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John C. Collins
Gregory D. Allen

Phone (606) 349-1382
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August 26, 2009

RECEIVED

AUG 26 2009

**PUBLIC SERVICE
COMMISSION**

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

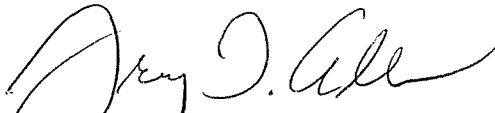
RE: Application of Licking Valley RECC for an Adjustment of Rates
Case Number 2009-00016

Dear Mr. Derouen:

Please find enclosed the original and seven (7) copies of the responses to the Commission's Order "Second Data Request of the Commission Staff to Licking Valley Rural Electric Cooperative Corporation" dated August 12, 2009.

Please contact me at (606) 349-1382 or Kerry K. Howard at (606) 743-3179 with any questions regarding this filing.

Respectfully submitted,



Gregory D. Allen
Counsel for Licking Valley RECC

Enclosure

RECEIVED

AUG 26 2009

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

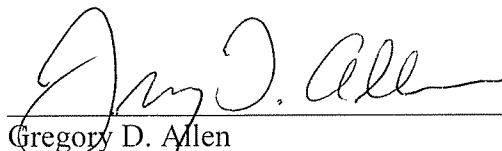
In the Matter of adjustment of Rates Of
Licking Valley Rural Electric Cooperative
Corporation

Case No. 2009-00016

APPLICANT'S RESPONSES TO
SECOND DATA REQUEST OF COMMISSION STAFF

The applicant, Licking Valley Rural Electric Cooperative Corporation, 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 Kerry K. Howard and Jim Adkins.
2. Kerry K. Howard, General Manager and CEO of Licking Valley Rural Electric Cooperative Corporation 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.




Gregory D. Allen
Collins & Allen Law Office
P.O. Box 475
Salyersville, Kentucky 41465
Attorney for Licking Valley Rural Electric Cooperative
Telephone: 606-349-1382

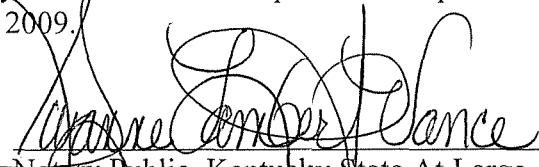
The undersigned, Kerry K. Howard, as General Manager & CEO of Licking Valley Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: August 25, 2009

LICKING VALLEY RURAL ELECTRIC COOPERATIVE

By: 
KERRY K. HOWARD, GENERAL MANAGER & CEO

Subscribed, sworn to, and acknowledged before me by Kerry K. Howard, as General Manager & CEO for Licking Valley Rural Electric Cooperative Corporation on behalf of said Corporation the 25th day of August, 2009.


Notary Public, Kentucky State At Large

My Commission Expires: 05/29/2012

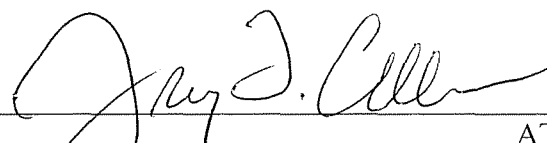
CERTIFICATE OF SERVICE

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

Original and Seven Copies
Mr. Jeff Derouen, 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

This 25th day of August, 2009


ATTORNEY FOR
LICKING VALLEY RURAL ELECTRIC COOPERATIVE

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

1. Explain whether Licking Valley considered adjusting any of its non-recurring charges in its current application.

Response: The non-recurring charges were reviewed and it was determined they were reasonable.

Witness: Jim Adkins

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

2. Refer to the application, Exhibit C, page 3 of 12, and Exhibit D. The tariff in Exhibit C shows the “Commercial and Small Power Service” rate as “Schedule B.” However, Exhibit D shows the rate as “Schedule A-2.” State which schedule reference is correct.

Response: Exhibit C, “Schedule B” is the correct reference.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit D of the application, page 2 of 2. The "Outdoor Lighting Service" shows a "175 Watt MV" at a current rate of 48.05 and a proposed rate of \$9.55. Provide the location of this rate in Licking Valley's tariff.

Response:

This rate is not a part of the tariff and should be. It is believed that the 175W MV lights replaced the previous 100 W incandescent lights and have been charged the same rate. In recognition of this error and to correct it, page 2 of this response is a tariff sheet that reflects a strike out of the old light and the new light listed for this \$9.55. Additionally, page 3 is provided which is new tariff reflecting the proper description for this light.

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
17th ✓ ~~Sixteenth~~ Revised Sheet No. 5
16th ✓ Canceling P.S.C. KY No.
~~Fifteenth~~ Revised Sheet No. 5

CLASSIFICATION OF SERVICE

SCHEDULE SL (Security Lights and/or Rural Lighting)	RATE PER UNIT
---	------------------

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

The Cooperative will furnish and install a metal halide type light on a twenty-five (25) foot pole or an existing Cooperative owned pole at a location suitable to both parties. Location, however, shall be up to 150 feet from an existing Cooperative owned secondary line.

When a pole is nonexistent it will be furnished by the cooperative at the following rate for overhead service:

25 ft Wood Pole	2.45 per pole per month	\$ 2.91	(1)
30 ft Wood Pole	2.84 per pole per month	3.37	(1)

MONTHLY RATE:

Service for the Metal Halide unit will be unmetered and will be per light per month as follows:

100 Watt 175 Watt @ 8.05	(7)	\$ 9.55	(1)
250 Watt @ 12.30		14.59	(1)
400 Watt @ 16.91		20.06	(1)

FUEL ADJUSTMENT CLAUSE:

"All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for the line losses will not exceed ten percent (10%) and is based on a twelve month moving average of such losses. This Fuel Adjustment Clause is subject to all other applicable provisions as set out in 807 KAR 5:056."

DATE OF ISSUE: ~~March 26, 2009~~ June 7, 2009 DATE EFFECTIVE: ~~April 1, 2009~~ August 7, 2009
ISSUED BY _____, GENERAL MANAGER/CEO West Liberty Ky

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY
17th Revised Sheet No. 5
Canceling P.S.C. KY No.
16th Revised Sheet No. 5

CLASSIFICATION OF SERVICE

SCHEDULE SL (Security Lights and/or Rural Lighting)	Rate Per Unit
---	------------------

APPLICABLE

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE

The Cooperative will furnish and install a metal halide type of light on a twenty-five (25) foot pole or an existing Cooperative owned pole at a location suitable to both parties. Location, however, shall not be up to 150 from an existing Cooperative owned secondary line.

When a pole is nonexistent, it will be furnished by the Cooperative at the following rate for overhead service:

25 ft Wood Pole	\$2.91 per pole per month (I)
30 ft Wood Pole	\$3.37 per pole per month (I)

MONTHLY RATE:

Service for the Metal Halide unit will be unmetered and will be per light per month as follows:

175 Watt @	(T)	\$9.55 (I)
250 Watt @		\$14.59 (I)
400 Watt @		\$20.06 (I)

FUEL ADJUSTMENT CLAUSE:

"All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per kWh as billed by the Wholesale Power Supplier, plus an allowance for the line losses. The allowance for line losses will not exceed ten percent (10%) and is based on a twelve month moving average of such losses. This Fuel Adjustment Clause is subject to all other applicable provisions as set out in 807 KAR 5:056."

