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September 24, 2010

**RECEIVED**

**SEP 27 2010**

**PUBLIC SERVICE  
COMMISSION**

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

Re: Application of Meade County Rural Electric for an Adjustment of Rates  
Case No. 2010-00222

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of the responses to the Commission's Order "Second Information Request of the Commission Staff to Meade County Rural Electric Cooperative Corporation." dated September 10, 2010.

Please contact me at (270) 756-2184 or Burns E. Mercer at (270) 422-2162 with any questions regarding this filing.

Respectfully submitted,



Thomas C. Brite  
Attorney for Meade County Rural Electric  
Cooperative Corporation

Enclosure

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

**In the Matter of adjustment of  
Rates of Meade County Rural Electric  
Cooperative Corporation**

**Case No. 2010-00222**

**APPLICANT'S RESPONSES TO**  
**SECOND INFORMATION REQUEST OF COMMISSION STAFF**

The applicant, Meade County Rural Electric Cooperative Corporation, makes the following responses to the "Second Information Request of Commission Staff", as follows:

1. The witnesses who are prepared to answer questions concerning each request are Burns E. Mercer, Karen Brown, and Jim Adkins.
2. Burns E. Mercer, President and CEO of Meade County 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.



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Thomas C. Brite  
Brite & Butler, Attorneys-At-Law  
P.O. Box 309  
Brandenburg, Kentucky 40143  
Attorney for Meade County Rural Electric  
Cooperative Corporation  
Telephone: 270-756-2184

The undersigned, Burns E. Mercer, as President & CEO of Meade County 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: September 24, 2010

Meade County Rural Electric Cooperative Corp.

By: Burns E. Mercer  
BURNS E. MERCER, PRESIDENT & CEO

Subscribed, sworn to, and acknowledged before me by Burns E. Mercer, as President & CEO for Meade County Rural Electric Cooperative Corporation on behalf of said Corporation the 24<sup>th</sup> day of September, 2010.

Melvin K. Galy  
Notary Public, Kentucky State At Large  
My Commission Expires: 3-18-2012

CERTIFICATE OF SERVICE

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

Original and Ten Copies

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

This 24th day of September, 2010

Th. Minz  
Attorney for Meade County Rural Electric Cooperative Corporation

**RECEIVED**

SEP 27 2010

**PUBLIC SERVICE  
COMMISSION**

**Meade County Rural Electric Cooperative**

**Case No. 2010-00222**

Second Data Request of Commission Staff



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

1. Refer to the Application, paragraph No. 25. Meade states that it has not had a depreciation study performed with this application or at any time in the past. State whether Meade is familiar with the Commission's practice in recent years, for distribution cooperatives that have not had a recent study performed, of requiring that a depreciation study be performed as part of its final Orders in general rate cases.

Response

Meade County is aware the Commission has issued orders that require consideration be given to performing depreciation studies in recent orders. Meade County is also aware that the order for Farmers Rural Electric Cooperative in Case No. 2008-00030 did not contain a provision to have a depreciation study performed. Meade County has, and continues to, review its depreciation practices. The current reserve ratio falls between the Maximum and Optimum curves within RUS's Depreciation Guideline Curves, being closer to the Optimum Curve.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

2. Refer to revised Exhibit B filed on August 16, 2010
  - a. Refer to pages 1 and 7 of 120. Explain why Meade is changing the minimum bill to be stated at a per-day rate.

Response:

Reflects a more accurate calculation of actual usage when a consumer connects or disconnects between billing cycles.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

2. Refer to revised Exhibit B filed on August 16, 2010

b. Refer to pages 13 and 21 of 120. Both of these pages contain references to a Fuel Adjustment Clause at Schedule 10, an Environmental Surcharge at Schedule 11, and a Wholesale Power Cost Adjustment at Schedule 14. Schedule 10 is a Small Power and Cogeneration Tariff and Meade is proposing to delete Schedules 11 and 14 as part of this rate case. State whether Meade intended to delete these references on pages 13 and 21. If not, explain why they should remain in the tariff.

Response:

See revised Tariff sheets for pages 13 and 21 correcting Fuel Cost to schedule 18; Environmental Surcharge to schedule 9 and deleting wholesale power cost adjustment schedule 14, see pages 2 and 3 of this exhibit.



FOR Entire Territory served  
Community, Town or City  
P.S.C. No. 38  
(Original) Sheet No. 15  
(Revised)  
  
Canceling P.S.C. No. 37  
(Original) Sheet No. 15  
(Revised)

**MEADE COUNTY RURAL ELECTRIC  
COOPERATIVE CORPORATION**

Schedule 5	CLASSIFICATION OF SERVICE	RATE PER UNIT
Outdoor Lighting Service - Individual Consumers		
<u>Applicable:</u> Entire Territory Served.		
<u>Availability of Service:</u> Available to consumers who abide by the rules, regulations and bylaws of the Cooperative and will sign a contract agreement for service in accordance with the special terms and conditions set forth herein.		
<u>Character of Service:</u> This rate schedule covers electric lighting service to outdoor equipment for the illumination of streets, driveways, yards, lots, and other outdoor areas. Cooperative will provide, own, and maintain the lighting equipment, as hereinafter described and will furnish the electrical energy to operate such equipment. Service under this rate will be available on an automatically controlled dusk-to-dawn every-night schedule of approximately 4000 hours per year. Units installed shall be security light type or units as specified herein.		
<u>Rates:</u> 175 Watt unmetered, per month 175 Watt metered, per month 400 Watt unmetered, per month 400 Watt metered, per month		\$ 6.93 3.35 \$9.85 3.35
State, Federal and local tax will be added to above rate where applicable.		
<u>Terms of Payment:</u> Accounts not paid when due may incur a delinquent charge for collection, and a disconnect and reconnect fee.		
<u>Fuel Cost Adjustment</u> See Schedule 18 for applicable charges		T
<u>Environment Surcharge:</u> See Schedule 9 for applicable charges		T
		T/D

<b>DATE OF ISSUE</b>	August 16, 2010	Month
<b>DATE EFFECTIVE</b>	September 18, 2010	Month      Day      Year
<b>ISSUED BY</b>	President/CEO	P. O. Box 489, Brandenburg, KY 40108
	Name of Officer	Day      Year

ISSUED BY ORDER OF P.S.C.

Order No. \_\_\_\_\_

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

2. Refer to revised Exhibit B filed on August 16, 2010

c. Refer to page 27 of 120, and the application at Exhibit E, page 3. Exhibit E, the Cable Television Attachments section, refers to two-party and three-party ground attachments. However, Exhibit B, page 27, refers to grounding and pedestal attachments. State whether Meade believes that the tariff should be updated to reflect the titles used in the public notice.

Response:

Meade does not believe that the titles used in the tariff should not be changed.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010

a. Refer to pages 10 and 13 of 135. A text change is being proposed under the “Minimum Monthly Charges” section for each of these tariffs. As proposed, the tariffs would state that the minimum charge shall be the highest of one of two options. One of those options as proposed is “[t]he minimum charge specified in this schedule.” However, there is no minimum charge specified in either tariff. Provide the minimum charge amount referred to in this sentence for each of these tariffs.

Response:

See revised tariff sheet (minimum daily charge) pages 2 and 3 of this exhibit.

**MEADE COUNTY RURAL ELECTRIC  
COOPERATIVE CORPORATION**

FOR Entire Territory served  
 Community, Town or City \_\_\_\_\_  
 P.S.C. No. 1  
 (Original) Sheet No. 10  
 (Revised) \_\_\_\_\_  
 Canceling P.S.C. No. \_\_\_\_\_  
 (Original) Sheet No. \_\_\_\_\_  
 (Revised) \_\_\_\_\_

Schedule 3 - continued

**CLASSIFICATION OF SERVICE**

CLASSIFICATION OF SERVICE	RATE PER UNIT
<p><b>Three Phase Power Service, 0 KVA - <sup>and greater</sup> 999 KVA - 3 Phase Service</b> <span style="float: right;">T</span></p> <p>power factor. When the power factor is found to be lower than ninety percent (90%), the consumer will be required to correct its power factor to ninety percent (90%) at the consumer's expense. The demand shall be defined as ninety percent (90%) of the highest average kilovolt-amperes measured during any fifteen consecutive-minute period of the month.</p> <p><u>Fuel Cost Adjustment</u> <sup>18</sup> See Schedule <u>10</u> for applicable charge.</p> <p><u>Environmental Surcharge:</u> See Schedule <u>11</u> for applicable charge.</p> <p><del><u>Wholesale Power Cost Adjustment</u></del> <del>See Schedule 14 for applicable charge.</del></p> <p><u>Minimum Monthly Charges:</u> <sup>daily</sup> The minimum <del>monthly</del> charge shall be the highest one of the following charges as determined for the consumer in question:</p> <ol style="list-style-type: none"> <li><sup>minimum daily</sup> 1. The <del>monthly</del> charge specified in this schedule.</li> <li>2. The minimum monthly charge specified in the contract for service.</li> </ol> <p><u>Minimum Annual Charge for Seasonal Services:</u> Consumers requiring service only during certain seasons not exceeding nine months per year may guarantee a minimum annual payment of twelve times the minimum monthly charge determined in accordance with the foregoing section in which case there shall be no minimum monthly charge.</p> <p><u>Due Date of Bill:</u> Payment of consumers monthly bill will be due within ten (10) days from due date of bill.</p> <p><u>Delayed Payment Charge:</u> The above rates are net, the gross rates being five percent (5%) higher on the <del>and two percent (2%) on the remainder of the bill.</del> In the event the current monthly bill is not paid within ten (10) days from the due date of the bill, the gross rate shall apply.</p>	<p>T T T/D T T</p>

PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 JUL 01 2003

DATE OF ISSUE December 23, 2002 August 16, 2010 PURSUANT TO 807 KAR 5:011  
Month Day SECTION 8 (1) Year  
 DATE EFFECTIVE July 1, 2003 September 18, 2010  
Month Day BY Charles E. Miller  
 ISSUED BY Ben E. Miller EXECUTIVE DIRECTOR  
Name of Officer Title P. O. Box 489, Brandenburg, KY 40108  
Address

ISSUED BY AUTHORITY OF P.S.C.

Order No. 2002-391 dated 12/23/2002

FOR Entire Territory served  
 Community, Town or City \_\_\_\_\_  
 P.S.C. No. 35  
 (Original) Sheet No. 13  
 (Revised) \_\_\_\_\_  
 Canceling P.S.C. No. \_\_\_\_\_  
 (Original) Sheet No. \_\_\_\_\_  
 (Revised) \_\_\_\_\_

**MEADE COUNTY RURAL ELECTRIC  
 COOPERATIVE CORPORATION**

Schedule 3A continued	CLASSIFICATION OF SERVICE	RATE PER UNIT
<p><b>Three Phase Power Service, 0 KVA - 999 KVA - Optional Time-of-Day (TOD) Rate</b></p> <p>power factor. When the power factor is found to be lower than ninety percent (90%), the consumer will be required to correct its power factor to ninety percent (90%) at the consumer's expense. The demand shall be defined as ninety percent (90%) of the highest average kilovolt-amperes measured during any fifteen consecutive-minute period of the month.</p> <p><u>Fuel Cost Adjustment:</u> <i>g</i>        See Schedule <del>10</del> <i>18</i> for applicable charge.</p> <p><u>Environmental Surcharge:</u>        See Schedule <del>11</del> <i>9</i> for applicable charge.</p> <p><del>Wholesale Power Cost Adjustment</del>  <del>See Schedule 14 for applicable charge.</del></p> <p><u>Minimum Monthly Charges:</u> <i>→ daily</i>        The minimum <del>monthly</del> charge shall be the highest one of the following charges as determined for the consumer in question:</p> <ol style="list-style-type: none"> <li><i>minimum daily</i> The monthly charge specified in this schedule.</li> <li>The minimum monthly charge specified in the contract for service.</li> </ol> <p><u>Minimum Annual Charge for Seasonal Services:</u>        Consumers requiring service only during certain seasons not exceeding nine months per year may guarantee a minimum annual payment of twelve times the minimum monthly charge determined in accordance with the foregoing section in which case there shall be no minimum monthly charge.</p> <p><u>Due Date of Bill:</u>        Payment of consumers monthly bill will be due within ten (10) days from due date of bill.</p> <p><u>Delayed Payment Charge:</u>        The above rates are net, the gross rates being five percent (5%) higher on the first \$25.00 and two percent (2%) on the remainder of the bill. In the event the current monthly bill is not paid within ten (10) days from the due date of the bill, the gross rate shall apply.</p>	<p>.</p> <p>T</p> <p>T</p> <p>TOD</p> <p>T</p> <p>T</p>	

DATE OF ISSUE ~~July 16, 2004~~ *August 16, 2010*  
Month

DATE EFFECTIVE ~~September 1, 2004~~ *Sept. 18, 2010*  
Month

ISSUED BY *Brent E. Spivey*  
Name of Officer

ISSUED BY AUTHORITY OF P.S.C.

PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 EFFECTIVE  
 Day 09/01/2004 Year  
 PURSUANT TO 807 KAR 5:011  
 Day SECTION 9 (1) Year  
 President/CEO P. O. Box 489, Brandenburg, KY 40108  
 Title  
 By *[Signature]*  
 Executive Director



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010
  - b. Refer to page 105 of 135. Explain why Meade is proposing to delete the customer deposit criteria.

Response:

Meade is proposing two criteria's for deposits as follows:

1. Previous payment history with the coop.
2. Exchange rating.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010

c. Refer to page 109 of 135. State whether Meade is proposing to delete the Meter Reading section because customers are no longer required to read their meters. If that is not the reason, explain why the section is being deleted.

Response:

The Meter Reading section is being deleted because customers are no longer required to read their meter.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010

d. Refer to page 111 of 135, section (d). Meade refers to a remote meter reading charge as a remote "Reconnect Charge" for "an automated meter reading (AMI)" and a "Disconnect Charge" for an "AMI reading."

(1) Explain why Meade is proposing to delete "Special Meter Reading Charge" as the identification of this section.

Response:

Meade is proposing to delete "Special Meter Reading Charge" as the identification of this section since customers are no longer required to read their own meter for monthly billings and meters are no longer read manually by Meade.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010

d. Refer to page 111 of 135, section (d). Meade refers to a remote meter reading charge as a remote "Reconnect Charge" for "an automated meter reading (AMI)" and a "Disconnect Charge" for an "AMI reading."

(2) Explain why a meter reading charge is described as either a reconnect or disconnect charge.

Response:

Meter reading charge is described as either a connect or disconnect charge as this reading is required when service is activated or disconnected.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010

d. Refer to page 111 of 135, section (d). Meade refers to a remote meter reading charge as a remote “Reconnect Charge” for “an automated meter reading (AMI)” and a “Disconnect Charge” for an “AMI reading.”

(3) Explain the difference between the two types of remote meter readings referenced in this section, one which requires a “reconnect charge” and the other which requires a “disconnect charge.”

Response:

A remote meter reading “reconnect charge” requires a special meter that has the ability to be activated with a remote switch from the office. A remote meter reading “disconnect charge” requires a special meter that has the ability to be deactivated with a remote switch from the office.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

3. Refer to revised Exhibit C filed on August 16, 2010

d. Refer to page 111 of 135, section (d). Meade refers to a remote meter reading charge as a remote "Reconnect Charge" for "an automated meter reading (AMI)" and a "Disconnect Charge" for an "AMI reading."

(4) Provide the percentage of Meade's meters read manually and the percentage read remotely each month.

Response:

At the end of the test period Meade billed 28,142 meters of which approximately 350 were manually read or 1.25%.

Remotely	98.75%
Manually	<u>1.25%</u>
	100.00



*Exhibit 4*

Item No. 4a

Page 1 of 3

Witness: Jim Adkins

MEADE COUNTY RECC  
CASE NO. 2020-00222

RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to Exhibit C of the application.

a. **Question:**

Refer to pages 16-17. These pages appear to have been included in the tariff to explain Schedule 3 A, an optional time-of-day tariff. Page 15 states that the only difference in rates between Schedule 3 and 3A is that the customer charge for 3A has been increased to recover additional metering costs. Currently, the customer charge is \$34.70 for Schedule 3 and \$53.68 for Schedule 3A. As proposed, the customer charge would be \$60.47 for Schedule 4 and \$60.74 for Schedule 3A. Pages 16 and 17 appear to include calculations for the current customer charges for Schedules 3 and 3 A.

(1) State whether Meade intended to delete or revise these pages.

(2) Explain why it is no longer necessary for there to be a difference in the customer charges for these schedules.

a. **Response:**

(1) Meade plans to delete these pages from its tariff.

(2) The reason for the small difference in the customer charges for these rate schedules is a result of the decision on how the proposed increase was allocated to each rate class and the decision on what part of the retail to change. Meade decided to allocate the increase each rate class by the same percent and to place all the increase upon the customer charge. The customer charges proposed for Schedules 3 and 3A are a direct result or a fallout from the decision criteria provided in the first part of this response.



*Exhibit 4*

Item No. 4b

Page 2 of 3

Witness: Jim Adkins

MEADE COUNTY RECC  
CASE NO. 2020-00222

RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

b. **Question:**

Refer to pages 34 and 35 of 135. These pages appear to be Cable Television Attachment ("CATV") calculations. However, these pages match neither the current nor the proposed CATV rates. State whether Meade intended to delete or revise these pages.

b. **Response:**

Meade intended to delete these pages.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

4. Refer to Exhibit C of the application.

c. Refer to page 53 of 135, Schedule 11, Restitution Adjustment tariff.  
Provide an explanation of this tariff, state the number of customers being charged under this tariff, and explain why Meade is proposing to delete it.

Response:

None, this was a credit from Big Rivers which has been discontinued by Big Rivers.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

5. Meade's current tariff includes a cogeneration standard contract and an emergency response plan which are not included in Meade's proposed tariff. State whether Meade intended to delete these documents from its tariff. If yes, provide the reasons for the deletions.

Response:

Meade intended to delete the 11 page "cogeneration standard contract" referred to in this section as it has been replaced with schedules 8, 9, and 10.

We do not intend to delete the emergency response plan, in addition there are no proposed changes.



MEADE COUNTY RECC  
CASE NO. 2020-00222

RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to Exhibit Hof the application, the Direct Testimony of James R. Adkins (“Adkins Testimony”).

a. Question:

Refer to page 3 of the Adkins Testimony. Mr. Adkins references a report of the Kentucky Association of Electric Cooperatives, “Final Report to the Kentucky Association of Electric Cooperatives PSC Study Committee Standard Filing Procedures and Financial Criteria for Distribution Cooperatives” (“KAEC PSC Study Report”) Provide a copy of the referenced report.

a. Response:

A copy of this report is contained in the remaining pages of this response.

FINAL REPORT TO  
KENTUCKY ASSOCIATION OF ELECTRIC COOPERATIVES  
PSC STUDY COMMITTEE

MARCH 3, 1978

We were instructed by the PSC Study Committee to pursue the following goals:

1. Establish financial criteria for evaluating rate applications.
2. Establish the concept of allowing distribution cooperatives to flow through wholesale power increases.
3. Determine information really needed for the Commission to evaluate cases before them on:
  - a. Regular rate cases
  - b. Flow through of wholesale power costs
  - c. Loan applications
4. Determine how best to interface with the Consumer Protection Department of the Attorney General's Office.

The scope of our efforts was to be limited to the distribution cooperatives.

In pursuing these goals, we have reviewed the available documentation on each area involved and discussed each with representatives of REA, CFC, Bank for Cooperatives, the Consumer Protection Department of the Attorney General's Office and the Kentucky Public Service Commission Staff.

With each of these groups, we have reviewed our ideas and received suggestions for obtaining the best results. This final report represents, in our opinion, the best alternatives developed to date. As you directed, we have focused our attention on the needs of distribution cooperatives.

We view our overall task as one of providing the Kentucky Association of Electric Cooperatives documentation which will enable its members to more economically and more effectively present applications to the Kentucky Public Service Commission (PSC) for changes in rates and to strengthen the relationship between the cooperatives and the PSC Staff. We feel that this two-pronged task and the goals established by the PSC Study Committee will have been achieved upon completion of this effort. To complete the effort we are submitting this report and we will use it as the basis for a workshop with a period of discussion with the member cooperatives alone and another period of discussion with members of the PSC Staff participating. With this in mind, we have organized this report in the following manner: First, steps involved in filing a regular rate case including a standardized format for filing requirements is discussed with an evaluation of the information really needed for the Commission to evaluate cases before them. Next the financial criteria for evaluating rate applications and the recommended procedures for developing the required rate of return (margin) are provided with a discussion of our interface with the Consumer Protection Department of the Attorney General's Office. The last part of this report deals with the subject of flow through by distribution cooperatives of wholesale power increases.



