actual number of CATV pole attachments for each of the years 2006 and 2007.
5. Account 59310 - Maintenance of Right of Way expenses for 2008 amounted to \$171,705 which is approximately 108% higher than the corresponding 2007 expenses of \$82,709. In this regard, please provide the following information:
  - a. Actual 59310 – Maintenance of Right of Way expenses for each of the years 2004 through 2007 and for the first 6 months of 2009.
  - b. Reasons for the large increase in 2008 over 2007.
  - c. Account 59310 – Maintenance of Right of Way expenses included in the original Operating Budget for 2008 and the Operating Budget for 2009.
6. Account 59500 – Transformer Maintenance expenses for 2008 amounted to \$74,526 which is approximately 304% higher than the corresponding 2007 expenses of \$18,428. In this regard, please provide the following information:
  - a. Actual 59500 – Transformer Maintenance expenses for each of the years 2004 through 2007 and for the first 6 months of 2009.
  - b. Reasons for the large increase in 2008 over 2007.
  - c. Account 59500 – Transformer Maintenance expenses included in the original Operating Budget for 2008 and the Operating Budget for 2009.
7. In the same format and detail as per Exhibit 11, please provide a detailed dollar breakout and description of all of the expense components making up the test year Account 90800 – Consumer Assistance expense of \$20,021.

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8. Please provide copies of the following "safety" ads listed in Exhibit 11, pages 2 through 6:
  - a. Breathitt Co Voice
  - b. Intermountain Broadcasting
  - c. Farmers and Shoppers
  - d. Licking Valley Courier
  - e. Wolfe Co News
  - f. Salyersville Independent
  - g. Pinnacle Publishing
  
9. Considering that the proposed pro forma "regular" payroll expenses of \$1,934,464 are based on the assumption that each employee is paid for every single workday (2,080 hours) in the test year, and considering that the pro forma payroll expenses also include 268.50 hours for part time employees,<sup>1</sup> explain why the proposed pro forma payroll expenses also include the payroll expenses associated with an additional number of 1,844 hours for vacation and sick time.
  
10. With regard to LVRECC's number of employees, please provide the number of employees (in total and broken out between salaried, hourly, summer and part-time) for each month from January 2008 through July 2009, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.
  
11. With regard to the pro forma depreciation expense adjustment calculations shown on Schedule 3, pages 2 and 3, please provide the following information:
  - a. The proposed rates shown under the Proposed Rate column on Schedule 3, page 2 are the same as the existing rates. Please reconcile these rates with the proposed rates of 6.67%, 3.93%, 2.50%, 2.50%, 2.50%, 3.42%, 6.67% and 3.91% shown in Mr. Adkins' 12/31/07 Depreciation Study.
  - b. Confirm that the normalized test year distribution plant depreciation calculated based on the proposed depreciation rates amount to \$1,662,992 as opposed to the amount of \$1,866,928 currently shown on Schedule 3, page 2.
  - c. Provide revised copies of Schedule 3, pages 2 and 3 showing the proposed normalized depreciation expenses based on the proposed depreciation rates.

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<sup>1</sup> As explained on Exhibit 1, page 1 of 10, these part time hours are used "for certain busy times of the month, or when an employee has scheduled vacation time off."

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- d. Explain in more detail, and provide a worksheet showing the calculations underlying, the proposed normalized Transportation depreciation expense of \$185,120.
  - e. In addition, explain why this Transportation expense should be recognized for ratemaking purposes in this case given that the account is fully depreciated. If it is not yet completely depreciated as of 12/31/08, provide the exact post-test year date that this account will be fully depreciated.
- 12. Please provide a description of the nature and purpose of the Legal Reporting expense of \$160 on Exhibit 9, page 3.
  - 13. Please confirm that the regular board meeting expenses for Ted Holbrook shown in Exhibit 10 should be \$3,600. In addition, explain why the test year expenses included regular board meeting expenses of \$7,200.
  - 14. In the same format and detail as Exhibit 12, please provide the actual rate case expenses incurred and booked by LVRECC to date.
  - 15. In the same format and detail as per Exhibit 11, please provide a detailed dollar breakout and description of all of the expense components making up the test year Account 92100 – Office Supplies and Expense of \$98,402.
  - 16. Re. Exhibit 11, page 11 of 12: the promotional advertising and institutional advertising expenses of \$4,064 and \$360, offset by the Other advertising of \$(5,106) indicates a pro forma expense adjustment of \$(682). Please reconcile this indicated pro forma expense adjustment of \$(682) to the pro forma advertising expense adjustment of \$(1,042) shown on Exhibit 11 pages 2 through 6 of 12.
  - 17. Re. Exhibit 11, pages 9 and 10 of 12: please confirm that the Annual Meeting expenses to be disallowed for ratemaking purposes (designated with an “x”) add to \$7,672, not the indicated amount of \$2,672. In addition, explain the difference between these two amounts.
  - 18. Exhibit P shows that the 2008 test year Annual Meeting expenses of \$57,930 are 40.5% higher than the 2007 expense level of \$41,237 and 55.6% higher than the 2006 expense level of \$37,240. In this regard, please provide the following information:
    - a. Reasons for the large expense increase in 2008 over the actual expense levels in 2006 and 2007.

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- b. Why does LVRECC find it reasonable to charge its members with Annual Meeting expenses that are, on average, about 50% higher than the Annual Meeting expenses incurred in 2006 and 2007?
19. With regard to Exhibit 11, pages 7 and 8 of 12, please provide the following information:
  - a. Please confirm that the Miscellaneous General expenses to be disallowed for ratemaking purposes (designated with an "x") add to \$4,467.98, not the indicated amount of \$723.06. In addition, explain the difference between these two amounts.
  - b. Provide the nature and purpose of the KAEC Annual Meeting meals expenses of \$740 and the KAEC Annual Meeting expenses of \$442.43 and explain why they should be included for ratemaking purposes in this case.
  - c. Provide the nature and purpose of the Employee Exercise Equipment expenses of \$304 and explain why they should be included for ratemaking purposes in this case.
20. Please provide the reasons for the large decrease in interest income in account 419.00 from \$416,725 in 2007 to \$172,066.