DATE OF ISSUE: July 14, 2009

DATE EFFECTIVE: Serviced rendered on and after
August 14, 2009

ISSUED BY _____

GENERAL MANGER/CEO West Liberty, KY

Witness: Jim Adkins

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

4. Refer to Exhibit G of the application at page 2 of 2. The top of this page states that revenues were normalized for the increase in rates received by East Kentucky Power Cooperative, Inc. ("EKPC"), Licking Valley's supplier, and passed through to Licking Valley in Case No. 2008-00419.¹ However, since the filing of the application in this case, the Commission authorized new rates for Licking Valley to reflect the roll-in of fuel costs into base rates in Case No. 2008-00532.² Given this change in rates, provide updates to Exhibit J, Exhibit S, and all other schedules that would be affected by the fuel cost roll-in to base rates.

Response: The updated Exhibit J and S are attached. No other exhibits should have changed.

² Case No. 2008-00532, An Examination of the Application of the Fuel Adjustment Clause of Licking Valley Rural Electric Cooperative Corporation from November 1, 2006 Through October 31, 2008 (Ky. PSC Jul. 15, 2009).

Licking Valley Rural Electric
Case No. 2009-00016
Revenue Analysis
December 31, 2008

Rate Schedule	Kwh Useage	Test Year Revenue	Percent of Total	Normalized Case No. 2006-0520	Percent of Total	Normalized Case No. 2008-0419	Percent of Total	Normalized Case No. 2008-0419	Percent of Total	Proposed Revenue	Percent of Total	Increase	
												Amount	Percent
A - Residential, Farm, Small Com. Hall & Ch.	195,180,670	\$15,708,048	75%	\$15,708,048	75%	\$16,754,974	75%	\$18,884,395	75%	\$20,793,250	76%	\$1,908,855	9.2%
B - Commercial and Small Power	10,383,500	942,445	4%	942,445	4%	1,004,712	4%	1,117,996	4%	1,132,266	4%	\$14,270	1.3%
LP, Large Power Service	26,414,039	2,323,518	11%	2,323,518	11%	2,477,980	11%	2,766,158	11%	2,766,158	10%	\$0	0.0%
LPR, Large Power Rate	19,191,648	1,299,089	6%	1,299,089	6%	1,387,629	6%	1,597,010	6%	1,597,010	6%	\$0	0.0%
SL - Security Lights	6,963,308	753,910	4%	753,910	4%	803,838	4%	836,777	3%	986,561	4%	\$149,784	15.2%
Envirowatts	43,400	1,199	0%	1,226	0%	1,226	0%	1,226	0%	1,226	0%	\$0	0.0%
Rounding differences		276		276		295		295		51		(244)	
Total from base rates	<u>258,176,565</u>	21,028,486	100%	<u>\$21,028,513</u>	100%	<u>\$22,430,654</u>	100%	<u>\$25,203,857</u>	100%	<u>\$27,276,521</u>	100%	<u>\$2,072,665</u>	7.6%
Fuel adjustment billed		2,318,349											
Environmental surcharge billed		<u>1,066,377</u>											
		\$24,413,212											
Increase				<u>\$27</u>		<u>\$1,402,141</u>		<u>\$2,773,202</u>		<u>\$2,072,665</u>			

Licking Valley Rural Electric
Case No. 2009-00016
Billing Analysis
December 31, 2008

Schedule A - Residential, Farm, Small Community Hall & Churches

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
			Customer Charge	193,099	\$1,384,520	\$7.17	\$1,384,520	\$7.65	\$1,477,207	\$7.65
Energy charge per kWh	195,180,670	14,323,529	\$0.073386	14,323,529	\$0.078275	15,277,767	\$0.089185	17,407,188	\$0.096640	18,862,260
Total from base rates		15,708,048		<u>\$15,708,048</u>		<u>\$16,754,974</u>		<u>\$18,884,395</u>		<u>\$20,793,250</u>
Fuel adjustment		1,811,139								
Environmental surcharge		<u>1,066,377</u>								
Total revenues		<u>\$18,585,565</u>								
Amount				\$0		\$1,046,926		\$2,129,421		\$1,908,855
Percent				0.0%		6.7%		12.7%		10.1%
Average monthly bill		\$81.35		\$81.35		\$86.77		\$97.80		\$107.68
Amount				\$0.00		\$5.42		\$11.03		\$9.89
Percent				0.0%		6.7%		12.7%		10.1%

Licking Valley Rural Electric
Case No. 2009-00016
Billing Analysis
December 31, 2008

Exhibit J
page 3 of 7
Witness: Jim Adkins

Schedule B, Commercial and Small Power

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	11,660	\$173,268	\$14.86	\$173,268	\$15.85	\$184,811	\$15.85	\$184,811	\$20.00	\$233,200
Energy charge	10,383,500	761,308	\$0.073319	761,308	\$0.078204	812,031	\$0.089114	925,315	\$0.086586	899,066
Minimum kva capacity		<u>7,869</u>		<u>7,869</u>		<u>7,869</u>		<u>7,869</u>		
Total from base rates		942,445		<u>\$942,445</u>		<u>\$1,004,712</u>		<u>\$1,117,996</u>		<u>\$1,132,266</u>
Fuel adjustment		95,255								
Environmental surcharge		<u>0</u>								
Total revenues		<u>\$1,037,700</u>								
Amount				\$0		\$62,267		\$113,284		\$14,270
Percent				0.0%		6.6%		11.3%		1.3%
Average monthly bill		\$80.83		\$80.83		\$86.17		\$95.88		\$97.11
Amount				\$0.00		\$5.34		\$9.72		\$1.22
Percent				0.0%		6.6%		11.3%		1.3%

Licking Valley Rural Electric
Case No. 2009-00016
Billing Analysis
December 31, 2008

Schedule LP, Large Power Service

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	2,337	\$107,782	\$46.12	\$107,782	\$49.19	\$114,957	\$49.19	\$114,957	\$49.19	\$114,957
Demand Charge	101,400	676,339	\$6.67	676,339	\$7.11	720,955	\$7.11	720,955	\$7.11	720,955
Energy charge	26,414,039	1,540,995	\$0.058340	1,540,995	\$0.062227	1,643,666	\$0.073137	1,931,844	\$0.073137	1,931,844
Primary meter discount		(1,598)		(1,598)		(1,598)		(1,598)		(1,598)
Total from base rates		2,323,518		<u>\$2,323,518</u>		<u>\$2,477,980</u>		<u>\$2,766,158</u>		<u>\$2,766,158</u>
Fuel adjustment		237,020								
Environmental surcharge		0								
Total revenues		<u>\$2,560,538</u>								
Amount				\$0		\$154,462		\$288,177		\$0
Percent				0.0%		6.6%		11.6%		0.0%
Average monthly bill		\$994.23		\$994.23		\$1,060.33		\$1,183.64		\$1,183.64
Amount				\$0.00		\$66.09		\$123.31		\$0.00
Percent				0.0%		6.6%		11.6%		0.0%

Licking Valley Rural Electric
Case No. 2009-00016
Billing Analysis
December 31, 2008