A. Filing a Regular Rate Application With the Kentucky Public Service Commission

A regular rate application, as opposed to a wholesale rate increase flow through application, is one in which the cooperative, due to its own internal costs, requires a change in rates. Since the Kentucky PSC requires the filing of an historic test year (with certain adjustments), it is necessary to choose, within reasonable confines, a recent twelve month period which is considered to be representative of a normal year without the occurrence of significant abnormalities. Rates are established for the future and the Commission allows adjustments to the test year information for "known and measurable" changes and adjustments to eliminate abnormal occurrences to more accurately reflect conditions in the near future. Such adjustments will be discussed below in conjunction with the test year income statement and balance sheet. First, however, it is necessary to review the data required for filing by the Commission.

1. Standardized Data to be Filed Before the Kentucky PSC

Attached to this report as Exhibit A is a listing of the data required to be filed by the cooperatives before the PSC.

With the possible exception of the articles of incorporation and the narrative description of each mortgage, both of which may simply be referenced to the extent they have been filed previously, the data required by the Commission is needed to evaluate the proposed rates. Except for the billing analysis

described on page 4 of Exhibit A and the adjusted income statement and balance sheet (discussed later in this report); these items are mostly regurgitations of accounting data which should be readily available. In some cases, all that is required is that copies of REA forms be submitted.

Attached to this report as Exhibit B is a tabular format which may be used to display the required information on all the indebtedness of the cooperative. This form may be used to replace Exhibit 2, Schedules 2, 3 and 4 shown on Exhibit A, page 1 attached hereto. Exhibit C is a suggested format for the test year billing analysis. This billing analysis seems to be the piece of information which has caused the most problems for the Commission Staff in the past. The analysis may be done on an annual basis but must contain sufficient detail to enable the revenues under present rates to be checked for the test year and the proposed rates to be tested. For each rate currently in effect and each proposed rate, the annual billing units (customer months, kW and kWh) should be given for each demand and energy block and for any adjustment provisions contained in the rate. The corresponding unit charges and total dollar charges for the year in each rate block should be shown. An example of a billing analysis for a cooperative with only two rate schedules is included on pages 2, 3 and 4 of Exhibit C. Page 4 is the

actual analysis and pages 2 and 3 are the rate schedules upon which the analysis is based. This example will be discussed in more detail at the workshop.

2. Test Year Income Statement and Balance Sheet

The total revenue requirement allowed by the Commission is normally based upon the sum of the test year operation expenses, depreciation expenses, taxes and return (including interest expense and margin):

$$RR = O + D + T + R$$

The operation expenses, depreciation expenses, and taxes are taken from the books of the cooperative and the return which is to cover interest expenses and return on equity or patronage capital is developed by multiplying the overall rate of return allowed by the rate base. Therefore, the income statement showing the operation and depreciation expenses and taxes and the balance sheet from which the rate base is developed are two of the most important parts of the rate filing. It is extremely important, then, to be sure these two statements represent the conditions reasonably expected to exist in the near future when the proposed rates will be in effect. The starting point, of course, must be the actual expenses and investment for the test year. This information may then be adjusted to reflect "known and measurable" changes which will occur subsequent to the end of the test year and to annualize changes which occurred during the test year. Examples of

these types of adjustments include: the annualization of any rates which may have become effective during or after the test year, the addition of new non-revenue producing facilities soon after the end of the test year including an adjustment to taxes and depreciation expenses, the acquisition of a new loan and an increase in wage rates during or just after the test year.

The justification supporting any adjustments made must be well documented. In many instances signed contracts may be required to justify an adjustment. For example, a new contract may have been signed with a labor union, contracts may have been signed for the delivery of new equipment or a loan agreement may have been executed.

Exhibit D attached is a listing of the items normally included in the rate base. End of the test year balances are normally used, but the average of the thirteen monthly balances may be used for materials and supplies, prepayments and fuel stock if the end of year balance is not representative. Again, it is important to present a rate base which is representative of the period the rates will be in effect since the operating margin or return will be developed by multiplying the overall rate of return by the rate base.

B. Financial Criteria for Evaluating Rate Applications

In developing financial criteria for determining and justifying revenue requirements in rate applications, both long and short term financial needs must be considered. In the long term, cooperatives must develop a capital structure sufficient to maintain its financial strength and to meet the requirements of its current and potential future lenders in order to obtain financing at the lowest possible cost and on the most favorable terms. The consensus currently seems to be that this consists of an equity ratio (equity as a percent of total capital) of somewhere between thirty and forty percent and a debt ratio of somewhere between sixty and seventy percent. After reviewing the current condition of the cooperatives in Kentucky, the requirements of REA and associated lending institutions, the requirements of private lending institutions, today's economic climate and the ratemaking practices of the Kentucky Public Service Commission, we recommend a target equity position of forty percent. See Exhibit E for a list of reasons it is necessary to build a substantial equity position.

The equity reflected on the books of most of the cooperatives in Kentucky consists of two elements: One, revenue received from members in excess of the operating expense requirements of the cooperative which has been invested in various types of plant,

and two, non-cash amounts representing capital credits assigned to the cooperative from its G&T power supplier which, of course, cannot be used to finance additional facilities. For example, the equity of some cooperatives in Kentucky at the end of 1976 consisted of two thirds cash and one third non-cash amounts\*. Since one of the objectives of this study is to produce an acceptable method of measuring the revenues required to simultaneously meet the cooperatives' needs to finance their plant facilities and reach long-term financial objectives, it is our recommendation that these non-cash G&T capital credit assignments be excluded from the computation of the equity ratios (equity capital divided by total capital) used in the application of the rate of return method. To do otherwise would be to include factors extraneous to the financing requirements of the cooperative.

Probably the most crucial short term indicator of financial viability is the familiar Times Interest Earned Ratio (TIER). The Capital Credits Study Committee recommended a target TIER of 3.0 while the Kentucky PSC has been using a 2.0 TIER as a ceiling on revenue requirements. In our opinion, the TIER level should definitely be considered in evaluating the overall revenue requirements of a cooperative, but it should be allowed to fluctuate within a "zone of reasonableness" and should be subjugated to reaching and maintaining the capital structure selected as a target by the cooperative.

\* From the 1976 REA Bulletin 1-1 assuming investment in associated organizations is all G&T capital credit assignments.

C. Procedure for Developing the Required Rate of Return

*They (PSC) don't want that. This is the*  
*30-40% may be argued out by PSC et al.*

The cooperative raises equity for capital expansion practically entirely through its rates, thus, a significant equity position with respect to plant investment can only be generated through charging rates which will produce a sufficient margin. It is necessary to establish such rates in a manner which will produce the appropriate level of margins. For regulatory purposes,\* the most widely recognized method for developing this level is to express the return or operating income necessary to meet the "test year" interest expense and required equity additions as a percent of total capital. This percentage is referred to as the "rate of return" and is normally applied to the rate base investment of the utility. If properly measured, this rate of return will allow the cooperative to secure debt capital from current sources at economical rates and to raise equity capital in sufficient amounts to finance plant additions in the desired equity proportions.

Among the first to apply this concept to cooperatives was James W. Goodwin, former Chief, Retail Rate Branch, Rural Electrification Administration, who developed a formula equating partonage capital contribution through rates to a return on equity. The formula he developed has since been widely used in developing cooperative revenue requirements by cooperatives and regulatory bodies throughout the country.

Before discussing the development of this formula, an understanding of how this "return on equity" fits into the revenue requirement

\* We recognize that a 10-year Financial Forecast serves this purpose but unfortunately it is not fully held by regulators to meet the "known and measurable" criteria.

model is necessary. The revenue requirement of a cooperative may be written in the following form:

$$RR = E + D + T + I + P$$

Where:

RR = Revenue Requirement  
E = Operation Expense  
D = Depreciation Expense  
T = Taxes  
I = Interest On Debt  
P = Patronage Capital Contribution <sup>met:</sup> or  
Return on Equity

The I&P is the same as the return discussed above in conjunction with the income statement and the balance sheet and the formula can be re-written as total revenue requirements less operating expenses equals "return" or operating income which is available to meet interest expenses and provide equity capital:

$$RR - (E + D + T) = (I + P)$$

The interest expense (I) is, of course, easily determined by the cooperative. However, determining the required equity return (P) presents some difficulty. It is the measurement of the necessary patronage capital contribution which we must focus upon to complete the development of the overall revenue requirement. The value of P must be large enough to provide for the following:

1. Provide equity to finance capital additions and ~~maintain~~ at least the current equity ratio. *why, may be too high.*
2. Provide equity necessary to grow to the target equity ratio over the desired period of time.



3. Provide equity for the current year's revolvment of capital credits and/or special situation equity requirements.

Additional considerations necessary in calculating the proper equity return for cooperatives are:

4. The establishment of the desired or target equity ratio.
5. The time horizon for gaining the target equity position.
6. Generation and transmission cooperative patronage capital assignments should be deducted from the accumulated equity of distribution cooperatives in making all calculations.

(These procedures will remain the same if this adjustment is not made; however, in our opinion, the results obtained will be more appropriate if G & T capital assignments are removed.)

The "Goodwin Formula" was developed to assure the maintenance of the current equity ratio by providing a return sufficient to finance the growth in capital at the current equity ratio and sufficient to retire capital credits on a revolving basis. When applied to a hypothetical capital structure rather than the actual capital structure, the rate of return developed by this formula will build from the current equity position to the target equity position over a complete capital credit revolvment cycle assuming the growth rate remains stable. The "Goodwin Formula" (revised to correct a minor arithmetical error in the original formula) is as follows:

$$\text{ROR}_E = \frac{(1 + g)^n + 1 - (1 + g)^n}{(1 + g)^n - 1} \times 100$$

Where:

$\text{ROR}_E$  = Rate of Return on Equity - Percent  
 $g$  = Rate of Captial Growth - Decimal  
 $n$  = Period of Rotation - Years

Restated, this formula provides for a growth in equity sufficient to keep pace with the overall growth in capital needs and to meet the requirement to pay out patronage capital which was earned in the nth preceeding year which also included the payout of equity earned in the nth year preceeding that year, and progressing back to infinity.

This concept of providing for equity growth by stating the equity growth requirements in terms of a rate of return on accumulated equity is excellent, and the "Goodwin Formula" is a fine model in theory. However, as a practical matter, the formula has its frailties. Even though it can be recomputed every year, the formula is based on a long term period (capital credits rotation is generally advised for a period of from 10 to 20 years). It is extremely inflexible in that it is based entirely upon a periodic rotation of capital credits; it does not consider equity payout in special situations; the equity ratio can only be changed through the application of the rate of return on equity calculated to a hypothetical capital structure and even then the growth period is determined

by the rotation period not independently by the user. All these variables must be considered in any model used to calculate a rate of return on equity for cooperatives.

The following formula is proposed as an alternative and considers all of these variables and requires more of a process than a rate application:

$$RORE = r_{NG} + r_{BE} + r_{EPO}$$

Where:

- $r_{NG}$  = Normal (historic) Rate of Growth in Total Capital
- $r_{BE}$  = Rate of Growth Required to Build Equity
- $r_{EPO}$  = Rate of Equity Payout (including rotation retirements and/or special situation payouts)

There are basically two ways to measure the rate of return on equity using this formula both of which should yield the same result. The first is to use each of the variables in a mini-forecast to project the absolute level of equity over the next three to five years. The annual compound rate of growth can then be calculated from these projected equity levels and this becomes the required return on equity.

The second method, which we will focus upon now, is to calculate each of the above growth rates and plug them into the formula. To facilitate an understanding of the computations involved, the following example will be used (all equity and total capital figures are assumed to exclude G&T capital credit assignments):

At the end of 1977 our hypothetical cooperative (KRECI) had accumulated \$300,000 in equity and \$700,000 in debt or total

capital of \$1,000,000. The weighted average cost of debt is 4.5%. Total capital has grown from \$555,900 in 1970 to \$1,000,000 in 1977 for an annual compound rate of growth of 8.75%. KRECI has made it a policy to pay out capital credits to the estates of deceased members only and recent history has shown that these payments amount to approximately one-half of one percent of average equity capital each year.

The normal (historical) rate of growth ( $r_{NG}$ ) for KRECI, of course, is 8.75%. Given that KRECI has a target equity ratio of 40% which it hopes to attain within a ten year period and that it has a current equity ratio of 30%, Table A (attached at the back of this report) can be used to determine the value of the sum of the normal capital growth rate ( $r_{NG}$ ) and the rate of growth required to build equity ( $r_{BE}$ ). Looking on the second page of this table we see that the value of  $r_{NG} + r_{BE}$  in this example is found under the 8.75% column in the 30% present equity ratio row to be 11.92%. The rate of growth required to build equity may be determined separately by either subtracting the normal rate of capital growth (8.75%) from the 11.92% to obtain 3.17% or it may be computed using the following formula:

$$r_{BE} = (1 + r_{NG}) \left( \frac{AI}{E} \right)^{1/n} - 1$$

Where:

- $r_{NG}$  = Normal Rate of Growth in Total Capital
- A = Target Equity Ratio Expressed as a Decimal
- I = Current Dollar Level of Total Capital
- E = Current Dollar Level of Equity
- n = Number of Years Desired to Achieve Equity Target

Applying the formula to the above example we get:

$$\begin{aligned} r_{BE} &= (1 + .0875) \frac{(.40)(1,000,000)^{1/10} - 1}{(300,000)} \\ &= (1.0875)(1.02919 - 1) \\ &= 3.17\% \end{aligned}$$

The equity payout of one-half of one percent of average equity capital must then be added to obtain the required rate of return on equity. The equity payout rate is included to insure that the funds needed to be paid out during the coming years will be generated through rates in those years. It should be computed on the basis of the average of the equity paid out during the last several years unless a significant change can be foreseen for the next year. In such a case, the change should be fully supported in the presentation to the Commission.

Plugging the results of these calculations into the formula, we obtain a rate of return on equity as follows:

$$\begin{aligned} ROR_E &= (8.75 + 3.17 + 1.50) \\ &= 13.42\% \end{aligned}$$

Applying this rate of return to the 1977 year end capital structure and using the weighted debt cost, the overall rate of return required is computed as follows:

	<u>Capitalization</u>		<u>Cost</u>	<u>Weighted Cost Component</u>
	<u>\$</u>	<u>%</u>		
Debt	700,000	70	0.0450	0.0315
Equity	<u>300,000</u>	<u>30</u>	0.1342	<u>0.0403</u>
Total	1,000,000	100		0.0718

Thus the 13.42% rate of return on equity when weighted into the actual capital structure produces an overall rate of return or weighted cost of capital of 7.18%. This rate of return is then applied to the total rate base to obtain the return or operating income necessary during the test period to recover interest expense and produce a margin which is consistent with the amount of equity to be applied toward the cooperative capital needs.

The strength of this method is that all the variables associated with determining the required rate of return on equity are considered and flexibility is allowed in determining the planning horizon for obtaining the target equity ratio. This method should also be more palatable to regulators since it is based on the situation as it actually exists as opposed to theoretical circumstances generated by an applicant. This procedure also requires and, in fact, helps develop an understanding of the relationships between the variables included in the model and emphasizes the need for long range financial planning as well as the monitoring of the extent to which financial goals are realized.

As previously noted in this report, the use of booked equity in the return on equity determination could cause significant distortion in the results obtained. The reason, again, is the non-cash equity which has been assigned to the distribution cooperative by its G&T power supplier. These equity assignments come in fits and starts, are not predictable and are not in any way related to the financing requirements of the distribution cooperative. The rates of the generation cooperatives are usually established on the basis of the

cash capital needs of the cooperative rather than the need to produce any target level of accumulated equity. This method of setting G&T rates coupled with cyclic economic conditions results in substantial variability in the margins available for assignment to the distribution cooperatives. When the G&T does generate equity margins, even though they may be moderate in comparison to the investment of the G&T, they become disproportionately large in relation to the relatively small investment of the distribution members. Also, the losses of the generation cooperative have acted to reduce its equity position, but this reduction has not been transmitted down to the distribution members.\* Combined with the fact that this equity assigned at the distribution level is actually developed through the G&T rates and also booked at the generation level this one-way loss accounting has resulted in there being substantially more equity booked on the combined system than there has been equity generated on the combined system.

When analyzed in detail there are some rather complex offsetting effects which tend to dampen the impact of leaving the G&T assignments in the capital of the distribution cooperative. The major factor is that the current equity ratio by which the required return on equity is multiplied in deriving the overall rate of return is higher than if the G&T assignments are removed. However, the rate base is then much less than the total capitalization of the cooperative. Even after considering these offsetting effects,

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\* In 1977 REA changed its accounting policy to allow losses to be used by G&T's to offset future margins thus eliminating this problem in the future. However, the equity generated at the G&T level will still be booked in both the G&T and distribution books.

however, it seems clear that the extreme volatility, the relative size and the fact that the G&T capital assignments bear no relationship to the financing requirements of the distribution cooperatives which, after all is the major reason for equity accumulations, and are not included in the rate base by the Kentucky PSC, could so significantly affect the results of the operating income requirement that it should be removed in setting rates for distribution cooperatives. An example of the procedure with and without G&T capital credits in the capital structure is shown on Exhibit F.

As with any process for establishing revenue requirements, this procedure cannot be applied blindly. The test period cash flow needs of the cooperative must be considered, therefore, the interest coverage produced by the resultant rate of return on equity should be computed. In cases where the current equity ratio is extremely low, this method could very easily produce a TIER which is unacceptably low. By the same token, with an exceptionally high current equity ratio the resultant rate of return on equity could produce a TIER above the range acceptable by regulatory authorities. The TIER resulting from application of this procedure may be calculated by the following formula:

$$\text{TIER} = \frac{(\text{RB}) (\text{DC} + \text{EC})}{(\text{TC}) (\text{DC})}$$

Where:

RB = Rate Base

DC = Debt Component of Overall Rate of Return

EC = Equity Component of Overall Rate of Return

TC = Total Capital



In the example above (assuming that total capital is equal to total rate base), the calculation of TIER is as follows:

$$\begin{aligned} \text{TIER} &= \frac{(1,000,000) (0.315 + 0.0403)}{(1,000,000) (0.315)} \\ &= 2.3 \end{aligned}$$

If the TIER is lower than acceptable, the target TIER then becomes the factor controlling the determination of required revenue level and thus of the required rate of return overall and on equity. In order to determine what this overall rate of return and rate of return on equity should be given a higher TIER target, the following formula can be used:

$$\frac{(\text{RB}) (\text{DC} + \text{EC})}{(\text{TC}) (\text{DC})} = \text{TIER}$$

and, where  $\text{RB} = \text{TL}$

$$\text{EC} = (\text{TIER}) (\text{DC}) - (\text{DC})$$

If the target TIER is 3.0 in the above example:

$$\begin{aligned} \text{RE} &= (3.0 (0.0315) - 0.0315) \\ &= 0.0630 \end{aligned}$$

The required rate of return on equity would be:

$$\begin{aligned} \text{ROR}_E &= \text{EC} \div \text{Equity Ratio} \\ &= 0.0630 \div 0.30 \\ &= 0.21 \text{ or } 21.0\% \end{aligned}$$

The resulting overall rate of return would be:

$$\begin{aligned} \text{DC} + \text{EC} &\text{ or } 3.15\% + 6.3\% \\ &= 9.45\% \end{aligned}$$

In summary, the following steps should be used in the determination of the required rate of return to be applied to the rate base of the cooperative producing the required operating income:

1. Compute representative annual compound rate of growth in total capital excluding G&T capital credit assignments. ( $r_{NG}$ )
2. Given target time selected to achieve target equity ratio, compute (using the formula or table provided) required rate to build to desired equity ratio. ( $r_{BE}$ )  
Note: Table computes  $r_{BE}$  and adds to  $r_{NG}$ . The sum of the two then is printed.
3. Based on historical payout, compute the expected rate of equity payout as a percent of total equity without G&T capital credit assignments. ( $r_{EPO}$ )
4. Rate of return on Equity =  $r_{NG} + r_{BE} + r_{EPO}$
5. This rate of return should be checked to be sure the resulting TIER is in the acceptable zone and should be adjusted if it falls below the zone.
6. The rate of return on equity and the weighted cost of debt are then multiplied by the adjusted year-end equity and debt ratios respectively and summed to produce the overall rate of return.

This procedure has been discussed with Ms. Glenda J. Beard, Assistant Attorney General, Consumer Protection Division. Ms. Beard expressed concurrence in the method used, but reserved the right to question the judgemental aspects in its application; e.g., the target equity level and the determination of the appropriate capital growth rate, ( $r_{NG}$ ).

