

Item 1
Witness: Jim Adkins

Licking Valley Rural Electric Cooperative
Case No. 2009-00016
AG's Supplemental Data Requests

1. With regard to the response to AG-1-8, please provide the test year expense amount associated with the "Freedom" ads.

Response

This ad was run in 2 papers, the Wolfe County News for \$77.70 and the Licking Valley Courier for \$85.50.

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2. With regard to Exhibit 13, page 1, please provide the following information:
 - a. Reconcile the total 2008 CATV rental revenues of \$16,091 shown on Exhibit 13 to the total 2008 CATV rental revenues of \$22,215 shown on Exhibit X, page 1.
 - b. Compare the 2008 number of pole attachments shown on Exhibit 13 (1,810; 1,286, 1009, and 4) to the corresponding number of pole attachments for 2006 and 2007 shown in the response to AG-1-4 and explain the significant decreases in the 2008 pole attachments shown on Exhibit 13 from the number of corresponding pole attachments in 2006 and 2007.

Responses

- 2.a. See revised Exhibit 13 of the application. One CATV company was inadvertently omitted from the original calculation.
- 2.b. See 2.a. above.

Licking Valley Rural Electric
CATV Pole Attachments
December 31, 2008

Additional revenues generated

| <u>Description</u> | Number | Charges | | Revenue | | Increase | |
|----------------------------|--------|----------|----------|----------|----------|----------|---------|
| | | Existing | Proposed | Existing | Proposed | Amount | Percent |
| 2 party Pole Attachments | 2,204 | \$4.01 | \$5.42 | \$8,838 | \$11,939 | \$3,101 | 26% |
| 2 party Anchor Attachments | 1,538 | 3.84 | 5.76 | 5,906 | 8,859 | \$2,953 | 33% |
| 2 party Ground Attachments | 0 | 0.27 | 0.27 | 0 | 0 | \$0 | 0% |
| 3 party Pole Attachments | 1,930 | 3.85 | 4.78 | 7,431 | 9,225 | \$1,794 | 19% |
| 3 party Anchor Attachments | 16 | 2.53 | 3.80 | 40 | 61 | \$20 | 33% |
| 3 party Ground Attachments | 0 | 0.17 | 0.16 | 0 | 0 | \$0 | 0% |
| Total | | | | \$22,215 | \$30,084 | \$7,869 | 26% |

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3. With regard to the response to AG-1-7, please provide the following information:
 - a. Explain why it is reasonable to charge the following items to ratepayers:
 - i. Food for Girl Scouts (\$40.07)
 - ii. Donate caps to Girl Scouts (\$15.00)
 - iii. Washington Youth Tour (\$3,600)
 - iv. Donation (\$200)
 - v. History of Ky Cooperative books (\$1,865.60)
 - b. Purpose of the \$10 charge for the Magoffin Co Comm Day – CFL bulb demonstration and explanation as to why this should be charged to the ratepayers.
 - c. Purpose of the “CFL light bulb demonstration” expenses of \$78.43 and the \$3,337.73 and explanation as to why these expenses should be charged to the ratepayers.
 - d. Description of purpose of KAEC “Energy alert” handout; explain at what event(s) these expenses were incurred; and provide a copy of the handout.

Responses

- 3.a. The first 4 items should have been removed. The History of Ky Cooperative books gives a history of each of the cooperatives in Kentucky. Licking Valley is part of this book. These books are given to members and employees. The history of where Licking Valley has been is as important as where it is going.
- 3.b. The \$10 was the fee to have a booth at the community day event. This gives Licking Valley an opportunity to show consumers the effect of using CFL light bulbs instead of normal incandescent light bulbs. The CFL bulbs are part of the energy conservation practices that Licking Valley uses to promote conservation and efficiencies. By actually demonstrating the savings in usage of CFL bulbs over regular bulbs, consumers can see the direct savings and benefits of conservation and efficiency practices.
- 3.c. This is the cost of the CFL demonstration material Licking Valley employees use to demonstrate the effect of CFL bulbs in relation to normal light bulbs.

ENERGY ALERT

Ask your elected officials to protect your energy future

by Paul Wesslund

Kentucky's electric co-ops want you to ask your U.S. senators and member of Congress some questions about energy.

The co-ops consider this so important they're making it easy. The magazine you're holding comes wrapped in a cover with preprinted cards for you to fill out, tear off, stamp, and mail to Washington, D.C.

If you're more of an Internet person, a few mouse clicks from www.kaec.org will make your opinion heard in our nation's capital.

The co-ops are making this unprecedented request because decisions are being made in Washington right now that could determine how much your electric bill goes up in the next few years.

For a taste of what could happen to electricity prices, take a look at what you just paid to fill your tank with gasoline. Then compare that with what you paid a year ago.