Exhibit J
page 5 of 7
Witness: Jim Adkins

Schedule LPR - Large Power Rate

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	144	\$13,283	\$92.24	\$13,283	\$98.39	\$14,168	\$98.39	\$14,168	\$98.39	\$14,168
Demand Charge	54,390.980	339,944	\$6.25	339,944	\$6.67	362,788	\$6.67	362,788	\$6.67	362,788
Energy charge	19,191,648	972,863	\$0.050692	972,863	\$0.054069	1,037,673	\$0.064979	1,247,054	\$0.064979	1,247,054
Primary meter discount		(27,000)		(27,000)		(27,000)		(27,000)		(27,000)
Total from base rates		1,299,089		<u>\$1,299,089</u>		<u>\$1,387,629</u>		<u>\$1,597,010</u>		<u>\$1,597,010</u>
Fuel adjustment		172,599								
Environmental surcharge		0								
Total revenues		<u>\$1,471,688</u>								
Amount				\$0		\$88,540		\$209,381		\$0
Percent				0.0%		6.8%		15.1%		0.0%
Average monthly bill		\$9,021.45		\$9,021.45		\$9,636.31		\$11,090.35		\$11,090.35
Amount				\$0.00		\$614.86		\$1,454.03		\$0.00
Percent				0.0%		6.8%		15.1%		0.0%

Licking Valley Rural Electric
Case No. 2009-00016
Billing Analysis
December 31, 2008

Exhibit J
page 6 of 7
Witness: Jim Adkins

Schedule SL, Security Lights

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
175 Watt MV	99,273	749,511	\$7.55	749,511	\$8.05	799,148	\$8.38	831,908	\$9.88	980,817
100 Watt Halide	535	4,039	\$7.55	4,039	\$8.05	4,307	\$8.38	4,483	\$9.88	5,286
250 Watt Halide	0	0	\$11.53	0	\$12.30	0	\$13.12	0	\$15.41	0
400 Watt Halide	2	32	\$15.85	32	\$16.91	34	\$18.22	36	\$21.37	43
25' Pole	108	248	\$2.30	248	\$2.45	265	\$2.45	265	\$2.91	314
30' Pole	30	80	\$2.66	80	\$2.84	85	\$2.84	85	\$3.37	101
kWh	<u>6,963,308</u>			<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>
Total from base rates		753,910		<u>\$753,910</u>		<u>\$803,838</u>		<u>\$836,777</u>		<u>\$986,561</u>
Fuel adjustment		2,335								
Environmental surcharge		<u>0</u>								
Total revenues		<u>\$756,246</u>								
Amount				\$0		\$49,928		\$32,939		\$149,784
Percent				0.00%		6.62%		4.10%		17.90%

Licking Valley Rural Electric
Case No. 2009-00016
Billing Analysis
December 31, 2008

Exhibit J
page 7 of 7
Witness: Jim Adkins

Envirowatts

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Envirowatts		1,199	\$0.02825	1,226	\$0.02825	1,226	\$0.02825	1,226	\$0.02825	1,226
kWh		<u>43,400</u>								
Billing adjustments				<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>
Total from base rates		1,199		<u>\$1,226</u>		<u>\$1,226</u>		<u>\$1,226</u>		<u>\$1,226</u>
Fuel adjustment										
Environmental surcharge										
Total revenues		<u>\$1,199</u>								
Amount				\$27		\$0		\$0		\$0
Percent				2.3%		0.0%		0.0%		0.0%

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Statement of Operations, Adjusted

Exhibit S

page 1 of 4

Witness: Jim Adkins

	Actual Test Year	Normalized Adjustments	Normalized Test Year	Proposed Increase	Proposed Test Year
Operating Revenues:					
Base rates	21,028,486	4,175,370	25,203,856	2,072,665	27,276,521
Fuel and surcharge	3,384,727	(3,384,727)	0		0
Other electric revenue	400,806	21,994	422,800		422,800
	<u>24,814,019</u>	<u>812,637</u>	<u>25,626,656</u>	<u>2,072,665</u>	<u>27,699,321</u>
Operating Expenses:					
Cost of power:					
Base rates	14,832,395	4,174,699	19,007,094		19,007,094
Fuel and surcharge	3,548,709	(3,548,709)	0		0
Distribution - operations	1,370,886	41,059	1,411,945		1,411,945
Distribution - maintenance	1,628,353	52,561	1,680,914		1,680,914
Consumer accounts	691,343	24,721	716,064		716,064
Customer service	20,021	2,157	22,178		22,178
Sales	52,412	0	52,412		52,412
Administrative and general	943,247	57,220	1,000,467		1,000,467
Total operating expenses	<u>23,087,366</u>	<u>803,708</u>	<u>23,891,074</u>	<u>0</u>	<u>23,891,074</u>
Depreciation	1,915,787	51,852	1,967,639		1,967,639
Taxes - other	25,676	0	25,676		25,676
Interest on long-term debt	955,161	34,587	989,748		989,748
Interest expense - other	74,306	0	74,306		74,306
Other deductions	17,697	(17,697)	0		0
Total cost of electric service	<u>26,075,993</u>	<u>872,450</u>	<u>26,948,443</u>	<u>0</u>	<u>26,948,443</u>
Utility operating margins	<u>(1,261,974)</u>	<u>(59,813)</u>	<u>(1,321,787)</u>	<u>2,072,665</u>	<u>750,878</u>
Nonoperating margins, interest	172,066	0	172,066		172,066
Patronage capital credits	308,643	(241,839)	66,804		66,804
Net Margins	<u>(\$781,265)</u>	<u>(\$301,652)</u>	<u>(\$1,082,917)</u>	<u>\$2,072,665</u>	<u>\$989,748</u>

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
Summary of Adjustments to Test Year

Exhibit S
page 3 of 4
Witness: Jim Adkins

	Adj 1	Adj 2	Adj 3	Adj 4	Adj 5	Adj 6	Adj 7	Adj 8	Adj 9	Adj 10	Adj 11	Adj 12	Adj 13	Adj 14	Adj 15	Adj 16	Adj 17	Total	
	Salaries	Payroll Taxes	Deprec	Property Tax	Interest	FAS 106 Cost	Retirement	Donations	Professional Fees	Directors	Misc Expenses	Rate Case	CATV	EKPC	Normalize Purchase Power	Revenue	Additional Revenue		
Operating Revenues:																			
Base rates																	4,175,370		4,175,370
Fuel and surcharge																	(3,384,727)		(3,384,727)
Other electric revenue													5,959					16,035	21,994
	0	0	0	0	0	0	0	0	0	0	0	0	5,959	0	0	790,643	16,035	812,637	
Operating Expenses:																			
Cost of power:																			
Base rates																4,174,699		4,174,699	
Fuel and surcharge																(3,548,709)		(3,548,709)	
Distribution - operation	32,805	3,379	5,685	(10,008)		4,808	4,390											41,059	
Distribution - maintenance	30,647	3,157	10,164			4,492	4,101											52,561	
Consumer accounts	15,982	1,646	2,612			2,342	2,139											24,721	
Customer service			2,157															2,157	
Sales																		0	
Administrative and gen	20,770	2,139	3,707	(769)		3,044	2,779		7,188	(3,285)	(2,353)	24,000						57,220	
Total operating expenses	100,204	10,321	24,325	(10,777)	0	14,686	13,409	0	7,188	(3,285)	(2,353)	24,000	0	0	625,990	0	0	803,708	
Depreciation			51,852															51,852	
Taxes - other																		0	
Interest on long-term debt					34,587													34,587	
Interest expense - other																		0	
Other deductions								(17,697)										(17,697)	
Total cost of electric s	100,204	10,321	76,177	(10,777)	34,587	14,686	13,409	(17,697)	7,188	(3,285)	(2,353)	24,000	0	0	625,990	0	0	872,450	
Utility operating margin	(100,204)	(10,321)	(76,177)	10,777	(34,587)	(14,686)	(13,409)	17,697	(7,188)	3,285	2,353	(24,000)	5,959	0	(625,990)	790,643	16,035	(59,813)	
Nonoperating margins, interest																		0	
Patronage capital credits														(241,839)				(241,839)	
	0	0	0	0	0	0	0	0	0	0	0	0	0	(241,839)	0	0	0	(241,839)	
Net Margins	(100,204)	(10,321)	(76,177)	10,777	(34,587)	(14,686)	(13,409)	17,697	(7,188)	3,285	2,353	(24,000)	5,959	(241,839)	(625,990)	790,643	16,035	(301,652)	

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

5. Refer to Exhibit H, the Prepared Testimony of Kerry K. Howard, specifically, the response to question No. 10. Mr. Howard states that the rate application is necessary, among other reasons, “to continue to pay capital credits.” However, Licking Valley states in Exhibit 19 of the application that it has not paid capital credits to its members. Explain the discrepancy in these two statements.