D. Loan Applications

Loan applications still must be filed including the information identified in the Commission's rules and regulations plus the letter of approval from the source of the loan. When such loan applications are for amounts less than ten percent (10%) of gross plant, it is not necessary to file an Application for Certificate of Public Convenience and Necessity nor will a hearing be required. However, if such applications are for in excess of ten percent (10%) of gross plant, there is a requirement for the filing of an Application for Certificate of Public Convenience and Necessity including all information required by the Commission's rules and regulations and a hearing will be required. The Commission is now making it a practice to approve loans, as REA and CFC, based upon the cooperative's two (2) year work plan. This generally has the effect of pushing the loan applications above the ten percent (10%) of gross plant mark while possibly eliminating annual trips to the Commission with loan applications.

E. Flow Through of Wholesale Power Cost Increases

At the present time there is no provision for the automatic flow through of wholesale power cost increases nor is there any prospect of such a provision in the near future. The Commission Staff is reluctant to consider this type of provision given the Governor's and the Commission's current view of automatic pass through clauses.

An alternative to an automatic provision was recently experienced by the members of East Kentucky Power. This alternative requires that a complete filing be made, however, it does provide for the possibility of a timely pass-through of the increased wholesale costs. In the East Kentucky case, the members were required to file simultaneously using the same test year as East Kentucky showing only the effects of a flow through soon after the wholesale filing. In the future, with the proper coordination it may be possible for the member distribution cooperatives to file concurrently with the power supplier. The Commission will be reviewing these filings to determine whether or not some of the distribution cooperatives are able to absorb any or all of the increase. For this reason and because the individual cooperative may need to increase its rates in addition to the flow through of the wholesale increase or restructure its existing rates, it may be necessary under this alternative to prepare and file an additional application soon after the flow through application is filed.

Although it hasn't been used in the past, there is a paragraph in the regulations of the Commission providing for conferences with the Staff for purposes of settling the case. It may be possible in the future to use this provision to settle flow through cases without holding a hearing. If the current experiment works (i.e.,

East Kentucky) and the system continues in use, it may also be possible in the future to eliminate some of the filing requirements in the purely flow through filings. Such a reduction in filing requirements is not foreseeable in the near future, however.

F. Conclusion

This report contains information which, if applied, will result in more streamlined, more effective Public Service Commission proceedings which are more productive and more economical for the members of the Kentucky Association of Electric Cooperatives. More effective financial planning may also result from the application of the procedures outlined herein.

Of necessity, the report does not contain sufficient detail to answer all questions which may be raised in the application of the concepts discussed. However, a workshop will be held at which time any questions may be raised and a thorough working knowledge of the procedures should be developed.

OUTLINE OF DISTRIBUTION COOPERATIVE RATE  
FILING BEFORE KENTUCKY PUBLIC SERVICE COMMISSION

1. Application and Notice
2. Articles of Incorporation - Exhibit 1
3. Financial Exhibit - Exhibit 2
  - Schedule 1 - Narrative Description of Each Mortgage
  - Schedule 2 - Bonds Authorized & Issued
  - Schedule 3 - Table of Data on Outstanding Notes
  - Schedule 4 - Data on Other Indebtedness
  - Schedule 5 - Income Statement and Balance Sheet (REA Form 7, Parts A & C) Actual and Adjusted with Adjustments Clearly Documented
4. Exhibit 3 - Present and Proposed Rate Schedules - Comparable Form
5. Exhibit 4 - Description of Property Including Net Original Cost and Cost to Applicant by Major Plant Account
6. Reasons for Rate Change should be Included in Prepared Testimony.
7. Exhibit 5 - Dollar and Percent Increase, Total and by Rate Group, and Effect on Average Bills
8. Exhibit 6 - Beginning and End of Month Balances in Investments for Each Month of Test Period (REA Form 7, Part C)
9. Exhibit 7 - Total Interest Charged to Construction and Monthly Revenues and Operating Expenses (REA Form 7, Part A)
10. Exhibit 8 - Details of Any Jurisdictional Apportionment Made
11. Exhibit 9 - Test Period Present and Proposed Billing Analysis
12. Exhibit 10- All Revised Tariff Sheets with Symbols in Margins Indicating Changes Made
13. Prepared Testimony and Exhibits of Witnesses.

STANDARDIZED FILING OF COOPERATIVES

BEFORE THE

KENTUCKY PUBLIC SERVICE COMMISSION

807 KAR 1:010. Rules of Procedure

Section 9. Application or Notice for Authority to Adjust Rates

1. Applications - Section 7

1-1: All applications must be by petition in writing. The petition must set forth the full name and post office address of the applicant, and must contain fully the facts on which the application is based, with a request for the order, authorization, permission or certificate desired and a reference to the particular provision of law requiring or providing for same.

1-2: The original and ten (10) copies must be filed.

1-3: A certified copy of the articles of incorporation and all amendments thereto must be filed. If, however, these were previously filed, it is sufficient to refer to the style and case number of the prior proceeding.

2. Financial Exhibit - Section 6

2-1: Test Period shall be an actual twelve-month period with known and measurable adjustments, said period ending not more than ninety (90) days prior to the date the application is filed.

2-2: Short narrative on each mortgage on property of applicant. Include:

- Date of Execution
- Name of Mortgagor
- Name of Mortgagee, or trustee
- Amount of indebtedness authorized to be secured thereby, and
- The amount of indebtedness actually secured, together with any sinking fund provisions

To the extent provided in a previous filing, reference case number.

2-3: Descriptions of bonds authorized:

- Amount authorized
- Amount issued
- Name of issuing utility
- Describe each class separately and how secured
- Date of issue
- Face value
- Rate of interest
- Maturity date
- Amount of interest paid thereon during the last fiscal year

- 2-4: Description of outstanding notes
  - Date of issue
  - Amount
  - Date of maturity
  - Rate of interest
  - Holder of note
  - Amount of interest paid thereon during last fiscal year
- 2-5: Description of other indebtedness by class and by security
  - Description of each
  - Interest paid on each during the last fiscal year
- 2-6: Detailed income statement and balance sheet - REA Form 7, Parts A & C
- 3. In comparative form, a schedule of the present and proposed rates.
- 4. A description of applicant's property, including a statement of the net original cost (estimated if not known) and the cost to applicant.
- 5. A statement in full of the reason why the adjustment in rates is required.
- 6. The amount of the proposed increase or decrease in dollars (\$) and percentage (%), and the effect upon average consumer bills.
- 7. Complete financial information, in addition to that contained in the Financial Exhibit above, for the twelve (12) months of the test period.
  - 7-1: Monthly beginning and ending balances of the following accounts: (REA Form 7, Part C for each month beginning with one month prior to the test period,)
    - All plant accounts and related reserves
    - Prepayments
    - Construction work in progress
    - Retirement work in progress
    - Plant acquisition adjustments
    - Materials and supplies
  - 7-2: Twelve (12) monthly REA Form 7, Part A's, including (for the test period):
    - Total amount of interest charged to construction
    - Monthly revenues and operating expenses
  - 7-3: Details of any apportionment used in deriving that portion of total revenues, expenses, and investment subject to the jurisdiction of the Kentucky Public Service Commission.



7-4: A billing analysis in such detail that the revenues from the present and proposed rates can be readily determined. This should be on an annual basis and should include for each rate schedule the billing units in each block and the revenues in each block under the present and proposed rates for the test period. Kilowatthours subject to and revenues (present and proposed) from the fuel adjustment provision should be shown.

8. Forms - Application & Notice of Adjustment of Rates -  
Section 14 (1)(c) & (d).

807 KAR 2:020. Tariffs

1. Section 5.(2)(a) All revisions in tariff sheets shall contain a symbol in the margin indicating the change made. These symbols are as follows:
  - (C) To signify changed regulation.
  - (D) To signify discontinued rate, regulation or test.
  - (I) To signify increase.
  - (N) To signify new rate and/or new test.
  - (R) To signify reduction.
  - (T) To signify change in text.
2. Section 6. Upon the granting of authority for a change in rates, the utility shall file a tariff setting out the rate, classification, charge, or rule and regulation authorized by the commission to become effective. The order may direct, and each page of the tariff so filed shall state that it is "Issued by authority of an order of the Public Service Commission in Case No. \_\_\_\_\_, dated \_\_\_\_\_, 19\_\_.
3. Section 7. Notice of proposed rate change must be provided the commission and the customers. Customers may be notified individually by mail or such notice may be published once a week for three (3) consecutive weeks prior to the effective date of such proposed rates or (if a hearing has been scheduled) prior to the date of the hearing, in some newspaper of general circulation in the community or communities in which the customers to be affected reside, and provided further, that the commission, upon request of the utility, may modify the requirements as to notice other than by posting in any case in which it appears proper to do so. Notice provided for in this section shall contain the proposed rates, and when applicable, the date, time, and place of hearing.
4. Section 8. All information and notice required by these rules shall be furnished to the commission at the time of the filing of any proposed revisions in rates or regulations, and the 20 days statutory notice to the commission will not commence to run and will not be computed until such information and notice is filed.

5. Forms - Section 13.

The following forms should be used:

- (1) Form of cover sheet for tariffs
- (2) Form for filing rules and regulations
- (3) Form for filing rate schedules
- (4) Form of certificate of notice to the public of change in tariff where no increase of charges results
- (5) Form of certificate of notice to the public of change in tariff which results in increased charges
- (6) Form of adoption notice

<u>SCHEDULE C INDEBTEDNESSES</u>	<u>AMOUNT AUTHORIZED</u>	<u>AMOUNT ISSUED</u>	<u>DATE ISSUED</u>	<u>FACE VALUE</u>	<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>AMOUNT OF INTEREST PAID DURING LAST FISCAL YEAR</u>	<u>ANNUALIZED INTEREST</u>
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BONDS

Subtotal

NOTES

(Footnote Holder of each note)

Subtotal

OTHER INDEBTEDNESS

Subtotal

TOTAL

FORM

TEST YEAR BILLING ANALYSIS

	<u>Number of Customer Months, or kW, or kWh</u>	<u>Unit Charge</u>	<u>Total Charge</u>
<u>RATE 1</u>			
Customer Charge			
Demand Charge			
Without Discount			
Block 1			
Block 2			
With Discount			
Block 1			
Block 2			
Energy Charge			
Summer			
Block 1			
Block 2			
Winter			
Block 1			
Block 2			
Adjustments			
Fuel			
Tax			
Subtotal			
<u>RATE 2,3,...</u>			
Use same format as above for each additional rate.			
Subtotal			
Total			

EXAMPLE

RATE SCHEDULE RS

RESIDENTIAL SERVICE

AVAILABILITY - Available throughout the entire territory served by the Cooperative.

APPLICABILITY - Applicable for service to a single family dwelling unit occupied by one family or household. Service provided hereunder shall not be shared with or resold to others.

CHARACTER OF SERVICE - Available for single phase service from local distribution lines of the Cooperative's system at nominal secondary voltage of 120/240 volts.

NET MONTHLY RATES -

Customer Facilities Charge:

\$4.00

Energy-Demand Charge:

3.684 cents per kWh for the first 850 kWh; plus  
3.364 cents per kWh for all additional kWh.

Provided however, that for the billing months of November through May inclusive, all kWh over 850 kWh shall be billed at 2.791 cents per kWh.

MINIMUM BILL - In consideration of the readiness of the Company to furnish such service, a monthly minimum charge will be made of not less than \$4.00.

BILLING ADJUSTMENTS - Service under this rate is subject to the Fuel Cost Recovery Adjustment as set forth in Rate Schedule FA.

EXAMPLE

RATE SCHEDULE GS-D

GENERAL SERVICE - DEMAND

AVAILABILITY - Available throughout the entire territory served by the Cooperative.

APPLICABILITY - Applicable for general service on an annual basis covering the entire electrical requirements of any Customer contracting for not less than twenty (20) kilowatts except for service to which another Rate Schedule is applicable. Service to two or more premises shall not be combined nor shall service furnished hereunder be shared with or resold to others. All service shall be taken at the same voltage and from a single delivery point.

CHARACTER OF SERVICE - The delivery voltage to the Customer shall be the voltage of the available secondary distribution lines of the Company for the locality in which service is to be rendered. Three phase service may be furnished at the request of the Customer subject to the Rules and Regulations of the Cooperative which govern the extension of the three phase service.

NET MONTHLY RATES -

Customer Facilities Charge:

\$20.50

Demand Charge:

\$2.67 per kW of billing demand.

Energy Charge:

For the first 180 kWh per kW of billing demand

3.132¢ per kWh for all kWh

For all over 180 kWh per kW of billing demand

2.619¢ per kWh for all kWh

MINIMUM MONTHLY BILLS - In consideration of the readiness of the Company to furnish such service, no monthly bill will be rendered for less than the Customer Facilities Charge plus the Demand Charge.

DEDUCTION FOR PRIMARY SERVICE - For service hereunder that is rendered and metered at the available primary voltage a reduction of fifteen (15) cents per kW of billing demand will be made; however such deduction shall not reduce the minimum monthly bill specified above.

BILLING ADJUSTMENTS - Service under this rate is subject to the Fuel Cost Recovery Adjustment as set forth in Rate Schedule FA.

EXAMPLE

TEST YEAR BILLING ANALYSIS

PRESENT RATES

	<u>Number of Customer Months or kWh or kW</u>	<u>Unit Charge</u>	<u>Total Charge</u>
<u>RATE RS - RESIDENTIAL SERVICE</u>			
Customer Charge	144,000	\$ 4.00	\$ 576,000
Energy-Demand Charge			
First 850 kWh	122,400,000	3.684¢	4,509,216
All Additional kWh			
June - October	9,000,000	3.364¢	302,760
November - May	12,600,000	2.791¢	351,666
Fuel Adjustment	144,000,000	0.222¢	<u>319,680</u>
Subtotal RS			\$6,059,322
<u>RATE GS-D-GENERAL SERVICE-DEMAND</u>			
Customer Charge	480	\$20.50	\$ 9,840
Demand Charge			
Secondary Voltage	36,000	\$ 2.67	96,120
Primary Voltage	12,000	\$ 2.52	30,240
Energy Charge			
First 180 kWh per kW	8,640,000	3.132¢	270,605
All Over 180 kWh per kW	10,560,000	2.619¢	276,566
Fuel Adjustment	19,200,000	0.222¢	<u>42,624</u>
Subtotal GS-D			\$ 725,995
TOTAL			<u>\$6,785,317</u>

ITEMS INCLUDED IN RATE BASE  
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

1. NET PLANT  
(ORIGINAL COST LESS ACCUMULATED DEPRECIATION)
2. CONSTRUCTION WORK IN PROGRESS
3. MATERIALS AND SUPPLIES
4. PREPAYMENTS
5. FUEL STOCK
6. CASH WORKING CAPITAL ALLOWANCE  
(NORMALLY TOTAL O & M EXPENSE LESS ALL TAXES,  
LESS PURCHASED POWER, LESS DEPRECIATION IF  
INCLUDED IN O & M EXPENSE TIMES 12.5%)

LESS:

7. CUSTOMER ADVANCES FOR CONSTRUCTION
8. FOR TVA SERVED COOPERATIVES  
CONTRIBUTIONS FOR DEBT SERVICE



REASONS FOR FINANCING PLANT FACILITIES  
WITH SUBSTANTIAL AMOUNTS OF EQUITY CAPITAL

1. REA requires the accumulation of 40% equity before significant amounts of capital credits may be paid out.
2. The National Utilities Cooperative Finance Corporation (CFC) generally advocates an equity ratio of somewhere between 30 and 40%. However, in the REA/CFC Common Mortgage, there is a provision restricting a system from reducing its equity until a 40% level is reached. This mortgage also calls for CFC approval before the merger or consolidation of two cooperatives where the resulting system would not have or could not maintain a 40% equity level.
3. It is generally recognized by the financial community that electric utilities should maintain 35-40% equity ratios in order to reduce the risk of loan default.
4. REA will not finance 100% of a cooperatives plant facilities.
5. REA operates its loan advances on a reimbursement process whereby loan funds are advanced upon completion of facilities normally constructed by distribution cooperatives.
6. CFC subscriptions must be paid from equity funds.
7. Working capital funds are required for daily operations.
8. Equity must be generated to meet equity payout requirements.
9. Equity is required to meet contingencies which cannot be foreseen.

EXAMPLE  
COMPARISON OF RESULTS OF PROCEDURE  
WITH AND WITHOUT G&T CAPITAL ASSIGNMENTS

ASSUMPTIONS

1. 9% Capital Growth ( $r_{NG}$ ) - With and Without G&T Assignment.
2. 40% of Equity is from G&T Assignments.
3. 10,000,000 is Total Capital
4. 6,000,000 is Total Debt
5. 4,000,000 is Total Equity
6. 1,600,000 is G&T Assignment
7. 4% is Cost of Debt
8. 8,400,000 is Rate Base
9. There are no Equity Payouts.

WITH G&T ASSIGNMENTSWITHOUT G&T ASSIGNMENTS

Rate of Return on Equity

$$\begin{aligned} ROR_E &= r_{NG} + r_{BE}^* + r_{EPO} \\ &= 9.0 + 0.0 + 0.0 \\ &= 9.0\% \end{aligned}$$

$$* r_{BE} = 0.0$$

$$\begin{aligned} &= 9.0 + 3.7^* + 0.0 \\ &= 12.7\% \end{aligned}$$

$$* r_{BE} = (1 + .09) \left[ \left( \frac{(.40)(8,400,000)}{2,400,000} \right)^{1/10} - 1 \right]$$

$$= 3.7\%$$

OVERALL RATE OF RETURN

	<u>AMOUNT</u>	<u>PERCENT</u>	<u>COST</u>	<u>WEIGHTED COST</u>	<u>AMOUNT</u>	<u>PERCENT</u>	<u>COST</u>	<u>WEIGHTED COST</u>
DEBT	6,000,000	60%	.040	.024	6,000,000	71%	.040	.028
EQUITY	<u>4,000,000</u>	<u>40%</u>	.090	<u>.036</u>	<u>2,400,000</u>	29%	.127	<u>.037</u>
TOTAL	10,000,000	100%		.060	8,400,000			.065
				<u>6.0%</u>				<u>6.5%</u>

RETURN

TOTAL	(8,400,000) (.060) = \$504,000	(8,400,000) (.065) = \$546,000
INTEREST EXPENSE	(6,000,000) (.040) = 240,000	(6,000,000) (.040) = 240,000
EQUITY	<u>\$264,000</u>	<u>\$306,000</u>

ANNUAL EQUITY COST INDICATED BY CAPITAL STRUCTURE

$$(4,000,000)(.09) = \$360,000 \quad (2,400,000)(.127) = \$305,000$$

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT										
		4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50
20	11.46	11.73	12.00	12.27	12.54	12.80	13.07	13.34	13.61	13.88	14.14	14.41
20	10.53	11.20	11.47	11.73	12.00	12.27	12.53	12.80	13.07	13.33	13.60	13.87
20	10.45	10.72	10.98	11.25	11.51	11.78	12.05	12.31	12.58	12.84	13.11	13.37
20	10.01	10.28	10.54	10.81	11.07	11.33	11.60	11.86	12.13	12.39	12.66	12.92
20	9.60	9.87	10.13	10.40	10.66	10.92	11.19	11.45	11.71	11.98	12.24	12.50
20	5.23	9.49	9.75	10.02	10.28	10.54	10.80	11.07	11.33	11.59	11.85	12.12
20	8.88	9.14	9.40	9.66	9.92	10.18	10.45	10.71	10.97	11.23	11.49	11.75
20	8.55	8.81	9.07	9.33	9.59	9.85	10.11	10.37	10.63	10.89	11.16	11.42
20	8.24	8.50	8.76	9.02	9.28	9.54	9.80	10.06	10.32	10.58	10.84	11.10
20	7.94	8.20	8.46	8.72	8.98	9.24	9.50	9.76	10.02	10.28	10.54	10.80
20	7.67	7.93	8.19	8.44	8.70	8.96	9.22	9.48	9.74	10.00	10.26	10.51
20	7.41	7.66	7.92	8.18	8.44	8.70	8.95	9.21	9.47	9.73	9.99	10.25
20	7.16	7.41	7.67	7.93	8.19	8.44	8.70	8.96	9.22	9.47	9.73	9.99
20	6.92	7.17	7.43	7.69	7.95	8.20	8.46	8.72	8.97	9.23	9.49	9.74
20	6.69	6.95	7.20	7.46	7.72	7.97	8.23	8.49	8.74	9.00	9.26	9.51
20	6.47	6.73	6.98	7.24	7.50	7.75	8.01	8.26	8.52	8.78	9.03	9.29
10	8.58	8.84	9.10	9.36	9.62	9.88	10.14	10.41	10.67	10.93	11.19	11.45
10	8.17	8.43	8.69	8.95	9.21	9.47	9.73	9.99	10.25	10.51	10.77	11.03
10	7.78	8.04	8.29	8.55	8.81	9.07	9.33	9.59	9.85	10.11	10.37	10.63
10	7.40	7.66	7.92	8.17	8.43	8.69	8.95	9.21	9.46	9.72	9.98	10.24
10	7.04	7.29	7.55	7.81	8.06	8.32	8.58	8.84	9.09	9.35	9.61	9.87
10	6.68	6.94	7.20	7.45	7.71	7.97	8.22	8.48	8.74	8.99	9.25	9.51
10	6.35	6.60	6.86	7.11	7.37	7.62	7.88	8.14	8.39	8.65	8.90	9.16
10	6.02	6.27	6.53	6.78	7.04	7.29	7.55	7.80	8.06	8.31	8.57	8.82
10	5.70	5.96	6.21	6.47	6.72	6.97	7.23	7.48	7.74	7.99	8.24	8.50
10	5.40	5.65	5.90	6.16	6.41	6.66	6.92	7.17	7.42	7.68	7.93	8.19
10	5.10	5.35	5.61	5.86	6.11	6.36	6.62	6.87	7.12	7.38	7.63	7.88
10	4.81	5.07	5.32	5.57	5.82	6.07	6.33	6.58	6.83	7.08	7.33	7.59
10	4.53	4.79	5.04	5.29	5.54	5.79	6.04	6.29	6.55	6.80	7.05	7.30
10	4.26	4.51	4.76	5.02	5.27	5.52	5.77	6.02	6.27	6.52	6.77	7.02
10	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT

WITH 40 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT											
		7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75
20	10.	14.60	14.95	15.22	15.48	15.75	16.02	16.29	16.56	16.82	17.09	17.36	17.63
20	11.	14.13	14.40	14.67	14.93	15.20	15.47	15.73	16.00	16.27	16.53	16.80	17.07
20	12.	13.64	13.90	14.17	14.44	14.70	14.97	15.23	15.50	15.76	16.03	16.29	16.56
20	13.	13.19	13.45	13.71	13.90	14.24	14.51	14.77	15.04	15.30	15.57	15.83	16.09
20	14.	12.77	13.03	13.29	13.56	13.82	14.08	14.35	14.61	14.87	15.14	15.40	15.66
20	15.	12.38	12.64	12.90	13.17	13.43	13.69	13.95	14.22	14.48	14.74	15.00	15.27
20	16.	12.02	12.28	12.54	12.80	13.06	13.32	13.59	13.85	14.11	14.37	14.63	14.90
20	17.	11.60	11.94	12.20	12.46	12.72	12.98	13.24	13.50	13.76	14.03	14.29	14.55
20	18.	11.36	11.62	11.88	12.14	12.40	12.66	12.92	13.18	13.44	13.70	13.96	14.22
20	19.	11.06	11.52	11.98	11.84	12.10	12.36	12.61	12.87	13.13	13.39	13.65	13.91
20	20.	10.77	11.03	11.29	11.55	11.81	12.07	12.33	12.59	12.84	13.10	13.36	13.62
20	21.	10.50	10.76	11.02	11.28	11.54	11.79	12.05	12.31	12.57	12.83	13.09	13.34
20	22.	10.25	10.50	10.76	11.02	11.28	11.53	11.79	12.05	12.31	12.56	12.82	13.08
20	23.	10.00	10.26	10.52	10.77	11.03	11.29	11.54	11.80	12.06	12.32	12.57	12.83
20	24.	9.77	10.02	10.28	10.54	10.79	11.05	11.31	11.56	11.82	12.08	12.33	12.59
20	25.	9.54	9.80	10.06	10.31	10.57	10.82	11.08	11.34	11.59	11.85	12.10	12.36
10	26.	11.71	11.97	12.23	12.49	12.75	13.02	13.28	13.54	13.80	14.06	14.32	14.58
10	27.	11.29	11.55	11.81	12.07	12.33	12.59	12.85	13.11	13.37	13.63	13.89	14.15
10	28.	10.89	11.14	11.40	11.66	11.92	12.18	12.44	12.70	12.96	13.22	13.48	13.74
10	29.	10.50	10.76	11.01	11.27	11.53	11.79	12.05	12.30	12.56	12.82	13.08	13.34
10	30.	10.12	10.38	10.64	10.89	11.15	11.41	11.67	11.92	12.18	12.44	12.70	12.95
10	31.	9.76	10.02	10.28	10.53	10.79	11.04	11.30	11.56	11.81	12.07	12.33	12.58
10	32.	9.41	9.67	9.93	10.18	10.44	10.69	10.95	11.20	11.46	11.72	11.97	12.23
10	33.	9.08	9.33	9.59	9.84	10.10	10.35	10.61	10.86	11.12	11.37	11.63	11.88
10	34.	8.75	9.01	9.26	9.52	9.77	10.02	10.28	10.53	10.79	11.04	11.29	11.55
10	35.	8.44	8.69	8.95	9.20	9.45	9.71	9.96	10.21	10.47	10.72	10.97	11.23
10	36.	8.13	8.39	8.64	8.89	9.14	9.40	9.65	9.90	10.15	10.41	10.66	10.91
10	37.	7.84	8.09	8.34	8.59	8.83	9.10	9.35	9.60	9.85	10.11	10.36	10.61
10	38.	7.55	7.80	8.05	8.30	8.56	8.81	9.06	9.31	9.56	9.81	10.06	10.31
10	39.	7.27	7.52	7.77	8.02	8.27	8.52	8.78	9.03	9.28	9.53	9.78	10.03
10	40.	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40. PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT											
		10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75
20	17.90	18.16	18.43	18.70	18.97	19.23	19.50	19.77	20.04	20.31	20.57	20.84	
20	17.33	17.60	17.87	18.13	18.40	18.67	18.93	19.20	19.47	19.73	20.00	20.27	
20	16.83	17.09	17.36	17.62	17.89	18.15	18.42	18.68	18.95	19.21	19.48	19.75	
20	16.36	16.62	16.89	17.15	17.42	17.68	17.95	18.21	18.47	18.74	19.00	19.27	
20	15.93	16.19	16.46	16.72	16.98	17.25	17.51	17.77	18.04	18.30	18.56	18.83	
20	15.53	15.79	16.05	16.32	16.58	16.84	17.10	17.37	17.63	17.89	18.15	18.42	
20	15.16	15.42	15.68	15.94	16.20	16.47	16.73	16.99	17.25	17.51	17.77	18.04	
20	14.81	15.07	15.33	15.59	15.85	16.11	16.37	16.63	16.90	17.16	17.42	17.68	
20	14.48	14.74	15.00	15.26	15.52	15.78	16.04	16.30	16.56	16.82	17.08	17.34	
20	14.17	14.43	14.69	14.95	15.21	15.47	15.73	15.99	16.25	16.51	16.77	17.03	
20	13.88	14.14	14.40	14.66	14.91	15.17	15.43	15.69	15.95	16.21	16.47	16.73	
20	13.60	13.86	14.12	14.38	14.63	14.89	15.15	15.41	15.67	15.93	16.18	16.44	
20	13.34	13.60	13.85	14.11	14.37	14.63	14.88	15.14	15.40	15.66	15.91	16.17	
20	13.09	13.34	13.60	13.86	14.11	14.37	14.63	14.89	15.14	15.40	15.66	15.91	
20	12.85	13.10	13.36	13.62	13.87	14.13	14.38	14.64	14.90	15.15	15.41	15.67	
20	12.62	12.87	13.13	13.38	13.64	13.90	14.15	14.41	14.66	14.92	15.18	15.43	
10	14.84	15.10	15.36	15.63	15.89	16.15	16.41	16.67	16.93	17.19	17.45	17.71	
10	14.41	14.67	14.93	15.19	15.45	15.71	15.97	16.23	16.49	16.75	17.01	17.27	
10	13.99	14.25	14.51	14.77	15.03	15.29	15.55	15.81	16.07	16.33	16.59	16.84	
10	13.59	13.85	14.11	14.37	14.63	14.89	15.14	15.40	15.66	15.92	16.18	16.43	
10	13.21	13.47	13.73	13.98	14.24	14.50	14.75	15.01	15.27	15.53	15.78	16.04	
10	12.84	13.10	13.35	13.61	13.87	14.12	14.38	14.64	14.89	15.15	15.40	15.66	
10	12.48	12.74	12.99	13.25	13.50	13.76	14.02	14.27	14.53	14.78	15.04	15.29	
10	12.14	12.39	12.65	12.90	13.16	13.41	13.67	13.92	14.18	14.43	14.69	14.94	
10	11.80	12.06	12.31	12.56	12.82	13.07	13.33	13.58	13.84	14.09	14.34	14.60	
10	11.48	11.73	11.99	12.24	12.49	12.75	13.00	13.25	13.51	13.76	14.01	14.27	
10	11.17	11.42	11.67	11.92	12.18	12.43	12.68	12.93	13.19	13.44	13.69	13.94	
10	10.86	11.11	11.36	11.62	11.87	12.12	12.37	12.62	12.88	13.13	13.38	13.63	
10	10.57	10.82	11.07	11.32	11.57	11.82	12.07	12.32	12.58	12.83	13.08	13.33	
10	10.28	10.53	10.78	11.03	11.28	11.53	11.78	12.03	12.28	12.53	12.79	13.04	
10	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75	

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40. PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET (PRESENT EQUITY RATIO)

CAPITAL RATE OF GROWTH IN PERCENT

	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75
10.	14.07	14.34	14.62	14.89	15.17	15.44	15.72	15.99	16.26	16.54	16.81	17.09
11.	13.55	13.62	13.09	14.16	14.44	14.71	14.98	15.25	15.53	15.80	16.07	16.34
12.	12.69	12.96	13.23	13.50	13.78	14.05	14.32	14.59	14.86	15.13	15.40	15.67
13.	12.09	12.56	12.63	12.90	13.17	13.44	13.71	13.98	14.25	14.52	14.79	15.06
14.	11.54	11.81	12.08	12.34	12.61	12.88	13.15	13.42	13.68	13.95	14.22	14.49
15.	11.03	11.29	11.56	11.83	12.10	12.36	12.63	12.90	13.16	13.43	13.70	13.96
16.	10.55	10.82	11.08	11.35	11.61	11.88	12.15	12.41	12.68	12.94	13.21	13.47
17.	10.11	10.37	10.63	10.90	11.16	11.43	11.69	11.96	12.22	12.49	12.75	13.02
18.	9.69	9.95	10.21	10.48	10.74	11.00	11.27	11.53	11.80	12.06	12.32	12.59
19.	9.29	9.55	9.82	10.08	10.34	10.61	10.87	11.13	11.39	11.66	11.92	12.18
20.	8.92	9.18	9.44	9.70	9.97	10.23	10.49	10.75	11.01	11.28	11.54	11.80
21.	8.56	8.83	9.09	9.35	9.61	9.87	10.13	10.39	10.65	10.91	11.17	11.44
22.	8.23	8.49	8.75	9.01	9.27	9.53	9.79	10.05	10.31	10.57	10.83	11.09
23.	7.91	8.17	8.43	8.69	8.95	9.21	9.46	9.72	9.98	10.24	10.50	10.76
24.	7.60	7.86	8.12	8.38	8.64	8.90	9.15	9.41	9.67	9.93	10.19	10.45
25.	7.31	7.57	7.83	8.08	8.34	8.60	8.86	9.12	9.37	9.63	9.89	10.15
26.	13.36	13.63	13.90	14.18	14.45	14.72	14.99	15.27	15.54	15.81	16.08	16.36
27.	12.51	12.78	13.05	13.32	13.59	13.86	14.13	14.40	14.67	14.94	15.21	15.48
28.	11.69	11.96	12.23	12.50	12.76	13.03	13.30	13.57	13.84	14.11	14.37	14.64
29.	10.91	11.18	11.44	11.71	11.98	12.24	12.51	12.77	13.04	13.31	13.57	13.84
30.	10.16	10.42	10.69	10.95	11.22	11.48	11.75	12.01	12.28	12.54	12.81	13.07
31.	9.44	9.70	9.97	10.23	10.49	10.75	11.02	11.28	11.54	11.81	12.07	12.33
32.	8.75	9.01	9.27	9.53	9.79	10.05	10.31	10.57	10.84	11.10	11.36	11.62
33.	8.06	8.32	8.58	8.84	9.10	9.36	9.62	9.88	10.14	10.40	10.66	10.92
34.	7.44	7.69	7.95	8.21	8.47	8.73	8.99	9.24	9.50	9.76	10.02	10.28
35.	6.81	7.07	7.33	7.59	7.84	8.10	8.36	8.61	8.87	9.13	9.38	9.64
36.	6.21	6.47	6.73	6.98	7.24	7.49	7.75	8.00	8.26	8.51	8.77	9.02
37.	5.63	5.89	6.14	6.40	6.65	6.90	7.16	7.41	7.67	7.92	8.17	8.43
38.	5.07	5.32	5.58	5.83	6.08	6.34	6.59	6.84	7.09	7.35	7.60	7.85
39.	4.53	4.78	5.03	5.28	5.53	5.78	6.04	6.29	6.54	6.79	7.04	7.29
40.	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40. PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT											
		7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75
15	10.	17.56	17.63	17.91	10.18	10.46	18.73	19.01	19.20	19.55	19.83	20.10	20.38
15	11.	16.62	16.89	17.16	17.43	17.71	17.98	18.25	18.52	18.80	19.07	19.34	19.61
15	12.	15.54	16.21	16.48	16.76	17.03	17.30	17.57	17.84	18.11	18.38	18.65	18.92
15	13.	15.33	15.59	15.66	16.13	16.40	16.67	16.94	17.21	17.48	17.75	18.02	18.29
15	14.	14.76	15.03	15.29	15.56	15.83	16.10	16.37	16.63	16.90	17.17	17.44	17.71
15	15.	14.23	14.50	14.76	15.03	15.30	15.56	15.83	16.10	16.37	16.63	16.90	17.17
15	16.	13.74	14.01	14.27	14.54	14.80	15.07	15.33	15.60	15.87	16.13	16.40	16.66
15	17.	13.28	13.55	13.81	14.08	14.34	14.60	14.87	15.13	15.40	15.66	15.93	16.19
15	18.	12.85	13.11	13.38	13.64	13.91	14.17	14.43	14.70	14.96	15.22	15.49	15.75
15	19.	12.44	12.71	12.97	13.23	13.50	13.76	14.02	14.28	14.55	14.81	15.07	15.33
15	20.	12.06	12.32	12.58	12.85	13.11	13.37	13.63	13.89	14.16	14.42	14.68	14.94
15	21.	11.70	11.96	12.22	12.48	12.74	13.00	13.26	13.52	13.78	14.05	14.31	14.57
15	22.	11.35	11.61	11.87	12.13	12.39	12.65	12.91	13.17	13.43	13.69	13.95	14.21
15	23.	11.02	11.28	11.54	11.80	12.06	12.32	12.58	12.84	13.10	13.36	13.62	13.87
15	24.	10.71	10.97	11.22	11.48	11.74	12.00	12.26	12.52	12.78	13.03	13.29	13.55
15	25.	10.41	10.66	10.92	11.18	11.44	11.70	11.95	12.21	12.47	12.73	12.99	13.24
5	26.	16.63	16.90	17.17	17.45	17.72	17.99	18.26	18.53	18.81	19.08	19.35	19.62
5	27.	15.75	16.02	16.29	16.56	16.83	17.10	17.37	17.64	17.91	18.18	18.45	18.73
5	28.	14.51	15.18	15.45	15.72	15.99	16.25	16.52	16.79	17.06	17.33	17.60	17.87
5	29.	14.11	14.37	14.64	14.91	15.17	15.44	15.71	15.97	16.24	16.51	16.77	17.04
5	30.	13.34	13.60	13.87	14.13	14.40	14.66	14.93	15.19	15.46	15.72	15.99	16.25
5	31.	12.60	12.86	13.12	13.39	13.65	13.91	14.17	14.44	14.70	14.96	15.23	15.49
5	32.	11.88	12.14	12.41	12.67	12.93	13.19	13.45	13.71	13.97	14.24	14.50	14.76
5	33.	11.20	11.46	11.72	11.98	12.24	12.50	12.76	13.02	13.28	13.54	13.80	14.05
5	34.	10.54	10.79	11.05	11.31	11.57	11.83	12.08	12.34	12.60	12.86	13.12	13.38
5	35.	9.90	10.15	10.41	10.67	10.92	11.18	11.44	11.69	11.95	12.21	12.46	12.72
5	36.	9.28	9.53	9.79	10.04	10.30	10.56	10.81	11.07	11.32	11.58	11.83	12.09
5	37.	8.68	8.94	9.19	9.44	9.70	9.95	10.21	10.46	10.71	10.97	11.22	11.47
5	38.	8.10	8.36	8.61	8.86	9.11	9.37	9.62	9.87	10.12	10.38	10.63	10.88
5	39.	7.54	7.79	8.05	8.30	8.55	8.80	9.05	9.30	9.55	9.80	10.06	10.31
5	40.	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET (PRESENT EQUITY RATIO)

CAPITAL RATE OF GROWTH IN PERCENT

	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75
10.	20.65	20.92	21.20	21.47	21.75	22.02	22.30	22.57	22.84	23.12	23.39	23.67
11.	19.89	20.16	20.43	20.70	20.98	21.25	21.52	21.79	22.07	22.34	22.61	22.88
12.	19.19	19.46	19.73	20.01	20.28	20.55	20.82	21.09	21.36	21.63	21.90	22.17
13.	18.56	18.83	19.10	19.37	19.64	19.91	20.18	20.44	20.71	20.98	21.25	21.52
14.	17.97	18.24	18.51	18.78	19.05	19.32	19.58	19.85	20.12	20.39	20.66	20.92
15.	17.43	17.70	17.97	18.23	18.50	18.77	19.03	19.30	19.57	19.84	20.10	20.37
16.	16.93	17.19	17.46	17.73	17.99	18.26	18.52	18.79	19.05	19.32	19.59	19.85
17.	16.46	16.72	16.99	17.25	17.52	17.78	18.05	18.31	18.57	18.84	19.10	19.37
18.	16.01	16.28	16.54	16.81	17.07	17.33	17.60	17.86	18.12	18.39	18.65	18.91
19.	15.60	15.86	16.12	16.39	16.65	16.91	17.17	17.44	17.70	17.96	18.22	18.49
20.	15.20	15.46	15.73	15.99	16.25	16.51	16.77	17.04	17.30	17.56	17.82	18.08
21.	14.83	15.09	15.35	15.61	15.87	16.13	16.39	16.66	16.92	17.18	17.44	17.70
22.	14.47	14.73	14.99	15.25	15.51	15.77	16.03	16.29	16.55	16.81	17.07	17.33
23.	14.13	14.39	14.65	14.91	15.17	15.43	15.69	15.95	16.21	16.47	16.73	16.99
24.	13.81	14.07	14.33	14.59	14.85	15.10	15.36	15.62	15.88	16.14	16.40	16.66
25.	13.50	13.76	14.02	14.28	14.53	14.79	15.05	15.31	15.56	15.82	16.08	16.34
26.	13.20	13.46	13.72	13.98	14.24	14.50	14.76	15.02	15.28	15.54	15.80	16.06
27.	12.90	13.16	13.42	13.68	13.94	14.20	14.46	14.72	14.98	15.24	15.50	15.76
28.	12.61	12.87	13.13	13.39	13.65	13.91	14.17	14.43	14.69	14.95	15.21	15.47
29.	12.33	12.59	12.85	13.11	13.37	13.63	13.89	14.15	14.41	14.67	14.93	15.19
30.	12.06	12.32	12.58	12.84	13.10	13.36	13.62	13.88	14.14	14.40	14.66	14.92
31.	11.80	12.06	12.32	12.58	12.84	13.10	13.36	13.62	13.88	14.14	14.40	14.66
32.	11.55	11.81	12.07	12.33	12.59	12.85	13.11	13.37	13.63	13.89	14.15	14.41
33.	11.31	11.57	11.83	12.09	12.35	12.61	12.87	13.13	13.39	13.65	13.91	14.17
34.	11.07	11.33	11.59	11.85	12.11	12.37	12.63	12.89	13.15	13.41	13.67	13.93
35.	10.84	11.10	11.36	11.62	11.88	12.14	12.40	12.66	12.92	13.18	13.44	13.70
36.	10.61	10.87	11.13	11.39	11.65	11.91	12.17	12.43	12.69	12.95	13.21	13.47
37.	10.39	10.65	10.91	11.17	11.43	11.69	11.95	12.21	12.47	12.73	12.99	13.25
38.	10.17	10.43	10.69	10.95	11.21	11.47	11.73	11.99	12.25	12.51	12.77	13.03
39.	10.00	10.26	10.52	10.78	11.04	11.30	11.56	11.82	12.08	12.34	12.60	12.86
40.	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75



REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40. PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PERCENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT											
		4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75
10	10.	19.46	19.75	20.04	20.33	20.61	20.90	21.19	21.47	21.76	22.05	22.34	22.62
10	11.	18.33	18.62	18.90	19.18	19.47	19.75	20.04	20.32	20.61	20.89	21.18	21.46
10	12.	17.31	17.59	17.87	18.15	18.43	18.72	19.00	19.28	19.56	19.84	20.13	20.41
10	13.	16.37	16.65	16.93	17.21	17.49	17.77	18.05	18.33	18.61	18.89	19.17	19.45
10	14.	15.51	15.79	16.07	16.34	16.62	16.90	17.18	17.46	17.73	18.01	18.29	18.57
10	15.	14.72	14.99	15.27	15.54	15.82	16.10	16.37	16.65	16.92	17.20	17.48	17.75
10	16.	13.98	14.25	14.53	14.80	15.08	15.35	15.62	15.90	16.17	16.45	16.72	16.99
10	17.	13.29	13.56	13.84	14.11	14.38	14.65	14.92	15.20	15.47	15.74	16.01	16.29
10	18.	12.65	12.92	13.19	13.46	13.73	14.00	14.27	14.54	14.81	15.08	15.35	15.62
10	19.	12.04	12.31	12.58	12.85	13.11	13.38	13.65	13.92	14.19	14.46	14.73	15.00
10	20.	11.46	11.73	12.00	12.27	12.54	12.80	13.07	13.34	13.61	13.88	14.14	14.41
10	21.	10.92	11.19	11.46	11.72	11.99	12.26	12.52	12.79	13.06	13.32	13.59	13.85
10	22.	10.41	10.67	10.94	11.20	11.47	11.73	12.00	12.26	12.53	12.80	13.06	13.33
10	23.	9.92	10.18	10.45	10.71	10.97	11.24	11.50	11.77	12.03	12.30	12.56	12.82
10	24.	9.45	9.71	9.98	10.24	10.50	10.77	11.03	11.29	11.56	11.82	12.08	12.34
10	25.	9.00	9.27	9.53	9.79	10.05	10.31	10.58	10.84	11.10	11.36	11.63	11.89
3	26.	20.06	20.35	20.64	20.93	21.21	21.50	21.79	22.08	22.37	22.66	22.95	23.23
3	27.	18.56	18.84	19.13	19.41	19.70	19.98	20.27	20.55	20.84	21.12	21.41	21.69
3	28.	17.13	17.41	17.69	17.97	18.26	18.54	18.82	19.10	19.38	19.66	19.95	20.23
3	29.	15.77	16.05	16.32	16.60	16.88	17.16	17.44	17.72	17.99	18.27	18.55	18.83
3	30.	14.47	14.74	15.02	15.29	15.57	15.84	16.12	16.39	16.67	16.94	17.22	17.49
3	31.	13.22	13.49	13.77	14.04	14.31	14.58	14.86	15.13	15.40	15.67	15.94	16.22
3	32.	12.03	12.30	12.57	12.84	13.11	13.38	13.65	13.92	14.19	14.45	14.72	14.99
3	33.	10.89	11.15	11.42	11.69	11.95	12.22	12.49	12.75	13.02	13.29	13.55	13.82
3	34.	9.79	10.05	10.32	10.58	10.85	11.11	11.37	11.64	11.90	12.16	12.43	12.69
3	35.	8.73	9.00	9.26	9.52	9.78	10.04	10.30	10.56	10.82	11.09	11.35	11.61
3	36.	7.72	7.98	8.24	8.49	8.75	9.01	9.27	9.53	9.79	10.05	10.31	10.57
3	37.	6.74	6.99	7.25	7.51	7.76	8.02	8.28	8.53	8.79	9.05	9.30	9.56
3	38.	5.79	6.05	6.30	6.56	6.81	7.07	7.32	7.57	7.83	8.08	8.34	8.59
3	39.	4.88	5.13	5.39	5.64	5.89	6.14	6.39	6.65	6.90	7.15	7.40	7.65
3	40.	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40 PERCENT TARGET EQUITY RATIO

PRESENT  
EQUITY  
RATIO  
(PERCENT)

CAPITAL RATE OF GROWTH IN PERCENT

NUMBR OF YEARS TO TARGET	REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT WITH 40 PERCENT TARGET EQUITY RATIO											
	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75
10	22.51	23.20	23.49	23.77	24.06	24.35	24.63	24.92	25.21	25.50	25.78	26.07
10	21.74	22.03	22.31	22.60	22.89	23.17	23.45	23.74	24.02	24.30	24.59	24.87
10	20.69	20.97	21.25	21.54	21.82	22.10	22.38	22.66	22.95	23.23	23.51	23.79
10	19.73	20.01	20.29	20.57	20.85	21.13	21.41	21.69	21.97	22.25	22.53	22.81
10	18.84	19.12	19.40	19.68	19.95	20.23	20.51	20.79	21.07	21.34	21.62	21.90
10	18.03	18.30	18.58	18.85	19.13	19.41	19.68	19.96	20.23	20.51	20.78	21.06
10	17.27	17.54	17.82	18.09	18.36	18.64	18.91	19.19	19.46	19.73	20.01	20.28
10	16.56	16.83	17.10	17.38	17.65	17.92	18.19	18.47	18.74	19.01	19.28	19.55
10	15.89	16.17	16.44	16.71	16.98	17.25	17.52	17.79	18.06	18.33	18.60	18.87
10	15.27	15.54	15.81	16.08	16.35	16.62	16.89	17.15	17.42	17.69	17.96	18.23
10	14.60	14.95	15.22	15.48	15.75	16.02	16.29	16.56	16.82	17.09	17.36	17.63
10	14.12	14.39	14.65	14.92	15.19	15.45	15.72	15.99	16.25	16.52	16.79	17.05
10	13.59	13.86	14.12	14.39	14.65	14.92	15.18	15.45	15.72	15.98	16.25	16.51
10	13.09	13.35	13.62	13.88	14.15	14.41	14.67	14.94	15.20	15.47	15.73	15.99
10	12.61	12.87	13.13	13.40	13.66	13.92	14.19	14.45	14.71	14.98	15.24	15.50
10	12.15	12.41	12.67	12.94	13.20	13.46	13.72	13.98	14.25	14.51	14.77	15.03
3	23.52	23.81	24.10	24.39	24.68	24.97	25.25	25.54	25.83	26.12	26.41	26.70
3	21.98	22.26	22.55	22.83	23.12	23.40	23.69	23.97	24.26	24.54	24.83	25.11
3	20.51	20.79	21.07	21.35	21.63	21.92	22.20	22.48	22.76	23.04	23.32	23.61
3	19.11	19.39	19.66	19.94	20.22	20.50	20.78	21.06	21.33	21.61	21.89	22.17
3	17.77	18.04	18.32	18.59	18.87	19.14	19.42	19.69	19.97	20.25	20.52	20.80
3	16.49	16.76	17.03	17.31	17.58	17.85	18.12	18.39	18.67	18.94	19.21	19.48
3	15.26	15.53	15.80	16.07	16.34	16.61	16.88	17.15	17.42	17.69	17.96	18.22
3	14.09	14.35	14.62	14.89	15.15	15.42	15.69	15.95	16.22	16.49	16.75	17.02
3	12.96	13.22	13.48	13.75	14.01	14.28	14.54	14.80	15.07	15.33	15.60	15.86
3	11.87	12.13	12.39	12.65	12.92	13.18	13.44	13.70	13.96	14.22	14.48	14.75
3	10.82	11.08	11.34	11.60	11.86	12.12	12.38	12.64	12.90	13.16	13.41	13.67
3	9.82	10.07	10.33	10.59	10.84	11.10	11.36	11.61	11.87	12.13	12.38	12.64
3	8.85	9.10	9.35	9.61	9.86	10.12	10.37	10.63	10.88	11.13	11.39	11.64
3	7.91	8.16	8.41	8.66	8.92	9.17	9.42	9.67	9.92	10.18	10.43	10.68
3	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 40 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO	CAPITAL RATE OF GROWTH IN PERCENT												
		10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75	
10	10.	24.36	26.64	26.93	27.22	27.51	27.79	28.08	28.37	28.65	28.94	29.23	29.52	
10	11.	25.16	25.44	25.73	26.01	26.30	26.58	26.86	27.15	27.43	27.72	28.00	28.29	
10	12.	24.07	24.36	24.64	24.92	25.20	25.48	25.77	26.05	26.33	26.61	26.90	27.18	
10	13.	23.08	23.36	23.64	23.92	24.20	24.48	24.76	25.04	25.32	25.60	25.88	26.16	
10	14.	22.18	22.45	22.73	23.01	23.29	23.56	23.84	24.12	24.40	24.68	24.95	25.23	
10	15.	21.34	21.61	21.89	22.16	22.44	22.71	22.99	23.27	23.54	23.82	24.09	24.37	
10	16.	20.56	20.83	21.10	21.38	21.65	21.93	22.20	22.47	22.75	23.02	23.30	23.57	
10	17.	19.83	20.10	20.37	20.64	20.92	21.19	21.46	21.73	22.01	22.28	22.55	22.82	
10	18.	19.14	19.41	19.69	19.96	20.23	20.50	20.77	21.04	21.31	21.58	21.85	22.12	
10	19.	18.50	18.77	19.04	19.31	19.58	19.85	20.12	20.39	20.66	20.93	21.19	21.46	
10	20.	17.90	18.16	18.43	18.70	18.97	19.23	19.50	19.77	20.04	20.31	20.57	20.84	
10	21.	17.32	17.59	17.85	18.12	18.39	18.65	18.92	19.19	19.45	19.72	19.99	20.25	
10	22.	16.78	17.04	17.31	17.57	17.84	18.10	18.37	18.63	18.90	19.17	19.43	19.70	
10	23.	16.26	16.52	16.79	17.05	17.32	17.58	17.84	18.11	18.37	18.64	18.90	19.17	
10	24.	15.77	16.03	16.29	16.55	16.82	17.08	17.34	17.61	17.87	18.13	18.40	18.66	
10	25.	15.29	15.56	15.82	16.08	16.34	16.60	16.87	17.13	17.39	17.65	17.91	18.18	
3	26.	26.99	27.27	27.56	27.85	28.14	28.43	28.72	29.01	29.29	29.58	29.87	30.16	
3	27.	25.40	25.68	25.97	26.25	26.54	26.82	27.11	27.39	27.68	27.96	28.25	28.53	
3	28.	23.89	24.17	24.45	24.73	25.01	25.30	25.58	25.86	26.14	26.42	26.70	26.98	
3	29.	22.45	22.72	23.00	23.28	23.56	23.84	24.12	24.39	24.67	24.95	25.23	25.51	
3	30.	21.07	21.35	21.62	21.90	22.17	22.45	22.72	23.00	23.27	23.55	23.82	24.10	
3	31.	19.75	20.03	20.30	20.57	20.84	21.12	21.39	21.66	21.93	22.20	22.48	22.75	
3	32.	18.49	18.76	19.03	19.30	19.57	19.84	20.11	20.38	20.65	20.92	21.19	21.46	
3	33.	17.28	17.55	17.82	18.09	18.35	18.62	18.88	19.15	19.42	19.68	19.95	20.22	
3	34.	16.12	16.39	16.65	16.92	17.18	17.44	17.71	17.97	18.23	18.50	18.76	19.03	
3	35.	15.01	15.27	15.53	15.79	16.05	16.31	16.58	16.84	17.10	17.36	17.62	17.88	
3	36.	13.93	14.19	14.45	14.71	14.97	15.23	15.49	15.74	16.00	16.26	16.52	16.78	
3	37.	12.90	13.15	13.41	13.67	13.92	14.18	14.44	14.69	14.95	15.21	15.46	15.72	
3	38.	11.90	12.15	12.41	12.66	12.91	13.17	13.42	13.68	13.93	14.19	14.44	14.69	
3	39.	10.93	11.18	11.44	11.69	11.94	12.19	12.44	12.70	12.95	13.20	13.45	13.71	
3	40.	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75	

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 35 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT													
		4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75		
20	10.72	10.99	11.26	11.52	11.79	12.05	12.32	12.59	12.85	13.12	13.38	13.65			
20	10.20	10.46	10.73	10.99	11.26	11.52	11.79	12.05	12.32	12.58	12.85	13.11			
20	9.72	9.98	10.25	10.51	10.77	11.04	11.30	11.56	11.83	12.09	12.36	12.62			
20	9.28	9.54	9.81	10.07	10.33	10.59	10.86	11.12	11.38	11.64	11.91	12.17			
20	8.88	9.14	9.40	9.66	9.92	10.18	10.45	10.71	10.97	11.23	11.49	11.75			
20	8.50	8.76	9.02	9.28	9.54	9.80	10.07	10.33	10.59	10.85	11.11	11.37			
20	8.15	8.41	8.67	8.93	9.19	9.45	9.71	9.97	10.23	10.49	10.75	11.01			
20	7.82	8.08	8.34	8.60	8.86	9.12	9.38	9.64	9.90	10.16	10.42	10.67			
10	11.15	11.42	11.69	11.95	12.22	12.49	12.75	13.02	13.29	13.56	13.82	14.09			
10	10.55	10.82	11.08	11.35	11.61	11.88	12.15	12.41	12.68	12.94	13.21	13.47			
10	9.99	10.25	10.51	10.78	11.04	11.31	11.57	11.84	12.10	12.37	12.63	12.89			
10	9.45	9.71	9.98	10.24	10.50	10.77	11.03	11.29	11.56	11.82	12.08	12.34			
10	8.94	9.20	9.47	9.73	9.99	10.25	10.51	10.78	11.04	11.30	11.56	11.82			
10	8.46	8.72	8.98	9.24	9.50	9.76	10.02	10.28	10.55	10.81	11.07	11.33			
10	8.00	8.26	8.52	8.78	9.04	9.30	9.56	9.82	10.08	10.34	10.59	10.85			
10	7.56	7.82	8.08	8.33	8.59	8.85	9.11	9.37	9.63	9.89	10.14	10.40			
10	7.14	7.40	7.65	7.91	8.17	8.43	8.68	8.94	9.20	9.46	9.71	9.97			
10	6.73	6.99	7.25	7.50	7.76	8.02	8.27	8.53	8.79	9.04	9.30	9.56			
5	8.75	9.01	9.27	9.53	9.79	10.05	10.31	10.58	10.84	11.10	11.36	11.62			
5	7.99	8.25	8.51	8.76	9.02	9.28	9.54	9.80	10.06	10.32	10.58	10.84			
5	7.26	7.51	7.77	8.03	8.29	8.55	8.80	9.06	9.32	9.58	9.83	10.09			
5	6.56	6.81	7.07	7.32	7.58	7.84	8.09	8.35	8.60	8.86	9.12	9.37			
5	5.88	6.14	6.39	6.64	6.90	7.15	7.41	7.66	7.92	8.17	8.43	8.68			
3	6.06	6.31	6.57	6.82	7.08	7.33	7.59	7.84	8.10	8.35	8.61	8.86			
3	5.01	5.26	5.51	5.77	6.02	6.27	6.52	6.78	7.03	7.28	7.53	7.79			
3	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75			

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 35 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT														
		7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75			
20	10.	13.52	14.10	14.45	14.72	14.94	15.25	15.51	15.78	16.05	16.31	16.58	16.84			
20	11.	13.30	13.64	13.90	14.17	14.43	14.70	14.96	15.23	15.49	15.76	16.02	16.29			
20	12.	12.88	13.15	13.41	13.67	13.94	14.20	14.47	14.73	14.99	15.26	15.52	15.78			
20	13.	12.45	12.59	12.96	13.22	13.48	13.75	14.01	14.27	14.53	14.80	15.06	15.32			
20	14.	12.02	12.28	12.54	12.80	13.06	13.32	13.59	13.85	14.11	14.37	14.63	14.90			
20	15.	11.63	11.89	12.15	12.41	12.67	12.93	13.20	13.46	13.72	13.98	14.24	14.50			
20	16.	11.27	11.53	11.79	12.05	12.31	12.57	12.83	13.09	13.35	13.61	13.87	14.13			
20	17.	10.93	11.19	11.45	11.71	11.97	12.23	12.49	12.75	13.01	13.27	13.53	13.79			
10	18.	14.36	14.62	14.89	15.16	15.43	15.69	15.96	16.23	16.49	16.76	17.03	17.30			
10	19.	13.74	14.01	14.27	14.54	14.80	15.07	15.34	15.60	15.87	16.13	16.40	16.66			
10	20.	13.16	13.42	13.69	13.95	14.22	14.48	14.74	15.01	15.27	15.54	15.80	16.07			
10	21.	12.61	12.87	13.13	13.40	13.66	13.92	14.19	14.45	14.71	14.98	15.24	15.50			
10	22.	12.09	12.35	12.61	12.87	13.13	13.39	13.66	13.92	14.18	14.44	14.70	14.97			
10	23.	11.59	11.85	12.11	12.37	12.63	12.89	13.15	13.41	13.67	13.93	14.20	14.46			
10	24.	11.11	11.37	11.63	11.89	12.15	12.41	12.67	12.93	13.19	13.45	13.71	13.97			
10	25.	10.66	10.92	11.18	11.44	11.70	11.95	12.21	12.47	12.73	12.99	13.25	13.51			
10	26.	10.23	10.49	10.74	11.00	11.25	11.52	11.77	12.03	12.29	12.55	12.80	13.06			
10	27.	9.81	10.07	10.33	10.58	10.84	11.10	11.35	11.61	11.87	12.12	12.38	12.64			
5	28.	11.60	12.14	12.41	12.67	12.93	13.19	13.45	13.71	13.97	14.24	14.50	14.76			
5	29.	11.10	11.36	11.62	11.88	12.14	12.40	12.66	12.92	13.18	13.44	13.70	13.96			
5	30.	10.35	10.61	10.87	11.12	11.38	11.64	11.90	12.15	12.41	12.67	12.93	13.19			
5	31.	9.63	9.89	10.14	10.40	10.65	10.91	11.17	11.42	11.68	11.93	12.19	12.45			
5	32.	8.93	9.19	9.44	9.70	9.95	10.21	10.46	10.72	10.97	11.23	11.48	11.73			
3	33.	9.12	9.37	9.63	9.88	10.14	10.39	10.65	10.90	11.16	11.41	11.67	11.92			
3	34.	8.04	8.29	8.54	8.80	9.05	9.30	9.55	9.81	10.06	10.31	10.56	10.82			
3	35.	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75			

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 35. PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET (PERCENT)

CAPITAL RATE OF GROWTH IN PERCENT

	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75
20	17.11	17.30	17.64	17.91	18.10	18.44	18.71	18.97	19.24	19.51	19.77	20.04
20	16.55	16.82	17.08	17.35	17.61	17.88	18.14	18.41	18.67	18.94	19.20	19.47
20	16.05	16.31	16.58	16.84	17.10	17.37	17.63	17.89	18.16	18.42	18.69	18.95
20	15.58	15.85	16.11	16.37	16.64	16.90	17.16	17.42	17.69	17.95	18.21	18.47
20	15.16	15.42	15.68	15.94	16.20	16.47	16.73	16.99	17.25	17.51	17.77	18.04
20	14.76	15.02	15.28	15.54	15.80	16.06	16.33	16.59	16.85	17.11	17.37	17.63
20	14.39	14.65	14.91	15.17	15.43	15.69	15.95	16.21	16.47	16.73	16.99	17.25
20	14.04	14.30	14.56	14.82	15.08	15.34	15.60	15.86	16.12	16.38	16.64	16.90
10	17.56	17.83	18.10	18.36	18.63	18.90	19.17	19.43	19.70	19.97	20.24	20.50
10	16.93	17.20	17.46	17.73	17.99	18.26	18.52	18.79	19.06	19.32	19.59	19.85
10	16.33	16.60	16.86	17.12	17.39	17.65	17.92	18.18	18.45	18.71	18.98	19.24
10	15.77	16.03	16.29	16.55	16.82	17.08	17.34	17.61	17.87	18.13	18.40	18.66
10	15.23	15.49	15.75	16.01	16.28	16.54	16.80	17.06	17.32	17.58	17.85	18.11
10	14.72	14.98	15.24	15.50	15.76	16.02	16.28	16.54	16.80	17.06	17.32	17.58
10	14.23	14.49	14.75	15.01	15.27	15.53	15.79	16.05	16.31	16.57	16.83	17.09
10	13.76	14.02	14.28	14.54	14.80	15.06	15.32	15.57	15.83	16.09	16.35	16.61
10	13.32	13.58	13.83	14.09	14.35	14.61	14.86	15.12	15.38	15.64	15.89	16.15
10	12.89	13.15	13.41	13.66	13.92	14.17	14.43	14.69	14.94	15.20	15.46	15.71
5	15.02	15.20	15.54	15.80	16.07	16.33	16.59	16.85	17.11	17.37	17.63	17.90
5	14.22	14.40	14.74	14.99	15.25	15.51	15.77	16.03	16.29	16.55	16.81	17.07
5	13.44	13.70	13.96	14.22	14.48	14.73	14.99	15.25	15.51	15.76	16.02	16.28
5	12.70	12.96	13.21	13.47	13.73	13.98	14.24	14.50	14.75	15.01	15.26	15.52
5	11.99	12.24	12.50	12.75	13.01	13.26	13.52	13.77	14.03	14.28	14.53	14.79
3	12.18	12.43	12.69	12.94	13.20	13.45	13.71	13.96	14.22	14.47	14.73	14.98
3	11.07	11.32	11.57	11.83	12.08	12.33	12.58	12.84	13.09	13.34	13.59	13.84
3	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75

REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 30 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT											
		4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75
20	10.	5.27	10.14	10.40	10.66	10.93	11.19	11.46	11.72	11.99	12.25	12.51	12.70
20	11.	5.35	9.61	9.08	10.14	10.40	10.66	10.93	11.19	11.45	11.72	11.98	12.24
20	12.	6.28	9.14	9.40	9.66	9.92	10.18	10.45	10.71	10.97	11.23	11.49	11.75
10	13.	13.07	13.34	13.61	13.89	14.16	14.43	14.70	14.97	15.25	15.52	15.79	16.06
10	14.	12.24	12.51	12.78	13.05	13.32	13.59	13.85	14.12	14.39	14.66	14.93	15.20
10	15.	11.46	11.73	12.00	12.27	12.54	12.80	13.07	13.34	13.61	13.88	14.14	14.41
10	16.	10.75	11.01	11.28	11.55	11.81	12.08	12.34	12.61	12.88	13.14	13.41	13.68
10	17.	10.08	10.34	10.61	10.87	11.14	11.40	11.67	11.93	12.19	12.46	12.72	12.99
10	18.	9.45	9.71	9.98	10.24	10.50	10.77	11.03	11.29	11.56	11.82	12.08	12.34
10	19.	8.86	9.12	9.38	9.65	9.91	10.17	10.43	10.69	10.95	11.22	11.48	11.74
10	20.	8.30	8.56	8.82	9.08	9.34	9.61	9.87	10.13	10.39	10.65	10.91	11.17
10	21.	7.78	8.04	8.29	8.55	8.81	9.07	9.33	9.59	9.85	10.11	10.37	10.63
10	22.	7.28	7.53	7.79	8.05	8.31	8.57	8.82	9.08	9.34	9.60	9.85	10.11
5	23.	9.68	9.94	10.20	10.47	10.73	10.99	11.26	11.52	11.79	12.05	12.31	12.58
5	24.	8.75	9.01	9.27	9.53	9.79	10.05	10.31	10.58	10.84	11.10	11.36	11.62
5	25.	7.86	8.12	8.38	8.64	8.90	9.16	9.42	9.68	9.94	10.20	10.46	10.71
5	26.	7.02	7.28	7.53	7.79	8.05	8.31	8.56	8.82	9.08	9.33	9.59	9.85
5	27.	6.21	6.47	6.73	6.98	7.24	7.49	7.75	8.00	8.26	8.51	8.77	9.02
3	28.	6.42	6.68	6.93	7.19	7.44	7.70	7.95	8.21	8.47	8.72	8.98	9.23
3	29.	5.18	5.43	5.69	5.94	6.19	6.45	6.70	6.95	7.20	7.46	7.71	7.96
3	30.	4.00	4.25	4.50	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75

REGULATED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 30. PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT										
		7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50
20	13.04	13.31	13.57	13.83	14.10	14.36	14.63	14.89	15.15	15.42	15.68	15.95
20	12.50	12.77	13.03	13.29	13.55	13.82	14.08	14.34	14.61	14.87	15.13	15.40
20	12.02	12.28	12.54	12.80	13.06	13.32	13.59	13.85	14.11	14.37	14.63	14.90
10	16.33	16.60	16.88	17.15	17.42	17.69	17.96	18.24	18.51	18.78	19.05	19.32
10	15.47	15.74	16.01	16.28	16.55	16.82	17.09	17.36	17.63	17.90	18.17	18.44
10	14.68	14.95	15.22	15.48	15.75	16.02	16.29	16.56	16.82	17.09	17.36	17.63
10	13.94	14.21	14.47	14.74	15.01	15.27	15.54	15.81	16.07	16.34	16.60	16.87
10	13.25	13.52	13.78	14.05	14.31	14.58	14.84	15.11	15.37	15.63	15.90	16.16
10	12.61	12.87	13.13	13.40	13.66	13.92	14.19	14.45	14.71	14.98	15.24	15.50
10	12.00	12.26	12.52	12.79	13.05	13.31	13.57	13.83	14.09	14.36	14.62	14.88
10	11.43	11.69	11.95	12.21	12.47	12.73	12.99	13.25	13.51	13.77	14.03	14.29
10	10.89	11.14	11.40	11.66	11.92	12.18	12.44	12.70	12.96	13.22	13.48	13.74
10	10.37	10.63	10.89	11.14	11.40	11.66	11.92	12.18	12.43	12.69	12.95	13.21
5	12.84	13.10	13.37	13.63	13.89	14.16	14.42	14.69	14.95	15.21	15.48	15.74
5	11.80	12.14	12.41	12.67	12.93	13.19	13.45	13.71	13.97	14.24	14.50	14.76
5	10.97	11.23	11.49	11.75	12.01	12.27	12.53	12.79	13.05	13.31	13.57	13.83
5	10.11	10.36	10.62	10.88	11.14	11.39	11.65	11.91	12.16	12.42	12.68	12.94
5	9.28	9.53	9.79	10.04	10.30	10.56	10.81	11.07	11.32	11.58	11.83	12.09
3	9.49	9.75	10.00	10.26	10.51	10.77	11.02	11.27	11.54	11.79	12.05	12.30
3	8.22	8.47	8.72	8.97	9.23	9.48	9.73	9.99	10.24	10.49	10.74	11.00
3	7.00	7.25	7.50	7.75	8.00	8.25	8.50	8.75	9.00	9.25	9.50	9.75



REQUIRED RATE OF RETURN ON EQUITY BEFORE EQUITY PAYOUT  
WITH 30 PERCENT TARGET EQUITY RATIO

NUMBER OF YEARS TO TARGET	PRESENT EQUITY RATIO (PERCENT)	CAPITAL RATE OF GROWTH IN PERCENT											
		10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75
20	10.	16.21	16.48	16.74	17.00	17.27	17.53	17.80	18.06	18.32	18.59	18.85	19.12
20	11.	15.66	15.92	16.18	16.45	16.71	16.97	17.24	17.50	17.76	18.02	18.29	18.55
20	12.	15.16	15.42	15.68	15.94	16.20	16.47	16.73	16.99	17.25	17.51	17.77	18.04
10	13.	19.59	19.87	20.14	20.41	20.68	20.95	21.23	21.50	21.77	22.04	22.31	22.58
10	14.	18.71	18.98	19.25	19.52	19.79	20.06	20.33	20.60	20.87	21.14	21.41	21.68
10	15.	17.50	18.16	18.43	18.70	18.97	19.23	19.50	19.77	20.04	20.31	20.57	20.84
10	16.	17.14	17.40	17.67	17.94	18.20	18.47	18.73	19.00	19.27	19.53	19.80	20.07
10	17.	16.43	16.69	16.96	17.22	17.49	17.75	18.02	18.28	18.55	18.81	19.07	19.34
10	18.	15.77	16.03	16.29	16.55	16.82	17.08	17.34	17.61	17.87	18.13	18.40	18.66
10	19.	15.14	15.40	15.66	15.93	16.19	16.45	16.71	16.97	17.23	17.50	17.76	18.02
10	20.	14.55	14.81	15.07	15.33	15.59	15.85	16.11	16.37	16.63	16.89	17.16	17.42
10	21.	13.99	14.25	14.51	14.77	15.03	15.29	15.55	15.81	16.07	16.33	16.59	16.84
10	22.	13.47	13.72	13.98	14.24	14.50	14.75	15.01	15.27	15.53	15.79	16.04	16.30
5	23.	16.00	16.27	16.53	16.79	17.06	17.32	17.59	17.85	18.11	18.38	18.64	18.90
5	24.	15.02	15.28	15.54	15.80	16.07	16.33	16.59	16.85	17.11	17.37	17.63	17.90
5	25.	14.09	14.34	14.60	14.86	15.12	15.38	15.64	15.90	16.16	16.42	16.68	16.94
5	26.	13.19	13.45	13.71	13.97	14.22	14.48	14.74	14.99	15.25	15.51	15.77	16.02
5	27.	12.34	12.60	12.85	13.11	13.36	13.62	13.87	14.13	14.39	14.64	14.90	15.15
3	28.	12.56	12.81	13.07	13.33	13.58	13.84	14.09	14.35	14.61	14.86	15.12	15.37
3	29.	11.25	11.50	11.76	12.01	12.26	12.51	12.77	13.02	13.27	13.53	13.78	14.03
3	30.	10.00	10.25	10.50	10.75	11.00	11.25	11.50	11.75	12.00	12.25	12.50	12.75

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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

b. Question:

State whether Mr. Adkins is aware of any rate cases before this Commission where the proposed equity level methodology submitted by Meade has been proposed by an electric distribution cooperative.

b. Response:

The equity level methodology has been proposed by an electric distribution cooperative in the application of Jackson County RECC in Case No. 93-088. The equity level methodology was proposed in the Nolin RECC in Case 90-046 by the Public Service Commission Staff in testimony presented by Mr. Gary L. Forman.

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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

c. Question:

Refer to Exhibit JRA-1 of the Adkins Testimony. Provide the work papers, spreadsheets, reference materials, etc. as well as a narrative explanation of how the calculations were determined.

c. Response:

Exhibit JRA-1 presents the data applicable to Meade County RECC for the methodology identified in the documents submitted as a part of the responses to Items 6a and 6b. Meade's equity to capitalization ratio has been less than optimal and has not grown since Meade's last increase in rates. As a result, Meade did not choose to pay any capital credits during 2009. Because of the desire of Meade to increase its equity to a more reasonable level while maintaining the ability to pay capital credits on a consistent basis, Meade has chosen to use an approach that integrates its Capital Management Policy and its long range capital needs and better reflects its equity level and capital credit payment needs consistent with these documents. This approach or methodology develops a reasonable rate of return on capitalization to arrive at the return required on the equity component of the cooperative's capital structure consistent with its Capital Management Policy. An appropriately designed and executed Capital Management Policy where this type approach is used to determine its revenue requirements will allow the cooperative to pay all of its expenses, pay capital credits to its members, and build equity to a desired level.

Meade used the approach outlined in the KAEC PSC Study Report. James W. Goodwin, a former executive with the Rural Electrification Administration, developed a

formula approach or a return on equity for electric cooperatives with the objective to determine a rate of return which would provide for growth or maintenance of a desired equity level, to allow sufficient margins to pay capital credits over a desired cycle and to provide sufficient equity capital for system growth. The KAEC PSC Study Report methodology is a variation of the approach developed and advocated by Mr. Goodwin. This report has a comprehensive narrative that describes this approach very well.

Specifically, Exhibit JRA-1 to the Direct Testimony of James R. Adkins is the application of Meade's data to this approach. The first table in this Exhibit contains the capital growth needs of Meade and is based on its most recent 10 Year Financial Forecast completed in 2009 by RUS representatives. The second table provides the formula that is used to determine the proper return on equity. The third table provides the capitalization as of the end of the test year. The wrong table was filed as a part of this Exhibit. The correct table that was used for all calculations is provided below and should replace the third table in Exhibit JRA-1 to the Direct Testimony of James R. Adkins.

Revised Capitalization		
As of Test Year End		
Equity	24,382,615	31.1%
Debt	54,013,405	68.9%
Total Capital	78,396,020	100.0%

The fourth table provides the results of the formula in the second table. The first column provides the target equity level and time frame to achieve it. The second column is the rate of growth required to build equity or the "Rbe" in the formula which considers the current equity level, the target equity, the dollar amount of total capital, and the years to achieve this equity level. The third column or the "Rng" in the formula or the normal rate of capital growth. The normal rate of capital growth is based on the growth in the

capitalization amounts from the first table. This normal rate of capital growth is 3.29 percent per year. The fourth column is the “Rep” factor in the formula and represents the equity payout percentage. Meade has a twenty year rotation cycle on a first in first out. An average rate of 5.0 percent has been utilized which is based on the quotient of one divided by twenty (twenty year rotation cycle). The fifth column is the rate of return on equity which is a product of columns two multiplied by columns three and four. The sixth column represents the margin amounts that would result from the application of the return on equity applied to the current equity level.

Table five provides the TIER that would result from the margins from Table 4 and really is an extension of the fourth table. It also provides the amount and percent of increase based on the various equity level target and years to obtain that equity amount. Meade has chosen a target equity level of forty percent to be reached in fifteen years. Provided below is the fifth table provided in a manner that better aligns the TIER and increases amounts with the target equity and time frames.

<b>TIER Amounts and Rate Increase Amounts for Various Returns on Equity</b>					
Equity Target & Time Line	Test Year Interest	TIER	Normalized Test Yr Margins	Increase	% Increase
40% - 10 yr	2,457,385	2.41	1,462,333	2,004,869	6.45%
40% - 20 Yr	2,457,385	2.28	1,462,333	1,681,978	5.41%
35% - 10 Yr	2,457,385	2.27	1,462,333	1,662,283	5.34%
35% - 20 Yr	2,457,385	2.21	1,462,333	1,512,262	4.86%
35% - 15 Yr	2,457,385	2.23	1,462,333	1,562,180	5.02%
40% - 15 yr	2,457,385	2.32	1,462,333	1,789,159	5.75%
	Rate Revenue		31,101,422		



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to the Adkins Testimony and Schedule R, pages 19-21 of 41.

a. Question:

On page 8 of his testimony, Mr. Adkins states that the minimum-size method was used for Account 365, Overhead Conductor; and that the zero-intercept method was used for Accounts 364, Poles, and Account 368, Transformers. However, pages 19-21 of Schedule R indicate that the zero-intercept method was also used for Account 365. Confirm that this is correct or state where in Schedule R the minimum-size method is used for Account 365.

a. Response:

The zero-intercept method was also used for Account 364, Poles. Page 8 contains an error and the minimum-size method was not used for Account 364, Poles.

b. Question:

Refer to page 12 of which Mr. Adkins states that Meade proposes to increase the pole rental charge from \$0.25 to \$1, an increase of 300 percent.

(1) Explain how an increase of this magnitude is consistent with the principle of gradualism.

(2) Provide the number of customers that would be affected by the increase.

b. Response:

(1) An increase of 300 percent on the surface cannot be argued to be consistent with the concept of gradualism. However, the requested rate of \$1 is still

significantly below the cost to serve and the current rate of \$0.25 is much too low. The increase amount of \$0.75 is not significantly large in real terms. A proposed change to this rate should have been requested long before now.

(2) 2,640 poles were billed for this charge as of the end of the test year.

c. Question:

Refer to page 13 at which Mr. Adkins states that “[t]he amount of the increase in the customer charge probably does not meet the gradualism criterion.” State the customer charges to which Mr. Adkins is referring and whether Mr. Adkins believes that the proposed increases in the customer charges are reasonable.

c. Response:

The customer charges referred to are those customer charges for Rate Schedules and 1R, 2R and 3R. The percentage increases are large. These proposed customer charges and the proposed increase are still reasonable because they are still below the cost to serve and the other rates within each rate schedule have not changed.





Meade County Rural Electric Cooperative  
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8. Refer to Exhibit J of the Application.

a. Refer to page 1 of 6. Meade's tariff includes Schedule 4, Large Power Service 1,000 KVA and Larger TOD, which does not appear in the revenue analysis. Confirm that there are no customers taking service under this tariff.

Response:

Meade has zero customers receiving service under Schedule 4, Large Power Service 1,000 KVA and Larger TOD.

Meade County Rural Electric Cooperative  
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Second Data Request of Commission Staff

8. Refer to Exhibit J of the Application.

b. Meade has a tariff rider for Renewable Resource Energy—Schedule 16. State the number of customers on this rider, the amount of revenues received during the test year, and the account in which this revenue is recorded.

Response:

One (1) customer received 1 block of “Renewable Resource Energy – Schedule 16” in the amount of \$3.68 for 7 months for a total of \$25.76. This revenue was recorded as an additional charge in revenue account number 440.100.

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8. Refer to Exhibit J of the Application.

c. Refer to page 4 of 6. Provide an explanation for the "Contract facility" revenue of \$25,121 shown on this page.

Response:

Meade has one customer on a 10 year contract for special facilities required for this operation. The monthly charge is \$2,093.42.

Meade County Rural Electric Cooperative  
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8. Refer to Exhibit J of the Application.

d. Refer to page 6 of 6.

(1) Refer to the eighth light listed on the page. This schedule shows the current and proposed rate for the 400 MV--Unmetered, Pole Rental to be \$9.81 and \$9.80, respectively. Provide the location of the current rate in Meade's current tariff and the proposed rate in the proposed tariff.

Response:

Exhibit C, Schedule 5 – 400 Watt unmetered, per month rate is on page 21 of 135, currently \$9.56 plus \$.25 per month pole charge = \$9.81. Exhibit C, Schedule 5, page 22 of 135 “Special Terms and Conditions”. The proposed rate, Exhibit C, Schedule 5, is \$9.80 for the lights plus \$1.00 per month for the pole



Meade County Rural Electric Cooperative  
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9. Provide a copy of Exhibits J and R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected.

Response:

Attached to the original copy is a CD-ROM containing the requested information.





Meade County Rural Electric Cooperative  
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Second Data Request of Commission Staff

10. Refer to Exhibit K of the application.

a. Refer to page 2 of 7. The amount for Materials has increased 263 percent from March 2009 to January 2010. Provide an explanation for this level of increase

Response:

Meade County is planning to replace copper conductor with aluminum conductor. Additional conductor was purchased in anticipation of this replacement.

Meade County Rural Electric Cooperative  
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Second Data Request of Commission Staff

10. Refer to Exhibit K of the application.

b. Refer to page 4 of 7. Provide an explanation for the magnitude of the amount of Materials and Supplies in the calendar year 2009 of \$16,690,857.

Response:

This was an input error only. The Material and Supplies amount should have been \$1,669,087.



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to Exhibit R, page 8 of 41.

a. Question:

Account 935, Maintenance of General Plant, is shown as having been allocated using the General Plant percentages from the Rate Base Schedule. However, the allocation appears to be based on Rate Base percentages from the Rate Base Schedule. Confirm that Rate Base percentages were incorrectly used. Provide the effect that a correction would have on the results of the cost-of-service study ("COSS").

b. Response:

The allocation of Account 935, Maintenance of General Plant has been made on the basis of the Rate Base percentages from the Rate Base Schedule. The impact upon the revenue requirements for each rate class by changing this allocation to one based on the basis of the General Plant percentages are shown on page 2 of this Exhibit. As one can readily see, a significant difference does not exist between the two methods.

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Item No. 11a  
Page 2 of 2  
Witness: Jim Adkins

RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

REVENUE REQUIREMENTS BY RATE CLASS

Function	Amount	Green Power	1R Residential Schl & Chur	2R Commercial Rate	3R Gen Svc 0-999 kVa	3A TOD Rate	Outdoor Lighting
Revenue Requirements Based on Filed COSS	34,216,998	100	26,181,078	2,240,401	4,765,134	2,691	1,027,593
Revenue Requirements Revision of 935 Allocation	34,216,998	100	26,182,628	2,241,185	4,762,955	2,685	1,027,444
Differenc in Dollar Amount	-	\$ -	\$ (1,550)	\$ (785)	\$ 2,179	\$ 6	\$ 149
Difference In Percent		0.00%	-0.01%	-0.04%	0.05%	0.23%	0.01%

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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

b. Question:

Depreciation – Distribution Plant and Depreciation – General Plant are shown as having been allocated using the Net Plant percentages from the Rate Base Schedule. However, the allocation for Depreciation – Distribution Plant appears to be based on the Distribution Plant percentages, and Depreciation – General Plant appears to be based on the General Plant percentages. Confirm that Meade intended to use these allocation percentages. If not, and a correction, provide copies of all exhibits that would be revised as a result of the correction.

b. Response:

Meade used the depreciation allocation methods it intended to use. Footnote No. 6 as written in the filed COSS was wrong. It should have referenced the use of the Distribution Plant percentages and the General Plant percentages.