Experts are talking about a "perfect storm" approaching for the electric utility industry. That means an unlikely series of events are coming together to make electricity prices unaffordable. Those events range from proposed environmental rules to competition on the other side of the world from China's booming economy.

This is your chance to influence the future of these huge, international issues. Kentucky's senators and representatives have heard from a lot of different groups with energy ideas that would dramatically raise electric rates for Kentucky.

Those leaders that we've elected are now waiting to hear from you. Write them a letter. Send them an e-mail. Call them up. Ask them what their plans are to make sure we

have affordable and reliable electricity in the future.

If you're not sure exactly what to say, here's a suggestion of three questions the electric co-ops believe our policy and political leaders need to answer:

1. Experts say our nation's growing electricity needs will soon go well beyond what renewable energy, conservation, and efficiency can provide. What is your plan to make sure we have the electricity we'll need in the future?

2. What are you doing to fully fund the research required to make emissions-free electric plants an affordable reality?

3. Balancing electricity needs and environmental goals will be difficult. How much is all this going to increase my electric bill and what will you do to make it affordable?

But the background and the issues behind those questions make for a complex combination of circumstances and timing.

The first ingredient in the perfect storm that's gathering in the near future is that the nation is running out of electricity.

The nation's electric utilities need to have more electric generating capacity than they have. If a power plant suddenly goes down for repairs, there needs to be electricity in reserve to power your TVs, air conditioners, and computers. The nation's electricity reserves are down to about 15 percent of capacity—the bare minimum needed for reliability. Unless more power plants are built soon, those reserves will drop to 5 percent in the next seven years.

But building power plants is expensive. Some estimates say the country will need to spend \$50 billion a year for the next several

What Washington needs to know

Kentucky's electric co-ops want you to ask your elected officials in Washington, D.C., how they plan to keep your electricity reliable and affordable. Send them a postcard or an e-mail asking for answers. The article on this page tells you how to do that.

Here are the questions your senators and members of Congress should be able to answer:

1. What is your plan to make sure we have the electricity we'll need in the future?
2. What are you doing to fully fund the research required to make environmentally friendly electric plants an affordable reality?
3. Balancing electricity needs and environmental goals will be difficult. How much will it increase my electric bill and what will you do to make it affordable?

It seems simple and straightforward to ask politicians to make plans for keeping our electricity reliable and affordable.

years to build new electricity generation.

Perfect storm ingredient number two involves the exploding economies of

China, India, and Brazil. The recent crush of construction and industrialization in those countries is gobbling up resources from steel to coal. The law of supply and demand dictates that as more people buy goods or services, the price goes up for those goods and services. The world seems to be obeying that law as costs are increasing for a variety of things we need and want, including energy.

The third ingredient involves the headline-grabbing concerns about global warming.

A huge amount of attention these days features fears that industrial processes, such as electricity generation, release carbon dioxide, a so-called greenhouse gas that has been blamed for contributing to long-term, worldwide climate change.

You probably already know the huge controversy surrounding the global warming debate. Some say we need to take drastic measures to stop damaging the environment. Others passionately insist there's no connection between industry and weather changes.

Part of what makes that debate so intense is the potentially huge cost of reducing greenhouse gas emissions. Some reductions can be achieved through energy efficiency and the use of renewable energy like wind and solar. Further decreases will require extremely expensive technology. In fact, even taking significant steps toward increasing the nation's use of renewable fuels will take large, expensive improvements in technology.

The fourth and final contributor to the perfect electrical storm applies especially to Kentucky. We live in a state with some of the lowest electricity rates in the nation. A big reason for those great rates compared with other states is that coal-fired power plants generate nearly all the electricity in Kentucky.

But burning coal has been cited as one of the chief industrial sources of the greenhouse gas called carbon dioxide. As a result, many of the efforts to slow global warming target coal.

Kentucky's electric co-ops support some of those efforts related to coal, such as more funding for clean coal technology

research that is exploring ways to burn coal with less impact on the environment.

But other proposals would restrict the use of coal, or even levy large taxes on coal. Those kinds of plans would hit Kentucky directly, substantially raising electric rates for all homes and businesses in the state.

So what's a Kentuckian to do?

First, stay informed. *Kentucky Living* has that covered for you. This magazine regularly provides the news and background you need to be a knowledgeable energy consumer. For more in-depth information, including access to the energy information archives of *Kentucky Living*, go to www.kaec.org, the Web site of the Kentucky Association of Electric Cooperatives.

Second, ask your elected representatives in Washington, D.C., how they plan to help the country weather the approaching perfect storm of energy supplies and energy prices.

A thoughtful, handwritten letter always impresses people in Senate and congressional offices. But sending in cards like those perforated on the outside of this month's *Kentucky Living* will also make

national leaders take notice. The addresses of your senators are already printed on those cards to make mailing them easier. If you're not sure who your congressional representative is, you can look up their address on the map on the outside cover of this magazine.