Response: The response to Question 10 should have stated the Licking Valley was reviewing paying capital credits. There have been no payments of capital credits at this time.

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

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

Response: CD-ROM is attached.

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

7. Refer to Exhibit M of the application, the fourth page of this exhibit. For Accounts 450, 454, 454.1, 456, and 456.1, provide the December 31 balances of these accounts for the most recent five-year period.

Response:

<u>Year</u>	Accounts and Amounts				
	450	454	454.1	456	456.1
2008	235,037	58,410	22,214	84,945	200
2007	206,165	58,410	22,215	97,455	430
2006	202,825	65,547	15,912	96,532	300
2005	161,558	86,396	22,215	96,007	460
2004	136,562	37,308	56,944	95,538	768

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit I, the Prepared Testimony of James R. Adkins and Exhibit R. Describe any differences in methodology used in the cost-of-service study submitted in this case relative to recent cost-of-service studies prepared by Mr. Adkins in rate cases of other EKPC distribution cooperatives.

Response:

The methodology used in the cost-of-service study in this application is the same as used in recent cost-of-service studies in the rate cases of other EKPC distribution cooperatives.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit R, Schedule 1, page 2 of 28 and Exhibit S, page 1 of 4. In Exhibit R, the Actual Test Year amount of "Total Costs" (line 75) is shown as \$26,058,296. Exhibit S, Actual Test Year, "Total cost of electric service" is shown as \$26,075,993. The \$17,697 difference is the amount of Other Deductions included in Exhibit S. Explain why Other Deductions are excluded from Exhibit R.

Response:

Other Deductions have been excluded from Exhibit R due to oversight and is an error.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit R, Schedule 1, page 3 of 28. Explain the origin of the amounts that appear in the "Actual" column on the right-hand side of the page.

Response:

The amounts that appear in the "Actual" column come from the Licking Valley's annual financial report that is filed with the Commission.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Refer to Exhibit R, Schedule 2, page 5 of 28.

Question a:

Explain why Account 587, Consumer Installations, is allocated 100 percent to Security Lighting function. Include in the response a detailed breakdown of the \$80,820 recorded in this account.

Response a:

Account 587 is allocated 100 percent to Security Lighting function because the costs recorded in this account have been related to servicing security lights. A breakdown of the expenses for this account is listed below. \$2,350 of the \$80.820 was an amount allocated based on adjustments to the test year.

Account 587	Payroll & Benefits	Material	Transportation	Property Tax	Total
January	2,012.26	1,387.33	528.14	3,347.83	7,275.56
February	1,520.87		404.89	3,347.83	5,273.59
March	1,680.91		557.40	3,347.83	5,586.14
April	2,172.02	978.38	531.31	3,347.83	7,029.54
May	1,370.08	474.45	431.69	3,347.83	5,624.05
June	1,985.76	572.93	656.08	3,347.83	6,562.60
July	1,731.18	3,227.70	669.32	3,347.83	8,976.03
August	1,603.01	(51.60)	537.73	3,347.83	5,436.97
September	1,848.65	77.59	713.25	3,347.83	5,987.32
October	2,447.91	476.60	576.89	3,347.83	6,849.23
November	3,038.94		631.18	3,347.83	7,017.95
December	2,397.80	429.30	676.07	3,347.83	6,851.00
Total	23,809.39	7,572.68	6,913.95	40,173.96	78,469.98

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question b:

This page shows that the allocation basis for Account 590 is No. 3 on Schedule 2, page 7 of 28. However, the allocation percentages for Account 590 do not match the percentages shown in No. 3. Explain why.

Response b:

The allocation percentages for Account 590 contained on page 3 are utilized on page 1 as a part of the revenue requirements section. These percentages on page 3 are utilized in allocating the test year adjustments to the various expense accounts.

The percentages on page 7 provided supporting detailed information on the allocation of some of the adjusted test year expenses to the various functions contained on page 6.

The percentages on pages 3 and 7 are not related. The percentages on page 3 are a part of Schedule 1. Schedule 1 develops the expense accounts and overall revenue requirements that will be utilized in the cost-of-service study. The percentages on page 7 are a part of Schedule 2 which is assignment/allocation of expenses to the various functions.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Refer to Exhibit R, Schedule 2, page 8 of 28.

Question a:

Provide a detailed breakdown of the \$1,573,324 balance in Account 371, Installations on Customers' Premises.

Response a:

A breakdown of Account 371 is provided below:

1. SCL Yard Light 175W	\$1,319,287
2. 6 Duplex	<u>254,037</u>
	<u>\$1,573,324</u>

Question b:

Explain how the "General Plant" allocation percentages were developed.

Response b:

General Plant allocation percentages have been developed on the basis of wages and salaries. On the right side of page 3 of 28 in Schedule 1 is a listing of the wages and salaries for the test year utilized in this process. G&A wages and salaries are allocated proportionally on wages to distribution operations, distribution maintenance and consumer accounting and services. The distribution O&M wages and salaries is the largest segment of the total wages and salaries and allocated to the functions of lines,

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

transformers, services, meters and lighting proportionally on the basis of distribution plant investment. The Consumer and Accounting percent is assigned to this same function.

Development of General Plant Percent		Lines	Transform.	Services	Meters	Consumer & Accounting	
						Services	Lights
Total Distribution Plant	49,223,038	31,864,755	7,626,140	4,620,974	2,641,557	-	2,469,612
Distribution Plant Percent	100%	64.74%	15.49%	9.39%	5.37%	0.00%	5.02%
Allocate Distribution O&M							
Wages & Salaries	79.85%	51.69%	12.37%	7.50%	4.29%	0.00%	4.01%
General Plant Percent	100%	51.69%	12.37%	7.50%	4.29%	20.15%	4.01%

Question c:

Explain why Construction Work in Progress on line 35 was allocated based on distribution plant rather than directly assigned.

Response c:

The Construction Work in Progress account 107 has been allocated for several reasons. One, this account in the trial balance normally contains just one balance and not it is specified as to the type of plant. Second, this account is normally a relatively small amount in comparison to the total utility plant in service. And third, it is allocated to facilitate as rapid a preparation of a rate application as possible.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit R, Schedule 4, page 18 of 28. In Section B, Transformers, explain how the weighted cost in column 3 was calculated.