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to Exhibit R, page 9 of 41, footnote 6 at the bottom of the page.

a. Question:

The first number under the Total column, \$16,129,440 appears to be the total of Overhead Conductors and Devices rather than Poles, Towers and Fixtures as labeled. Confirm that this total is mislabeled.

a. Response:

It is confirmed that this total is mislabeled.

b. The second number under the Total column, \$1,894,878, appears to be the total of Underground Conductor rather than Overhead Conductors as labeled. Confirm that this total is mislabeled.

b. Response:

It is confirmed that this total is mislabeled.

c. Question:

Explain where in the COSS the allocations calculated in footnote 6 are used.

c. Response:

The calculations in footnote 6 should not have been included while footnote 6 was written in error. Please see the response Item 11b.





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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Question:

Refer to Exhibit R, page 11 of 41. Explain how the General Plant allocation percentages were calculated.

Response:

The general plant allocation percentages on page 41 comes from footnote 7 on page 10 of 41.



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to Exhibit R, pages 29 and 30 of 41.

a. Question:

Refer to the Transformers table at the bottom of page 29. The amounts in the Relative Weight column do not equal column 3 multiplied by column 4 for rates 3R and 3A. Explain how the amounts in this column were calculated. If a correction is needed, provided the effect a correction would have on the results of the COSS.

a. Response:

The amounts in column 3 and column 4 for rates 3R and 3A have additional multiplier of 3 in the calculations for the Relative Weight column. The allocation of the customer-related portion of the various plant accounts is based on the number of customers by classes of service with appropriate weightings and adjustments. Weighting factors reflect the differences in the characteristics within a class and between classes. This additional multiplier of 3 was utilized to better reflect the allocation of the customer related transformer costs to each rate class in the judgment of this witness. The classes 3R and 3A have a significant range in size of customers that can be assigned to these two rate classes. And this additional multiplier has been utilized to better assure a better allocation of transformer related customer costs.

b. Question:

Refer to the Services table at the top of page 30. The amounts in the Cost of Service column do not equal column 2 multiplied by column 3 for rates 3R and 3A. Explain how the amounts in this column were calculated. If a correction is needed, provide the effect a correction would have on the results of the COSS.

b. Response:

For rate 3A, an additional multiplier of 3 has been utilized in the calculations for the amount listed in the Cost of Service column. The allocation of the customer-related portion of the various plant accounts is based on the number of customers by classes of service with appropriate weightings and adjustments. Weighting factors reflect the differences in the characteristics within a class and between classes. This additional multiplier of 3 was utilized to better reflect the allocation of the customer related transformer costs to each rate class in the judgment of this witness.

For rate 3R, the amount in the Cost of Service column is based on the below schedule. Since there is a wide size range of customers within this class, a different method was determined to be a better fit to recognize the size range of customers.

Rate 3 R	Length of	Cost Per	Cost per	Number	
<u>Type</u>	<u>Wire</u>	<u>Unit</u>	<u>Customer</u>	<u>of Cust.</u>	<u>Total</u>
0-100 KVA	120.00	2.46	885.60	169.00	149,666
101-1000 KVA	120.00	2.46	885.60	173.00	153,209
1000 KVA +	120.00	3.13	1,126.80	4.00	4,507
Total				346	307,382
Average					888.39



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Question:

Refer to Exhibit R, page 32 and 41 of 41. Explain the origin of the \$893,370 shown as Revenue from Rates for the Lighting Class.

Response:

The Revenue from Rates for the Lighting Class on page 32 of \$893,370 was from a previous draft of the billing analysis and then copied to page 41. When the billing analysis was changed, this update was not made to pages 32 and 41.





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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Questions:

Refer to Exhibits R, pages 39 and 40 of 41 in which Meade calculates proposed customer charges. Provide the calculation for the customer charges if all customer-related costs were recovered through the customer charges.

Response:

Provided below is the requested monthly related costs per consumer broken down by rate class.

<b>Monthly Consumer Related Costs</b>			
<u>Rate Class</u>	<u>Consumer Related Revenue Requirements</u>	<u>Number of Monthly Billing Units</u>	<u>Consumer Related Costs Per Month</u>
1R Residential	\$ 6,033,546	311,873	\$ 19.35
2R Small Commercial	498,020	20,425	\$ 24.38
3R General Service	451,766	4,153	\$ 108.78
3A TOD Gen Svc	1,843	20	\$ 92.15



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Question:

Refer to Exhibit R, page 40 of 41. Can the amounts shown as Transformer investment for the three levels of KVA be found in the COSS. If yes, provide the location of the amounts. If no, explain.

Response:

These amounts are not provided in the COSS as filed. Provided below is the basis for these amounts.

Transformer Investment - Rate 3R			
Rate 3 R		Number	
Type	Cost	of Cust,	Total
50 KVA	902.60	169.00	152,540
112.5 KVA PA	5,949.00	173.00	1,029,177
2-500 KVA PA	16,941.70	4.00	67,767
Total		346	1,249,484
			3,611



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RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Refer to Exhibit S, page 1, which shows the amount of the proposed increase based on attaining a Times Interest Earned Ratio ("TIER") of 2.32X.

a. Question:

Describe how Meade determined that 232X was the appropriate TIER on which to base its requested increase.

a. Response:

Please see the response to Item No. 6 in this information request for this explanation.

b. Question:

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

b. Response:

Meade County is not aware of any studies performed by RUS or CFC on the appropriate TIER level.



Meade County Rural Electric Cooperative  
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Second Data Request of Commission Staff

19. 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. Refer to page 3. Provide an explanation of how costs are assigned to Accounts 417.101 through 417.114, Expenses-Wildblue.

Response:

Actual costs of materials and supplies are allocated to the following accounts as appropriate. Payroll and benefits are distributed based on number of hours required to assist customers, prepare billings and provide other miscellaneous services.

COS Expenses - Wildblue	417.101
Expenses - Wildblue - Equipment	417.102
Expenses - Wildblue – Installation fees	417.103
Expenses - Wildblue –Cost-of-Service Other	417.104
Expenses - Wildblue - payroll - A&G Customer Support	417.105
Expenses - Wildblue - A&G Billing	417.106
Expenses - Wildblue - Payroll - Other Customer Expenses	417.107
Expenses - Wildblue - advertising	417.108
Expenses - Wildblue - bad debt	417.109
Expenses - Wildblue - depreciation	417.110
Expenses - Wildblue - Payroll - A&G	417.111
Expenses - Wildblue - Interest Expense	417.112
Expenses - Wildblue - Amortization	417.113
Expenses - Wildblue - Service Calls	417.114

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19. 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.

b. Refer to page 9. Provide a detailed breakdown of Accounts 451 and 454, Miscellaneous Service Revenue and Rent from Electric Property.

Response:

Connection, collection and after hours service fees are recorded in Account 451.000 "Miscellaneous Service Revenue".

Detail of Acct. 451 – Miscellaneous Service Revenue – Test Year

Connection fees	\$80,225.00
Collection Fees	55,268.00
After hours fees	<u>2,070.00</u>
Total	\$137,563.00

Detail of Acct. 454 – Rent from Electric Property – Test Year

Joint Use Pole Rental	\$242,714.00
Fordsville Office Rental	<u>18,000.00</u>
Total	\$260,714.00



Meade County Rural Electric Cooperative  
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19. 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.

c. For Account 451 and 454, provide the March 31 balances for most recent five-year period.

Response:

March 31 - Account 451 Balances

2009	\$140,580
2008	154,495
2007	160,978
2006	169,740
2005	162,869

March 31 - Account 454 Balances

2009	\$263,721
2008	237,802
2007	210,627
2006	193,483
2005	161,092

Meade County Rural Electric Cooperative  
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19. 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.

d. Page 11 shows that Account 580.000, Operation-Supervision & Engineering, increased from \$287,254 in the 12 months preceding the test year to \$327,749 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

Account 580.000 Post-retirement and Pension benefits represent 48% of the increase from \$287,254 to \$327,749 and Labor increases for individuals for step promotions represent the remainder of the increase.

Meade County Rural Electric Cooperative  
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Second Data Request of Commission Staff

19. 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.

e. Page 11 shows that Account 583.00, Overhead Line Expense, increased from \$763,681 in the 12 months preceding the test year to \$849,400 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

Account 583.000 Labor for first time Transformer and OCR purchases represent 51% of the increase; Property taxes represent 28%; payroll and benefits represent 21% of the increase from \$763,681 to \$849,400.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

f. Page I 1 shows that Account 586.000, Meter Expense, increased from \$217,494 in the 12 months preceding the test year to \$295,401 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

Account 586.000 an increase in rates to change and test statistical meters and an increase in the number of meters represents 95%; payroll and benefits represent 5% of the increase from \$217,494 to \$295,401. There were 1,800 more meters changed and tested in the test year.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

g. Page 13 shows that Account 588.000, Misc Distribution Expense, increased from \$455,966 in the 12 months preceding the test year to \$641,545 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 588.000 a \$56,000 credit to health insurance to true up the account in December 2008 resulted in test year payroll and benefits at 55% of the increase. The remaining 45% increase is a result of OMS training and other computer software and supplies.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

h. Page 13 shows that Account 590.000, Maintenance-Supervision & Engineering, increased from \$308,314 in the 12 months preceding the test year to \$351,958 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 590.000 there was a credit to Pension expense in December 2008 for \$12,400 to true-up the expenses for the year. Two employees reached 30 years of service early in the year and the expense was not adjusted until December. This resulted in test year expenses to appear 47% greater than the prior year. The remainder or 53% of the increase was other payroll and benefit expenses.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

i. Page 15 shows that Account 593.100, Maintenance, increased from \$825,911 in the 12 months preceding the test year to \$970,332 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 593.100 98% of the increase from \$824,911 to \$970,332 is attributed to an increase in right-of-way tree trimming contracts and 2% to payroll and benefit expenses.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

j. Page 15 shows that Account 593.400, Maintenance-Service Orders, increased from \$188,479 in the 12 months preceding the test year to \$292,475 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 593.400 48% of the increase from \$188,479 to \$292,475 is attributed to an increase in right-of-way clearing to service orders, 15% in transportation expenses, and 37% in payroll and benefit expenses.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

k. Page 17 shows that Account 902.100, Special Meter Reading Expenses, decreased from \$141,991 in the 12 months preceding the test year to \$57,181 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

Response:

In Account 902.100 a credit received from a vendor for approximately \$89,000 for warranty repairs to AMI meter modules attributes to 100% of the decrease from \$141,991 to \$57,181.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

1. Page 17 shows that Account 903.000, Customer Records & Collections Exp, increased from \$212,120 in the 12 months preceding the test year to \$281,907 in the test year. Provide a detailed explanation for why this expense increased by this magnitude

Response:

In Account 903.000 64% of the increase is for contractor costs for field technicians and 36% for payroll and benefit expenses for the increase from \$212,120 to \$281,907.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

m. Refer to pages 17 and 19, Accounts 903.201 through 903.210. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

Response:

Data for Accounts 903.201 through 903.210 was summarized into the G/L control account 903.200 for all but the ninth month.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

n. Refer to pages 19 and 21, Accounts 903.301 through 903.305. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

Response:

Data for Accounts 903.301 through 903.305 was summarized into the G/L control account 903.300 for all but the ninth month.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

o. Refer to page 21, Accounts 903.501 through 903.507. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

Response:

Data for Accounts 903.501 through 903.507 was summarized into the G/L control account 903.500 for all but the ninth month.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

p. Refer to page 23, Accounts 903.601 through 903.607. Provide an explanation why there is only activity in these accounts for the ninth month. Explain the purpose of these added accounts.

Response:

Data for Accounts 903.601 through 903.6.7 was summarized into the G/L control account 903.600 for all but the ninth month.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

q. Page 23 shows that Account 910.000, Misc Customer Serv & Inform Exp, increased from \$58,992 in the 12 months preceding the test year to \$71,486 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 910.000 an 18% increase in transportation costs and 82% increase in payroll and benefit expenses accounts for the increase from \$58,992 to \$71,486.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

r. Page 28 shows that Account 920.000, Administrative & General Salaries, increased from \$379,264 in the 12 months preceding the test year to \$443,222 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 920.000 the entire increase is attributable to payroll for step increases, retirement and post-retirement expenses from \$379,264 to \$443,222.

Even though there is an increase in A&G expenses it is important to keep in mind that we are coming from low levels of A&G expense per consumer, for example, in the latest KRTA (Key Ratio Trend Analysis) available for the calendar year 2009 Meade ranked in the bottom 30 of 816 coops (\$49.73 v. \$115.92) across the nation in the amount of A&G expense per consumer.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

s. Page 33 shows that Account 930.200, Misc General Exp, increased from \$138,866 in the 12 months preceding the test year to \$166,954 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

In Account 930.200 the entire increase is attributable to payroll for step increases, retirement and post-retirement expenses from \$138,866 to \$166,954.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

t. Page 33 shows that Account 930.300, Misc General Exp-Directors Fee Expense, decreased from \$109,323 in the 12 months preceding the test year to \$96,882 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

Response:

Directors were paid for additional special meetings in 2008 that were not required in the test year resulting in a decrease of fees from the preceding 12 months to the test year.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

19. 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.

u. Page 33 shows that Account 935.000, Maintenance of General Property, decreased from \$143,468 in the 12 months preceding the test year to \$110,607 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

Response:

In Account 935.000 trim, pavement and tile floor repairs account for 100% of the reduction in expenses from \$143,468 to \$110,607.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

20. Refer to Exhibit I, page 1 of the application. Meade states that employees may elect to be paid for up to 12 days for unused sick time and 5 days of unused vacation time. Provide a copy of Meade's policy for paying unused sick and vacation days.

Response:

See attached Vacation and Sick Leave policies, pages 2 through 7, this exhibit. Vacation exchange is found in Policy No. 514, Item II D and Sick Leave reimbursement in Policy No. 516, Item II, L.

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

POLICY NO. 514

SUBJECT: Vacation Leave

Effective Date: September 1, 1991 (Original)

Revised: September 19, 2007; Effective January 1, 2008

I. PURPOSE

To define guidelines for vacation leave for all employees.

II. POLICY

- A. All full-time **hourly** employees of the Cooperative shall earn vacation leave in accordance with the following schedule:

<u>Years of Employment</u>	<u>Vacation Leave Earned</u>
6 months to 1 year <i>(6 months must be completed by November 1<sup>st</sup> of that year)</i>	5 days
1 <sup>st</sup> year through 5 <sup>th</sup> year	10 days
6 <sup>th</sup> year after hire	11 days
7 <sup>th</sup> year after hire	12 days
8 <sup>th</sup> year after hire	13 days
9 <sup>th</sup> year after hire	14 days
10 <sup>th</sup> year after hire	15 days
11 <sup>th</sup> year after hire	16 days
12 <sup>th</sup> year after hire	17 days
13 <sup>th</sup> year after hire	18 days
14 <sup>th</sup> year after hire	19 days
15 <sup>th</sup> year after hire	20 days

- B. All full-time salaried employees of the Cooperative shall earn vacation leave in accordance with the following schedule:

<u>Years of Employment</u>	<u>Vacation Leave Earned</u>
6 months to 1 year <i>(6 months must be completed by November 1<sup>st</sup> of that year)</i>	5 days
1 <sup>st</sup> year through 5 <sup>th</sup> year	10 days
6 <sup>th</sup> year through 10 <sup>th</sup> year	15 days
11 <sup>th</sup> year after hire	16 days
12 <sup>th</sup> year after hire	17 days
13 <sup>th</sup> year after hire	18 days
14 <sup>th</sup> year after hire	19 days
15 <sup>th</sup> year after hire	20 days
16 <sup>th</sup> year through 25 <sup>th</sup> year	20 days
26 <sup>th</sup> year +	25 days

- C. Two (2) consecutive workweeks shall be the maximum vacation period allowed at any one time. Vacation may be taken one day at a time if desired, if the details can be worked out with the employee's immediate supervisor. The only exception to this one day rule would be that the one day would not precede or follow a paid holiday.
- D. All vacation leave must be taken within the calendar year or forfeited. However, those employees with more than 80 hours of paid vacation leave each year may opt to exchange up to 40 hours (no more) for pay comparable to the wage which that employee currently receives. Request for exchange shall be made in writing and submitted to Management.
- E. No vacation leave shall be taken without prior approval of an authorized supervisor, subject to the approval of the Management. The right to designate vacation periods is reserved to the Cooperative at all times. Every effort will be made to assign vacation periods of the employees' choice. In the event of a dispute or conflict as to choice of vacation periods between

employees, seniority shall govern insofar as compatible with the Cooperative's operation.

- F. All requests for vacation leave shall be made at the earliest possible date. Holidays falling in vacation periods will not be charged against vacation time. Vacation time may be used as sick leave after all sick leave time is used.
- G. A vacation leave form must be signed by employees and approved by department head for any vacation leave taken.
- H. Upon termination of employment, employees shall be paid for all accumulated vacation leave within the year.
- I. Accumulated vacation leave shall not exceed four regular workweeks for an hourly employee and five regular workweeks for a salaried employee.
- J. It shall not be the policy of the Cooperative to ask employees to work on the weekend before, weekend during, or the weekend following an employee's vacation. This policy will be waived only during extreme emergencies. If an employee is so requested to work, his vacation time will be considered as time worked in the computation of overtime.
- K. It shall be the discretion of the hiring supervisor and the President/CEO to give new hires vacation credit for previous utility experience and also previous professional experience.

### III. RESPONSIBILITY FOR ENFORCEMENT

The President/CEO, or duly authorized personnel delegated by the President/CEO, shall be responsible for the communication and enforcement of this policy.

9/19/2007  
Date

Burns E. Mercer  
Burns E. Mercer, President/CEO



**MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION**

**POLICY NO. 516**

**SUBJECT: Sick Leave**  
Effective: September 1, 1991 (Original)  
Revised: September 19, 2007; Effective January 1, 2008

**I. PURPOSE**

To specify guidelines for administering and utilizing sick leave.

**II. POLICY**

- A. Regular employees, after completing their probationary period, will begin to accumulate sick leave at the rate of one eight hour working day per calendar month. Probationary time will be used in computing sick leave days.
- B. Unused sick leave shall accumulate from year to year up to a maximum of ninety (90) working days.
- C. Sick leave will be paid only during a bonafide illness of the employee. No sick leave will be paid when illness or injury arises out of participation in unlawful activities.
- D. A physician's certificate as to the existence or continuance of illness or disability may be required. A certificate may be waived for the first two days, with the approval of the supervisor and the management. Illness during a vacation period will not be credited to sick leave.
- E. When an employee is unable to report to work due to illness or any other reason, they must notify their supervisor at the earliest possible time; but in no case less than one hour prior to regular work time. Failure to do so may mean disallowance of sick leave for the day.

- F. In case of injury at work for the Cooperative, for which Workman's Compensation is applicable, an employee will be eligible to use accumulated sick leave only to the extent that it is necessary to assure him his regular straight time pay during his absence from work as a result of an injury on the job.
- G. Sick Leave time may be used by the employee to attend to the illness of immediate family (wife, husband, son or daughter, father or mother, or in-law of the same relation).
- H. A Sick Leave day, or any portion thereof, taken the day before and/or the day after a company paid holiday will be counted as two (2) sick days against the employee's sick leave. If an employee does not have two (2) sick days accumulated, the employee will forfeit their pay for the holiday.
- I. Maternity cases shall be reported to the supervisor at the earliest possible date. Each case will be considered individually, but an employee may request a leave of absence beginning at the end of the seventh month, if desired. This leave of absence may be granted for maternity cases for up to a period of five months, providing the employee desires to return to work within that time. Unpaid leave of absence request is to be in writing, stating beginning and approximate ending dates and approved by the supervisor.
- J. Sick leave forms must be completed in detail and signed by the employee and approved by the supervisor for any sick leave taken before sick leave payment will be allowed. Sick leave will not be paid until the proper approved forms have been received by the Accounting Department. Abuse of sick leave will not be tolerated and may be cause for termination if such is proved.
- K. Sick leave time will be considered as time worked in the computation of overtime.
- L. Employees accruing sick leave over ninety (90) days will be reimbursed annually at applicable pay rate for one-half of all excess days. The time period for computation of reimbursement will be November 1 through October 31.

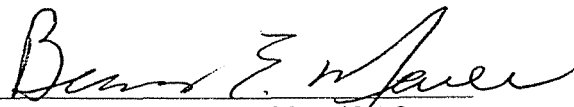
- M. At retirement, employees will be paid at applicable pay rate for one-half of the remaining sick days accumulated under the ninety (90) days cited in paragraph "B". Terminating employees, voluntary or involuntary, will not receive compensation for any unused sick days.
  