Or you can use a computer to send an e-mail. In these days of heavy use of the Internet, congressional offices are getting increasingly used to hearing from their constituents by electronic messaging. Just go to www.kaec.org and you'll find easy steps for sending a message to your senators and members of Congress.

The cost of electricity will increase in the coming years. But you can influence the size of that increase. Your local, customer-owned electric co-op is working constantly to deliver to you the best possible combination of safe, reliable, and affordable electric power.

These are unusual times, and now your local electric co-op needs you to step up and take action as a co-op member. Let your elected officials know you're paying attention to these issues, and that you expect the same from them.

The gathering storm in electricity

Electric utilities face an unprecedented combination of events that will raise your electric bill in the coming years. Experts call it a "perfect storm" of unusual conditions coming together at the same time. Here is what's causing those storm clouds:

- ❖ As people use more electricity, expensive, new power sources will be needed. Soon.
- ❖ Huge and rapidly growing economies in China and India are competing for a wide range of resources, pushing up prices all over the world for basic needs like energy.
- ❖ Modern industry, including electric utilities, has been blamed for contributing to global warming. Some solutions would make electricity unaffordable for many people.
- ❖ Global climate change proposals could hit Kentucky especially hard. Some of those plans would dramatically raise the cost of burning coal, which supplies nearly all the electricity in Kentucky.

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4. In the same format and detail as per Exhibit 12, please provide the actual rate case expenses incurred and booked through September 7, 2009.

| | <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 | | 1,815 | | | 1,815 |
| | 0 | 2,901 | 0 | 0 | 2,901 |

Item 5
Witness: Jim Adkins

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5. The response to AG-1-15 shows that the test year Account 921 – Office Supplies and Expenses include a total of \$951.28 for “Coffee for Employees.” Please confirm this and explain why it is appropriate to charge the ratepayers with this expense.

Response

This should have been removed.

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6. The response to AG-1-15 shows that the test year Account 92100 – Office Supplies & Expenses include a total of \$2,442.95 for Board Meeting meals. Please explain why it is appropriate to charge the ratepayers with this expense.

Response

Licking Valley's board meetings are held in the evenings. To get directors to the meeting on a timely basis, a meal is served immediately prior to the meeting. As soon as the meal is complete, the board meeting starts.

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7. Please provide a description of the nature and purpose of the following KAEC annual meeting expenses included in the test year Account 92100 – Office Supplies & Expenses (per the response to AG-1-15). In addition, explain why it is appropriate to charge the ratepayers with these expenses:
- a. \$425.96 for KAEC monthly meeting, gas, meals.
 - b. \$37.00 for “meal for KAEC/PSC Reg Rev mtg.”
 - c. \$485.15 for KAEC Red Flag meeting.
 - d. \$810.00 for KAEC Annual Meeting meals.
 - e. \$1,643.68 for KAEC Annual Meeting.

Responses

- 7.a. This is not for the KAEC annual meeting. The General Manager/CEO of Licking Valley is a director on the KAEC board, and attends the monthly KAEC board meetings. These are expenses for attending that board meeting.
- 7.b. This is not for the KAEC annual meeting. Every year KAEC holds a meeting for designated employees (and other CSR's who deal with consumers) for the PSC annual Regulation Review Meeting to ensure that cooperative personnel comply with PSC regulations in dealing with consumers.
- 7.c. This is not for the KAEC annual meeting. The federal government has established guidelines for organizations that have personal information of US citizens, referred to as “Red Flag” rules. This includes electric utilities. KAEC held a meeting to address these issues and assist in establishing guidelines to comply with these rules and regulations.
- 7.d. Meals for the General Manager/CEO and other 3 directors to attend the KAEC annual meeting. The General Manager/CEO and Director Hill meals are appropriate to include in the rate base.
- 7.e. These are expenses for the General Manager/CEO, who is a director of KAEC and should be included for rate-making purposes.

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8. Please provide a description of the nature and purpose of the following test year Account 92100 – Office Supplies & Expenses shown in the response to AG-1-15. In addition, explain why it is appropriate to charge the ratepayers with these expenses:
- a. \$170.85 for Legislative Conference expenses
 - b. \$997.00 for Legislative Conference expenses
 - c. \$193.48 for Decorations for Sorghum Festival
 - d. \$106 for Flowers for Funeral
 - e. \$98.76 for Fall Flower Decorations
 - f. \$160.00 Subscription to Legal Reporting Service

Responses

8. a thru e Should not be included for rate-making purposes and should have been removed from the application.
- 8.f. NRECA sends issues of the Legal Reporting Service since its contents effect cooperative and employment issues for both management and legal staffs of cooperatives. This is the only publication that affects the electric utility industry specifically.