Response:

The cost for the minimum transformer for Schedule A, Residential-Farm & Home rate class is established at a factor of one (1.0). The minimum transformers for all other rate classes have a factor that is proportional to the costs of the transformer for that rate class relative to the cost of the transformer for the residential class.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit R, Schedule 4, page 21 of 28. Explain how the “Factor” column amounts were derived.

Response:

This factor is an estimate of the complexity associated with the record keeping on each consumer. It is estimated that the recordkeeping for consumers in rate classes with demand rates, energy rates, customer charges, and meter discounts require approximately two times the effort as for consumers in a rate class without demand rates. Since security lights are predominately on consumers receiving some other type of service from LVRECC, then this factor should be estimated on an incremental approach and we have assigned a value equal to one fifth the value for rate classes with only energy rates and customer charges,

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Question:

Refer to Exhibit R, page 25 of 28. Provide the basis for the allocations on the line titled "Less Other Revenue," as well as the calculation of the total amount of \$661,670.

Response:

The total amount of \$661,670 comes from page 1 of 4, Exhibit S and is the sum of "other electric revenue plus non-operating margins-interest plus patronage capital credits. It is allocated to each rate class proportionally on revenue from rates.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Refer to Exhibit R, Schedule 6, page 27 of 28.

Questions a:

Explain why the Total Customer Costs for the LP and LPR classes do not include the consumer and accounting costs.

Response a:

These costs were not included by error. It is presumed that when formulas were copied from one column to another that they were not saved. There is no impact on rates for these rate classes since there are no proposed changes in their rates.

Question b:

Explain how the revenue from the customer charge was calculated.

Response b:

The revenue from customer charges is calculated by multiplying the customer charge by the number of billing units.

LICKING VALLEY RECC
CASE NO. 2009-00016

RESPONSE TO THE SECOND DATA REQUEST OF THE COMMISSION STAFF

Questions:

Refer to Exhibit R, Schedule 6, pages 27 and 28 of 28. Licking Valley's calculations on page 27 support a Residential, Farm and Home customer charge of \$19.80. Explain how Licking Valley arrived at its proposed customer charge of \$10.00 shown on page 28.

Response:

LVRECC's management has reviewed the development of the consumer related costs of \$19.80 for the Residential – Farm and Home rate class. LVRECC wants to raise its customer charge for this rate class to a cost basis over time. It feels that a movement to \$10.00 at this time is very reasonable.

Witness: Jim Adkins

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

- 18. Refer to Exhibit X of the application at page 7.
 - a. Provide a description of Account 454.
 - b. Provide a detailed breakdown of Account 456.

Response 18.a.: Account 454 is comprised of rents from joint use attachments.

18.b.:

Return check charge	9,737
Installation\Reconnect	16,184
Collection	47,736
Overtime	7,344
Sales tax compensation	<u>3,944</u>
	<u><u>84,945</u></u>

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
Second Data Request of Commission Staff

19. Refer to Exhibit 13 of the application.
- a. Refer to page 2 of 3. Explain whether the weighted average cost of the Two-Party and Three-Party Poles are gross costs or net costs that reflect accumulated depreciation.
- b. Refer to page 3 of 3.
- (1) Explain why the fixed charges on investment are December 31, 2007 balances rather than balances of a more current date.
- (2) In calculating the annual carrying charges, Licking Valley used the 6.83 percent rate of return allowed in its last general rate case, Case No. 1998-00321.³ Explain whether Licking Valley expects the Commission to update the calculation for CATV attachments using the overall rate of return from this case, rather than the rate of return from Case No. 1998-00321.

Response

- 19.a: The poles are listed at gross costs.
- 19.b: The fixed charges are actually for 2008 balances. The 2007 should be changed to 2008.
- 19.c: Licking Valley expects the rate of return to be from this case.

³ Case No. 1998-00321, Application of Licking Valley Rural Electric Cooperative Corporation to Adjust Electric Rates (Ky. PSC Feb. 16, 1999).

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

20. Refer to Exhibit 16 of the application. In the "SL Security Lights" column, \$99,838 is shown as total billings on line 35. Explain how this amount was derived.

Response: The 99,838 is a number, not dollar amount.

13 month average billings	8,321
	<u>12</u>
Total billings	99,838
(difference due to rounding)	



Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

21. Refer to Exhibit J of the application, page 1 of 7. Explain why the third column from the right, "Percent of Total," totals 109 percent rather than 100 percent.

Response An incorrect formula was used. Refer to Item 4 of this response for the corrected formula for "Percent of Total" ratios.

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

22. Refer to Exhibit S of the application. Explain why the "Fuel and Surcharge" revenues and expenses do not reconcile with those shown in Exhibit 14, page 3 of 3.

Response: The reconciliation is as follows:

Exhibit 14, Sales	
Fuel adjustment	2,318,350
Environmental surcharge	<u>1,066,377</u>
	3,384,727
Exhibit S, Operating revenues	
Fuel and surcharge	<u>3,384,727</u>
Difference	<u><u>0</u></u>
Exhibit 14, Sales	
Fuel adjustment	2,402,079
Environmental surcharge	<u>1,146,630</u>
	3,548,709
Exhibit S, Cost of power	
Fuel and surcharge	<u>3,548,709</u>
Difference	<u><u>0</u></u>

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

23. Refer to Exhibit V of the application. This schedule shows that revenues increased by approximately \$225,000 and the cost of power increased by \$1.4 million from 2007 to 2008. Given that Licking Valley has a fuel adjustment clause mechanism, explain why a \$1.4 million increase in fuel costs from 2007 to 2008 would not also result in a \$1.4 million increase in revenues.

Response: The amount of fuel adjustment for 2007 and 2008 were both passed on to consumers using the fuel adjustment clause mechanism. As a result, the fuel purchased from EKPC was passed on to consumers for both years. The difference between in the increase in revenues and cost of power was not the result of the fuel adjustment.

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

24. Refer to Exhibit 1 of the application.

a. Provide a detailed description or documentation of Licking Valley's policy regarding employee medical days, including the practice of paying employees for medical days accumulated in excess of 75. Provide the effective date of the policy.

b. On pages 3 and 4, explain why there is not an entry for each employee in the column titled "Vac/Sick." Provide the reason for the entry that is indicated for each employee listed.

c. Refer to pages 6 and 7 of the exhibit. Provide the effective dates of the promotions for the three employees indicated as receiving promotions.

d. Given that the percent increase in individual salaries and wages for all employees is, for the most part, 3 percent, explain why the proposed payroll adjustment calculates an overall increase of 7.6 percent.

Response 24.a. The policy states "After an employee has accumulated 75 days, the following day, or eight hours, of medical leave earned, if not taken, will be paid in the following pay period at the normal rate of pay". The policy was effective 03/20/2008.

Response 24.b. Employees that take Vacation/Sick Leave days and do not accumulate 75 days are not eligible to be paid. Only hours in excess of 75 qualify to be paid for those days.

Response 24.c. Each promotion was effective January 1, 2009.

Response 24.d. The employees added during the year did were normalized for 2,080 hours. This would be in addition to the 3% increases. The combination resulted in the 7.6% increase.

p5c - 2
#24 a

LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

KENTUCKY 56 MORGAN

BOARD OF DIRECTORS POLICIES AND PROCEDURES MANUAL

Policy Number 207

Effective Date: 03/20/2008

SUBJECT: MEDICAL AND BEREAVEMENT LEAVE

Page 01 of 05

PURPOSE:

To provide employees with an opportunity to be paid for time not worked when such time falls on the employee's regularly scheduled workday and the absence is due to:

1. Off-the-job personal illness (including pregnancy) or injury.
2. Personal services being required when a member of the immediate family is ill.
3. Bereavement Leave.

POLICY:

Participation in this Program is limited to those employees who have attained full-time employment status.

RESPONSIBILITIES:

The General Manager/CEO shall be responsible for, or cause to have performed, the execution of the provisions and functions as set forth in this policy and assuring effective compliance thereof.

PRACTICES:

1. The Earning, Awarding, and Accumulation of Medical Leave Credits
 - A. Medical Leave credits are earned on the basis of one (1) credit for each full calendar month of employment, excluding any period of separation, (i.e., layoff, leave of absence, extended military duty, etc.). One (1) credit is the equivalent of eight (8) hours pay for a five (5) day workweek.
 - B. Individuals having prior employment with an organization in the Rural Electric System will be awarded credits for such service according to available records, but not to exceed a maximum total grant of twelve (12) credits.
 - C. Accrual. Each employee shall be entitled to receive one (1) day, or eight (8) hours, of medical leave for each full month worked. Maximum number of days credited to this account can not accumulate beyond seventy-five (75) days effective January 01, 1998. Only medical leave actually earned prior to the date utilized may be compensable.

LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

KENTUCKY 56 MORGAN

BOARD OF DIRECTORS POLICIES AND PROCEDURES MANUAL

Policy Number 207

Effective Date: 03/20/2008

SUBJECT: MEDICAL AND BEREAVEMENT LEAVE

Page 02 of 05

After an employee has accumulated seventy-five (75) days, the following day, or eight hours, of medical leave earned, if not taken, will be paid in the following pay period at the normal rate of pay.

Medical leave will not be earned and no entitlement shall be granted for medical leave and absence caused by a compensable Worker's Compensation injury.

- D. Necessary Position Changes. An employee who has been absent from work for fifteen (15) days because of medical disability may work such a hardship upon the Cooperative that it becomes necessary to fill the position.
- E. Employees leaving the employment of Licking Valley Rural Electric Cooperative Corporation (LVRECC): when an employee leaves or is discharged from employment, he or she must be paid all wages or salary earned by him or her not later than the next normal pay period following the date of dismissal or voluntary leaving or fourteen (14) days following such date, whichever occurs later.
- F. Sick leave days earned and accumulated on or before December 31, 1997 will be "grand fathered" and administered as follows:

Active employees who have earned and accumulated sick leave days prior to December 31, 1997 may, at their request, be granted permission to withdraw balance.

2. A. The Using of Credits

Credits may be used upon the written request of the employee and under the following circumstances and limitations:

- 1. Personal illness, off-the-job injury and/or surgery. Personal illness means that the employee is disabled from working for any medical reason, including pregnancy, child birth, related medical conditions or verified exposure to communicable disease.

Witness: Jim Adkins

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Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

25. Refer to Exhibit 3 of the application.

a. Based on page 2 of the exhibit, it appears that Licking Valley is not proposing to change its depreciation rates. However, in the cover letter for the 2007 Depreciation Study sent to Rural Utilities Service on February 1, 2009, Licking Valley indicated that it intended to implement the rates proposed in the study. Explain the discrepancy as outlined above. If Licking Valley has chosen not to implement the rates proposed in the depreciation study, explain the decision.

b. Provide a calculation of depreciation expense using the rates proposed in the depreciation study. Prepare a comparative schedule in the format of page 2 of Schedule 3, comparing the results to the normalized expense and test year expense previously provided.

Response 25.a. Schedule 3, page 2 should have listed the proposed rates from the depreciation study. This was an oversight. It should be noted that the rate listed in the study for Account 365, Overhead conductors and devices should have been listed as 3.81%.

Response 25.b. Revised schedule is attached.

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
December 31, 2008

Schedule 3
page 2 of

Account Number	Description	Test Year Balance	Existing Rate	Proposed Rate	Normalized Expense	Test Year Expense	Fully-Depreciated
Distribution plant:							
362	Station equipment	31,442	3.00%	6.67%	2,097	943	
364	Poles, towers & fixtures	17,887,692	4.23%	3.93%	702,986	740,310	
365	Overhead conductors & devices	14,386,109	2.85%	3.81%	548,111	395,640	
367	Underground conductor & devices	455,800	2.83%	2.50%	11,395	12,668	
368	Line transformers	7,626,140	3.68%	2.50%	190,654	278,056	
369	Services	4,620,974	4.75%	3.43%	158,499	213,098	
370	Meters	1,409,106	3.86%	6.67%	93,987	53,955	
370.1	Meters, 1-Ph TWACS	1,232,451	3.86%	6.67%	82,204	47,547	
371	Installations on customer premises	1,573,324	5.36%	3.91%	61,517	82,251	
		<u>49,223,038</u>			<u>1,851,451</u>	<u>1,824,468</u>	
General plant:							
389	Land	50,569					
390	Structures and improvements	986,237		3.00%	29,587	29,080	
391	Office furn and eqt	632,236		6.00%	37,934	31,809	
392	Transportation	1,349,607		16.00%	185,120	147,344	192,607
393	Stores	48,475		6.00%	2,909	2,850	
394	Tools, shop and garage	62,852		10.00%	6,285	5,893	
395	Laboratory	94,544		6.00%	5,673	5,559	
396.1	Power operated	143,842		11.00%	15,823	13,823	
396.2	Small equipment	8,139		6.00%	0	0	8,139
397	Communications	221,877		8.00%	0	0	221,877
398	Miscellaneous	31,260		8.00%	2,501	2,305	
		<u>3,629,638</u>			<u>285,831</u>	<u>238,663</u>	
	Total electric plant	<u>52,852,676</u>			<u>2,137,282</u>	<u>2,063,131</u>	

Items that are fully depreciated are removed from the ending balance to compute test year depreciation.

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
December 31, 2008

10	Normalized depreciation accrual:		
11	Distribution plant	1,851,451	
12	General plant	285,831	
13	Charged to clearing	<u>(185,120)</u>	
14			1,952,162
15			
16	Test year depreciation accrual:		
17	Distribution plant	1,824,468	
18	General plant	238,663	
19	Charged to clearing	<u>(147,344)</u>	
20			<u>1,915,787</u>
21	Normalized depreciation adjustment		<u><u>36,375</u></u>
22			
23			
24	Transportation clearing		
25	Normalized accrual		185,120
26	Test year accrual		<u>147,344</u>
27			<u><u>37,776</u></u>

The allocation of the increase in depreciation on transportation equipment is based on actual test year transportation clearing.

	<u>Account</u>	<u>%</u>	<u>Amount</u>
34	Construction and retirement WIP	34%	\$13,006
35	Others	1%	446
36	Distribution - operations	15%	5,685
37	Distribution - maintenance	27%	10,164
38	Consumer accounts	7%	2,612
39	Consumer service and information	6%	2,157
40	Administrative and general	10%	<u>3,707</u>
41			
42	Total	<u>100%</u>	<u><u>\$37,777</u></u>

ps 2
25. a.

Licking Valley Rural Electric Cooperative
Adjust Rates with Net Salvage
as of December 31, 2007

Account Number	Description	Balance Dec 31, 2007	Average Service Life	No Net Salvage		Net Salvage Percent	With Net Salvage		Existing	
				Accrual	Rate		Rate	Accrual	Rate	Accrual
362	Station Equipment	31,442	15	2,096	6.67%	0.00%	6.67%	2,096	3.00%	943
364	Poles, Towers & Fixtures	17,250,913	29	594,859	3.45%	0.48%	3.93%	677,877	4.23%	729,714
365	Overhead Conductors & Devices	13,237,716	30	441,257	3.33%	0.48%	3.81%	504,962	2.85%	377,275
367	Underground Conductors & Devices	439,489	40	10,987	2.50%	0.00%	2.50%	10,987	2.83%	12,438
368	Line Transformers	7,540,854	40	188,521	2.50%	0.00%	2.50%	188,521	3.68%	277,503
369	Services	4,415,884	31	142,448	3.23%	0.21%	3.43%	151,555	4.75%	209,754
370	Meters	2,624,578	15	174,972	6.67%	0.00%	6.67%	174,972	3.86%	101,309
371	Installations on Customers' Premises	<u>1,517,799</u>	27	<u>56,215</u>	3.70%	0.21%	3.91%	<u>59,345</u>	5.36%	<u>81,354</u>
Total		<u>47,058,675</u>		<u>1,609,259</u>				<u>1,768,220</u>		<u>1,789,347</u>
								Composite rate	3.76%	3.80%

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Licking Valley Rural Electric Cooperative
Calculation of Net Salvage Percent
as of December 31, 2007

Account Number	Description	Balance Dec 31, 2007	Net Salvage Ratio	Net Salvage Amount	Ratio to Total	Net Salvage Allocation	Net Salvage Percentage
362	Station Equipment	31,442	0%	0	0.00%	0	0.00%
364	Poles, Towers & Fixtures	17,250,913	35%	6,037,820	52.23%	83,018	0.48%
365	Overhead Conductors & Devices	13,237,716	35%	4,633,201	40.08%	63,705	0.48%
367	Underground Conductors & Devices	439,489	0%	0	0.00%	0	0.00%
368	Line Transformers	7,540,854	0%	0	0.00%	0	0.00%
369	Services	4,415,884	15%	662,383	5.73%	9,108	0.21%
370	Meters	2,624,578	0%	0	0.00%	0	0.00%
371	Installations on Customers' Premises	1,517,799	15%	227,670	1.97%	3,130	0.21%
Total		<u>47,058,675</u>		<u>11,561,073</u>		<u>158,961</u>	
Five year average net salvage amount						<u>158,961</u>	

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

26. 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 7 shows that Account 583.00, Overhead Line Expense, increased from \$622,016 in 2007 to \$712,635 in 2008. Provide a detailed explanation for the magnitude of the increase in this expense.

b. Page 2 of 7 also shows that Account 593.10, Right-of-Way Maintenance, increased by \$88,996, from \$82,709 to \$171,705, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the increase in this expense.

c. Page 2 of 7 also shows that Account 595.00, Transformer Maintenance, increased by \$56,098, from \$18,428 to \$74,526, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the increase in this expense.

d. Page 3 of 7 shows that Account 903.00, Consumer Records & Collections Expense, decreased by \$49,902, from \$505,928 to \$456,026, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the decrease in this expense.

e. Page 3 of 7 also shows that Account 908.00, Consumer Assistance, decreased by \$64,757, from \$84,778 to \$20,021, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the decrease in this expense.

f. Page 3 of 7 also shows that Account 913.00, Advertising, increased by \$19,411, from \$33,003 to \$52,414, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the increase in this expense.

g. Page 4 of 7 shows that Account 930.30, Annual Meeting, increased by \$16,692, from \$41,237 to \$57,929, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the increase in this expense.

h. Page 4 of 7 also shows that Account 930.40, Miscellaneous, increased by \$22,233, from \$68,758 to \$90,991, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the increase in this expense.

i. Page 4 of 7 also shows that Account 935.00, Maintenance of Generators, decreased by \$38,548, from \$196,839 to \$158,291, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the decrease in this expense.

j. Page 5 of 7 shows that Account 427.30, FFB Interest, decreased by \$361,632, from \$705,569 to \$343,937, from 2007 to the 2008 test period. Provide a detailed explanation for the magnitude of the decrease in this expense.

Responses

26.a. Several of the new hires would record labor in this account. In addition, December historically has more labor charged to Account 583 since there is less construction occurring in December.

26.b. Licking Valley has started purchasing right of way chemicals and recording the cost in this account. In the past, the contractor purchased chemicals and this cost would have been recorded in Account 593.20 for contractor costs. In addition, Licking Valley started a cooperative right of way crew to perform smaller projects that would be more economical than using the contractor.

26.c. Several years ago, Licking Valley replaced its OCR's as part of system upgrade. Since the OCR's have been replaced, Licking Valley is now repairing the OCR's as part of its maintenance program. This will continue into the future.

26.d. Licking Valley's computer software vendor installed an upgrade to their program in 2007. This resulted in additional costs for 2007 of approximately \$63,000.

26.e. The employee in that position retired during August 2007 and was not replaced until April 2009.

26.f. East Kentucky Power Cooperative discontinued its Partner Plus program where it would reimburse cooperatives for certain advertising and expenses. During 2007 this reimbursement was \$31,007 and in 2008 it was only \$5,106.

26.g. The cost for the setups from KAEDC increased approximately \$3,000 and East Kentucky Power Cooperative Partner Plus reimbursed Licking Valley approximately \$3,300 in 2007.

26.h. Reimbursement from EKPC for the Partner Plus program decreased from \$19,226 in 2007 to \$1,517 in 2008.

26.i. During 2007 the warehouse was remodeled at a cost of about \$12,000 and the garage overhead door was replaced for about \$11,200.

26.j. Reduction in interest rates.

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

27. Refer to Exhibit 4 of the application.

a. Provide a detailed description of the Public Service Company Assessment.

Explain fully the reason(s) for the reduction in the assessed value of the taxable items.

b. Provide a comparative schedule of property tax expense for each year in the period 2004 through 2008.

Responses

27.a. Licking Valley prepares an annual Property Tax Return for Public Service Companies, which is filed with the Department of Revenue. The Department of Revenue determines the assessed values, based on the return filed. The return filed includes a copy of the Public Service Commission Annual Report. The Tax Department reconciles to the plant information contained in the Annual Report, and determines the assessment.

27.b. Response is as follows:

Property taxes for the period from 2004 to 2008 are as follows:

2004	322,959
2005	324,193
2006	342,404
2007	332,268
2008	321,491

Up until, and including 2006, tax was assessed on intangible property. This was discontinued in 2007.

Item 28

Witness: Jim Adkins

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Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

28. Refer to Exhibit 5 of the application. Provide an update of the current interest rates for outstanding long-term debt as of the most recent date available and continue to update monthly up to the date of the hearing in this proceeding.

Response

Attached.

Licking Valley Rural Electric Cooperative

Exhibit 5

Case No. 2009-00016

page 2 of 3

Schedule of Outstanding Long-Term Debt

Format 8a

December 31, 2008

Schedule 2

Type of <u>Debt Issued</u> (a)	Date of <u>Issue</u> (b)	Date of <u>Maturity</u> (c)	Outstanding <u>Amount</u> (d)	Cost Rate to <u>Maturity</u> (g)	Annualized Cost <u>Col (d)x(g)</u> (j)	Test Year Interest <u>Cost</u>
RUS loans						
1B160	Jun-74	Jun-09	9,737	5.000%	487	1,083
1B172	Mar-75	Mar-10	24,322	5.000%	1,216	1,781
1B180	Feb-76	Feb-11	63,966	5.000%	3,198	4,119
1B190	Jun-77	Jun-12	107,492	5.000%	5,375	6,226
1B200	May-78	May-13	305,872	5.000%	15,294	17,244
1B210	Aug-80	Jul-15	597,722	5.000%	29,886	32,243
1B220	Jun-83	Jun-18	462,212	5.000%	23,111	24,211
1B230	May-86	May-21	623,722	5.000%	31,186	32,235
1B240	Dec-90	Dec-25	892,152	5.000%	44,608	45,568
1B250	Jul-94	Jul-29	1,397,106	6.000%	83,826	97,123
1B260	Jun-97	May-32	1,683,560	5.375%	90,491	96,164
1B265	Jun-97	May-32	433,953	5.250%	22,783	24,216
1B266	Jun-97	May-32	1,012,015	1.620%	16,395	32,370
1B267	Jun-97	May-32	134,985	1.620%	2,187	2,219
			<u>7,748,816</u>		<u>370,041</u>	<u>416,803</u>
FFB loans						
H0010	Jan-00	Dec-34	1,489,949	6.480%	96,549	97,486
H0015	Sep-08	Sep-43	12,466,187	3.460%	431,330	246,451
			<u>13,956,136</u>		<u>527,879</u>	<u>343,937</u>
CFC loans						
9002	Jun-74	May-09	5,132	7.00%	359	782
9003	Mar-75	Feb-10	14,507	5.40%	783	1,139
9004	Dec-75	Nov-10	34,464	5.40%	1,861	2,388
9005	Jun-77	May-12	51,785	5.40%	2,796	3,241
9007	Mar-78	Feb-13	147,096	5.40%	7,943	8,950
9010	Jun-80	May-15	310,764	5.35%	16,626	17,921
9014	Jun-83	May-18	236,651	5.35%	12,661	13,280
9015	Mar-86	Feb-21	316,100	5.40%	17,069	17,568
9016	Dec-90	Nov-25	390,808	5.35%	20,908	21,366
9017	Sep-94	Aug-99	786,598	5.35%	42,083	42,755
9018	Jun-93	May-98	1,444,343	5.35%	77,272	72,576
			<u>3,738,248</u>		<u>200,363</u>	<u>201,965</u>
Total long term debt and annualized			<u>25,443,200</u>		<u>1,098,283</u>	<u>962,705</u>

Annualized cost rate [Total Col. (j) / Total Col. (d)] 4.32%

Actual test year cost rate [Total Col (k) / Total Reported in Col (d)] 3.78%

Witness: Jim Adkins

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
Second Data Request of Commission Staff

29. Refer to Exhibit 9 of the application.

a. It appears that the annual audit expense for 2008 has been removed for rate-making purposes. Given that this type of expense normally is allowed for rate-making purposes, explain Licking Valley's rationale in removing it.

b. The amount indicated on page 3 of the exhibit as being disallowed is \$7,300. On the last page of the contract for the audit, the fees are stated to be \$7,800. Explain this discrepancy.

Responses

29.a. The negative adjustment actually increased expenses, as reflected in Exhibit S, page 3 of the application.

29.b. The \$7,300 was the 2007 audit fee, the 2008 fee was \$7,800. Licking Valley should have used the 2008 audit fee of \$7,800.

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
Second Data Request of Commission Staff

30. Refer to Exhibit 10 of the application, pages 7 and 9. Fully describe the nature of each NRECA seminar attended by Tommy Hill and John May during the test year. Explain whether Licking Valley considers this to be a normal recurring expense.

Response

Directors went to the following seminars. Licking Valley expects that its directors will continue to attend seminars in the future, so this would be normal recurring expenses.

Tommy Hill

NRECA Summer School-West

NRECA Region II-III Meeting

John May

NRECA Winter School

NRECA region II-III Meeting

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

31. Refer to Exhibit 11, Advertising – Account 913.00, page 3. Explain why an expenditure of \$26.25 for “Shirts with LV logo” was not eliminated for rate-making purposes when 10 other expenditures for “Shirts with LV logo” were so eliminated.

Response

This was overlooked and should have been removed.

Licking Valley Rural Electric Cooperative
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Second Data Request of Commission Staff

32. Refer to Exhibit 11, Miscellaneous General Expenses – Account 930.40, pages 7 and 8.

a. Describe the nature of the expenditure of \$303.88 for employee exercise equipment paid to Larry Easterling and explain how this expenditure benefits Licking Valley customers.

b. Describe the nature of the expenditure of \$516.75 for two American flags paid to UUS and explain how this expenditure benefits Licking Valley customers.

c. Describe the nature of the expenditure of \$670.77 for an NRECA By-Law Seminar paid to Visa and explain how this expenditure benefits Licking Valley customers.

d. Describe the nature of the expenditure of \$4,626.08 for insurance expense and explain how this expenditure benefits Licking Valley customers.

Responses

32.a. Reimburse an employee for exercise equipment. Employees are urged to exercise on a routine basis to be healthy and reduce time off for injuries and sicknesses. Exercise also helps employees perform work tasks easier.

32.b. Licking Valley flies both the American flag and Commonwealth of Kentucky flag. This builds loyalty and dedication, which flows over the everyday jobs performed by employees. Employees who take pride in their work generally perform at a higher level than those that do not.

32.c. NRECA will periodically put on seminars regarding By-Laws to ensure that cooperatives are operating within legal requirements and IRS regulations. Should a cooperative not maintain its compliance with laws and regulations, the results could be detrimental to all members of Licking Valley.

32.d. A portion of the liability and property insurance premiums are allocated to the office. This is that portion.

Licking Valley Rural Electric Cooperative

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Second Data Request of Commission Staff

33. Refer to Exhibit 11, Annual Meeting Expenses – Account 930.30, pages 9 and 10. There are eight entries for “Shirts for annual mtg” totaling \$4,654.96. Describe the nature of this expenditure and explain how it benefits Licking Valley customers.

Response

Almost all employees attend the annual meeting. All employees attending the annual meeting wear the same style and color shirt. Members who require assistance and need information can readily identify employees by their shirts.

Witness: Jim Adkins

Licking Valley Rural Electric Cooperative

Case No. 2009-00016

Second Data Request of Commission Staff

34. Refer to Exhibit 12 of the application, which shows the estimate of Licking Valley's expenses associated with this rate case. On a monthly basis, beginning with January 2009, provide the amount of Licking Valley's actual rate case expense, by category, as done with the estimate.

Response

	<u>Jan-June</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Total</u>
Legal					0
Consulting					0
Advertising		1,086			1,086
Supplies		942			942
	0	2,028	0	0	2,028

Licking Valley Rural Electric Cooperative
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35. Refer to Exhibit S, page 4 of the application, which shows the amount of the proposed increase based on attaining a TIER of 2.0X.

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

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

c. Licking Valley's request in this case for a 2.0X TIER would produce net margins of roughly \$1.0 million. For each of the five calendar years immediately preceding the 2008 test year, provide the approximate net margins that would have been realized if Licking Valley had achieved a TIER of 2.0X.

Response

1.a. A TIER of 2.0x will allow Licking Valley to increase its margins, which will result in an increase in equity. This will allow Licking Valley to meet its mortgage requirement for TIER and DSC.

1.b. Licking Valley 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%.

1.c.

<u>Year</u>	<u>Margins</u>
2007	1,366,230
2006	1,183,975
2005	988,450
2004	866,247
2003	922,853