- N. Employees on paid leave, sick or vacation, will continue to accrue sick leave at the normal rate for the duration of paid leave time. Employees on unpaid leave or disciplinary leave will not accrue sick leave hours.

### III. RESPONSIBILITY FOR ENFORCEMENT

- A. It shall be the duty of the immediate supervisor to monitor sick leave usage.
  
- B. The President/CEO, or duly authorized personnel delegated by the President/CEO, shall be responsible for the communication and enforcement of this Policy.

Date

9/19/2007

  
Burns E. Mercer, President/CEO



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

21. Refer to Exhibit 1, page 1. Meade states that wage increases are granted on November 1 of each year and there was no salary increase during the test year. State whether the Board of Directors has determined or granted a salary increase for the upcoming November 1 date for the current year.

Response:

The Board of Directors will review whether to grant wage increases. It has not been determined if increases will be granted at this time, however, Meade County anticipates the Board will grant an increase for November 1, 2010.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

22. Refer to Exhibit 1, page 3 through 5 of the application.

a. If an employee worked 2,080 regular hours during the test period, explain why the employee would also have payments for vacation/sick leave and why those payments should be included in normalized wages

Response:

To encourage employees to work on a regular basis, therefore, not requiring Meade County the have to hire additional employees, accumulated unused vacation and sick days are paid to employees. Vacation is paid for unused days up to 5 days per year for employees that earn over 15 days per year. Employees can elect to be paid for up to 90 hours per year for unused sick leave days during the year. Sick leave is paid at ½ the hourly pay rate.

Having employees working facilitates the planning process for crews, office services, and other functions. Meade County feels that work is more productive with full crews and full staffing than if employees sporadically use vacation and sick days.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

22. Refer to Exhibit 1, page 3 through 5 of the application.

b. For each employee listed in Table 1 below, explain in detail why they worked less than 2,080 hours in the test period.

Table 1		
	Employee No.	Regular Hours
(1)	154	1,970.5
(2)	167	2,072
(3)	173	1,693.5
(4)	184	1,840
(5)	186	633

Response:

Emp. No 154 – on worker comp for part of year; Emp No. 167 – took one (1) day off with no pay; Emp No. 173 – from part time to full time; Emp No. 184 – new employee; Emp No. 186 – new employee.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

22. Refer to Exhibit 1, page 3 through 5 of the application.

c. Explain why 2,080 hours was used in calculating normalized wages rather than the actual hours worked during the test period.

Response:

There are normally 2,080 working hours in a normal year. The hours were normalized as if an employee had worked a full year.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

22. Refer to Exhibit 1, page 3 through 5 of the application.

d. Provide an update of any additional labor costs incurred subsequent to the end of the test year. Provide an explanation for the reason for the changes and update Exhibit 1, page 3 through 5, for these changes as of August 31, 2010.

Response:

Changes from the application are as follows:

- Employees No. 166 and 173 from part time to full time.
- Employee No. 184 and 186 new employees.
- Employees No. 135; 173; 180; 182; 183 all step increases.
- There were no retirees during the twelve (12) months ended August 31, 2010.

Emp #	Hours Worked		Actual Test Year Wages				Wage Rate 9/1/10	Normalized Wages @ 2,080 Hours					
	Reg Hrs	OT Hrs	Regular	Overtime	Unused Vacation	Unused Sick Pay		Total	Regular	Overtime	Unused Vacation	Unused Sick Pay	Total

Emp #	Reg Hrs	OT Hrs	Regular	Overtime	Unused Vacation	Unused Sick Pay	Total	Wage Rate 9/1/10	Regular	Overtime	Unused Vacation	Unused Sick Pay	Total
1	4	2,080.0	0.0	32.0	172,120	0	2,648	3,972	172,120	82.75	2,648	3,972	178,740
1	37	2,080.0	0.0	40.0	85,738	0	1,649	1,979	85,738	41.22	1,649	1,979	89,365
1	38	2,080.0	0.0	40.0	79,810	0	1,535	1,842	79,810	38.37	1,535	1,842	83,186
1	65	2,080.0	0.0	40.0	79,810	0	1,535	1,746	79,810	38.37	1,535	1,746	83,090
1	70	2,080.0	0.0	40.0	104,707	0	2,014	2,416	104,707	50.34	2,014	2,416	109,137
1	85	2,080.0	0.0	40.0	91,853	0	2,120	2,120	91,853	44.16	2,120	2,120	93,972
1	91	2,080.0	0.0	40.0	79,810	0	1,535	0	79,810	38.37	1,535	0	81,344
1	103	2,080.0	15.4	50,814	564	0	993	0	50,814	24.43	993	0	50,814
1	110	2,080.0	0.0	73,736	0	0	993	993	73,736	35.45	993	993	74,729
1	112	2,080.0	0.0	111,426	0	0	1,661	1,661	111,426	53.57	1,661	1,661	113,086
1	116	2,080.0	0.0	61,630	0	0	948	1,129	61,630	29.63	948	1,129	63,707
1	135	2,080.0	0.0	77,741	0	0	0.00	0.00	77,741	41.22	0	0	85,738
1	146	2,080.0	0.0	62,941	0	0	0.00	0.00	62,941	30.26	0	0	62,941
1	161	2,080.0	0.0	54,267	0	0	0	0	54,267	26.09	0	0	54,267
14	<b>Subtotal</b>	<b>29,120.0</b>	<b>15.4</b>	<b>264.0</b>	<b>1,186,402</b>	<b>564</b>	<b>11,863</b>	<b>17,856</b>	<b>1,194,398</b>	<b>0</b>	<b>11,863</b>	<b>17,856</b>	<b>1,224,118</b>

Hourly Employees:

1	23	2,080.0	12.5	40.0	57,866	522	1,113	0	59,500	27.82	1,113	0	59,500
1	68	2,080.0	20.5	62,941	930	0	63,871	0	63,871	30.26	63,871	0	63,871
1	81	2,080.0	8.0	39,853	230	0	40,619	0	40,619	19.16	536	0	40,619
1	82	2,080.0	116.5	65,021	5,463	0	70,483	0	70,483	31.26	5,463	0	70,483
1	83	2,080.0	203.0	49,005	7,174	0	56,179	0	56,179	23.56	7,174	0	56,179
1	84	2,080.0	117.0	62,941	5,311	0	68,251	0	68,251	30.26	5,311	0	68,251
1	86	2,080.0	226.0	62,941	10,258	0	73,199	0	73,199	30.26	10,258	0	73,199
1	89	2,080.0	6.5	39,853	187	0	40,806	0	40,806	19.16	766	0	40,806
1	90	2,080.0	74.0	62,941	3,359	0	66,300	0	66,300	30.26	3,359	0	66,300
1	93	2,080.0	207.0	57,866	8,638	0	66,504	0	66,504	27.82	8,638	0	66,504
1	98	2,080.0	40.0	57,866	1,669	0	59,535	0	59,535	27.82	1,669	0	59,535
1	101	2,080.0	0.0	57,866	0	0	58,978	0	58,978	27.82	1,113	0	58,978
1	107	2,080.0	0.0	41,205	0	0	41,205	0	41,205	19.81	0	0	41,205
1	114	2,078.5	7.5	43,981	238	0	44,219	0	44,219	21.16	238	0	44,251
1	119	2,080.0	70.5	49,005	2,491	0	51,496	0	51,496	23.56	2,491	0	51,496

PK 22  
 pg 5 of 7

Meade County Rural Electric Cooperative  
 Case No. 2010-00222  
 as of August 31, 2010

Item 22 (d)  
 Witness: Jim Adkins

Ex 22  
 pg 6 of 7

Emp #	Hours Worked			Actual Test Year Wages						Wage Rate 9/1/10	Normalized Wages @ 2,080 Hours			Unused Vacation	Unused Sick Pay	Total	
	Reg Hrs	OT Hrs	Unused Vacation	Regular	Overtime	Unused Vacation	Unused Sick Pay	Total	Regular		Overtime	Unused Vacation	Unused Sick Pay				Total
	2,080.0	245.0	0.0	62,941	11,121	0	0	74,061	62,941		11,121	0	0				74,061
1	2,080.0	245.0	0.0	62,941	11,121	0	0	74,061	30.26	62,941	11,121	0	74,061				
1	2,080.0	152.5	0.0	44,013	4,840	0	0	48,853	21.16	44,013	4,840	0	48,853				
1	2,080.0	5.0	0.0	39,853	144	0	0	39,997	19.16	39,853	144	0	39,997				
1	2,080.0	0.0	32.0	44,013	0	677	0	44,690	21.16	44,013	0	677	44,690				
1	2,080.0	11.5	0.0	39,853	331	0	0	40,183	19.16	39,853	331	0	40,183				
1	2,080.0	9.5	0.0	39,853	273	0	0	40,126	19.16	39,853	273	0	40,126				
1	2,080.0	13.5	0.0	52,957	516	0	0	53,472	25.46	52,957	516	0	53,472				
1	2,080.0	277.0	0.0	57,866	11,559	0	0	69,425	27.82	57,866	11,559	0	69,425				
1	2,080.0	0.0	0.0	44,013	0	0	0	44,013	21.16	44,013	0	0	44,013				
1	2,080.0	168.5	0.0	57,866	7,032	0	0	64,897	27.82	57,866	7,032	0	64,897				
1	2,080.0	494.5	0.0	57,866	20,635	0	0	78,501	27.82	57,866	20,635	0	78,501				
1	2,080.0	13.0	0.0	39,853	374	0	0	40,226	19.16	39,853	374	0	40,226				
1	2,080.0	657.5	0.0	59,946	28,424	0	0	88,369	28.82	59,946	28,424	0	88,369				
1	2,080.0	341.5	0.0	57,866	14,251	0	0	72,116	27.82	57,866	14,251	0	72,116				
1	2,080.0	14.0	0.0	39,853	402	0	0	40,255	19.16	39,853	402	0	40,255				
1	2,080.0	342.5	0.0	57,866	14,293	0	0	72,158	27.82	57,866	14,293	0	72,158				
1	2,080.0	10.5	0.0	37,024	280	0	0	37,304	17.80	37,024	280	0	37,304				
1	2,080.0	138.0	0.0	48,298	4,807	0	0	53,104	23.22	48,298	4,807	0	53,104				
1	1,779.0	144.5	0.0	49,492	6,030	0	0	55,522	27.82	57,866	6,030	0	63,896				
1	2,080.0	7.5	0.0	38,750	210	0	0	38,960	18.63	38,750	210	0	38,960				
1	2,080.0	96.5	0.0	54,267	3,777	0	0	58,044	26.09	54,267	3,777	0	58,044				
1	2,080.0	220.0	0.0	42,474	6,739	0	0	49,212	20.42	42,474	6,739	0	49,212				
1	2,080.0	174.0	0.0	43,514	5,460	0	0	48,974	20.92	43,514	5,460	0	48,974				
1	446.0	6.0	0.0	7,600	153	0	0	7,753	17.04	35,443	153	0	35,597				
1	2,072.0	10.0	0.0	36,281	263	0	0	36,543	17.51	36,421	263	0	36,683				
1	1,948.0	6.5	0.0	34,109	171	0	0	34,280	17.51	36,421	171	0	36,592				
1	2,080.0	228.0	0.0	41,080	6,755	0	0	47,835	19.75	41,080	6,755	0	47,835				
1	2,080.0	13.0	0.0	35,360	332	0	0	35,692	17.00	35,360	332	0	35,692				
1	2,080.0	43.0	0.0	45,864	1,422	0	0	47,286	22.05	45,864	1,422	0	47,286				
1	2,070.0	6.5	0.0	25,116	135	0	0	25,251	13.85	28,808	135	0	28,943				
1	2,080.0	476.5	0.0	35,820	11,599	0	0	47,419	19.01	39,541	13,587	0	53,128				
1	2,080.0	246.0	0.0	36,978	6,597	0	0	43,575	19.01	39,541	7,015	0	46,555				
1	2,080.0	280.5	0.0	35,820	7,260	0	0	43,080	19.01	39,541	7,998	0	47,539				
1	2,080.0	7.5	0.0	28,808	156	0	0	28,964	13.85	28,808	156	0	28,964				

Emp #	Hours Worked			Actual Test Year Wages					Wage Rate 9/1/10	Normalized Wages @ 2,080 Hours			Total	
	Reg Hrs	OT Hrs	Unused Vacation	Regular	Overtime	Unused Vacation	Unused Sick Pay	Total		Regular	Overtime	Unused Vacation		Unused Sick Pay
1	186	1,513.0	3.5	17,963	63	0	0	18,026	15.41	32,053	81	0	32,134	
<b>50</b>	<b>Subtotal</b>	<b>101,346.5</b>	<b>5,972.5</b>	<b>180.0</b>	<b>2,302,238</b>	<b>222,869</b>	<b>4,206</b>	<b>2,529,313</b>		<b>2,368,725</b>	<b>226,032</b>	<b>4,206</b>	<b>2,598,962</b>	
<b>Part Time &amp; Summer Employees</b>														
1	164	755.0	0.0	7,550	0	0	0	7,550	10.00	7,550	0	0	7,550	
1	165	754.0	0.0	7,540	0	0	0	7,540	10.00	7,540	0	0	7,540	
1	175	934.1	0.0	10,154	0	0	0	10,154	10.87	10,154	0	0	10,154	
1	177	994.0	0.0	10,805	0	0	0	10,805	10.87	10,805	0	0	10,805	
1	179	1,451.5	0.0	14,515	0	0	0	14,515	10.00	14,515	0	0	14,515	
1	187	956.5	0.0	9,565	0	0	0	9,565	10.00	9,565	0	0	9,565	
1	188	341.8	7.0	3,418	105	0	0	3,523	10.00	3,418	105	0	3,523	
1	189	508.0	8.5	4,318	108	0	0	4,426	8.50	4,318	108	0	4,426	
1	190	385.0	6.0	3,273	77	0	0	3,349	8.50	3,273	77	0	3,349	
<b>9</b>	<b>Subtotal</b>	<b>7,079.9</b>	<b>21.5</b>	<b>71,137</b>	<b>290</b>	<b>0</b>	<b>0</b>	<b>71,427</b>		<b>71,137</b>	<b>290</b>	<b>0</b>	<b>71,427</b>	
<b>Retired Employees</b>														
	22	0.0	0.0	0	0	0	0	0	27.82	0	0	0	0	
	56	0.0	0.0	0	0	0	0	0	21.16	0	0	0	0	
	87	0.0	0.0	0	0	0	0	0	19.16	0	0	0	0	
<b>Subtotal</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total</b>	<b>137,546.4</b>	<b>6,009.4</b>	<b>444.0</b>	<b>3,559,777</b>	<b>223,724</b>	<b>16,069</b>	<b>17,856</b>	<b>3,817,425</b>		<b>3,634,260</b>	<b>226,322</b>	<b>16,069</b>	<b>3,894,507</b>	

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Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

23. Refer to Exhibit 3, page 2, of the application, which shows the test-year actual and normalized total depreciation expense and the test-year actual and normalized depreciation expense charged to transportation clearing. Provide the same information for each of the calendar years 2000 to 2009.

Response:

<u>Year</u>	<u>Depreciation</u>	
	<u>Expense</u>	<u>Clearing</u>
2009	2,956,264	461,502
2008	2,842,245	486,323
2007	2,702,560	395,392
2006	2,497,883	452,918
2005	2,318,515	371,387
2004	2,176,161	343,977
2003	2,069,065	304,920
2002	2,000,863	287,292
2001	1,875,298	264,671
2000	1,706,303	303,469





Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

24. Refer to Exhibit 3, page 4, of the application, which shows distribution plant in service, accumulated depreciation for distribution plant, and the reserve ratio percentages for distribution plant for each of the years 1995 through 1999 and 2005 through 2008. Provide the same information as of the end of the test year and for the years from 2000 through 2004.

Response:

Year <u>Ended</u>	Distribution Plant in <u>Service</u>	Accumulated Depreciation for <u>Distribution</u>	Reserve <u>Ratio</u>	Ratio of Current Distribution Plant to Distribution <u>Plant 10 Years</u> <u>Prior</u>
2009	82,006,321	20,716,588	25.26%	1.85
2008	79,412,895	19,148,191	24.11%	1.94
2007	76,020,263	17,461,623	22.97%	2.03
2006	71,399,630	16,181,781	22.66%	2.04
2005	66,374,927	14,810,722	22.31%	2.08
2004	62,260,936	13,927,986	22.37%	
2003	58,231,350	12,910,540	22.17%	
2002	54,739,430	11,835,646	21.62%	
2001	51,255,660	11,264,997	21.98%	
2000	47,530,430	10,575,145	22.25%	
1999	44,363,056	9,937,785	22.40%	
1998	40,845,433	9,289,706	22.74%	
1997	37,522,573	8,632,283	23.01%	
1996	34,972,409	8,178,601	23.39%	
1995	31,958,257	7,742,742	24.23%	



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

25. Refer to Exhibit 5, page 2. This is a schedule of Meade's outstanding long-term debt.
- a. Provide an update of the schedule on pages 2 and 3 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

Response:

Attached

Meade County Rural Electric  
Case No. 2010-00222  
Schedule of Outstanding Long-Term Debt  
March 31, 2010

Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	Interest Rate Nov 2009	Annualized Cost Col (d)x(g) (j)
<b>RUS loans</b>					
B290	Jun-97	Jun-32	1,916,239	3.750%	71,859
B295	Jun-97	Jun-32	1,834,158	4.870%	89,323
B310	Oct-03	Oct-38	2,393,040	4.670%	111,755
B311	Oct-03	Oct-38	2,790,511	4.180%	116,643
B312	Oct-03	Oct-38	1,867,507	4.490%	83,851
B313	Oct-03	Oct-38	1,865,671	4.440%	82,836
B314	Oct-03	Oct-38	2,842,965	5.060%	143,854
B315	Oct-03	Oct-38	2,829,566	3.380%	95,639
B320	Dec-08	Dec-43	2,935,459	4.860%	142,663
B321	Dec-08	Dec-43	1,939,101	3.020%	58,561
B322	Dec-08	Dec-43	1,956,089	3.640%	71,202
B323	Dec-08	Dec-43	2,943,487	3.650%	107,437
B324	Dec-08	Dec-43	2,462,958	3.550%	87,435
B325	Dec-08	Dec-43	1,979,994	3.550%	70,290
B326	Dec-08	Dec-43	2,626,000	3.550%	93,223
Advance payment			(1,321,389)		
			<u>33,861,356</u>		<u>1,426,572</u>
<b>FFB loans</b>					
H010	Nov-98	Oct-33	353,112	6.490%	22,917
H015	Sep-00	Aug-35	1,099,549	4.474%	49,194
H020	Sep-02	Aug-37	1,686,808	4.777%	80,579
H025	Sep-02	Aug-37	1,683,414	3.753%	63,179
F030	Mar-03	Feb-38	4,583,923	4.069%	186,520
			<u>9,406,806</u>		<u>402,388</u>
<b>CFC loans</b>					
9002	Jun-74	May-09	0	7.00%	0
9005	Dec-75	Nov-10	15,283	5.70%	871
9007	Jun-77	May-12	44,584	5.85%	2,608
9009-15	Jun-78	May-13	491,504	5.75%	28,261
9016	Jun-89	May-24	2,732,052	4.95%	135,237
9017	Mar-92	Feb-27	1,587,776	5.75%	91,297
9022006	Aug-04	Jul-39	0	7.00%	0
9022007	Aug-04	Jul-39	1,468,511	7.00%	102,796
9022008	Aug-04	Jul-39	1,468,511	6.80%	99,859
9022009	Aug-04	Jul-09	1,468,511	6.80%	99,859
9022010	Aug-04	Jul-09	1,468,511	6.05%	88,845
			<u>10,745,243</u>		<u>649,633</u>
Total long term debt and annualized			<u>54,013,405</u>		<u>2,478,592</u>
Annualized cost rate [Total Col. (j) / Total Col. (d)]					4.59%
Actual test year cost rate [Total Col. (k) / Total Reported in Col (d)]					

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

25. Refer to Exhibit 5, page 2. This is a schedule of Meade's outstanding long-term debt.

b. Provide an explanation for the variance between the annualized interest expense and the test-year interest costs for RUS loan numbers B323, B324, B325 and B326.

Response:

The variance on loan number B323, B324, and B325 are due the estimated accrual on these loans and the actual interest calculated. The variance for loan number B326 is due the date of the advance, which was not for the full test year.



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

26. Refer to Exhibit 7, page 1. Meade states that the retirement and security (“R&S”) contribution rate is determined by the National Rural Electric Cooperative Association. Provide a copy of the documentation supporting the R&S rate of 28.78 percent used for the proposed adjustment to pension benefits.

Response:

Attached as page 2 of this exhibit is a copy of the document from NRECA supporting the R&S rate of 28.78 percent for the proposed adjustment to pension benefits.

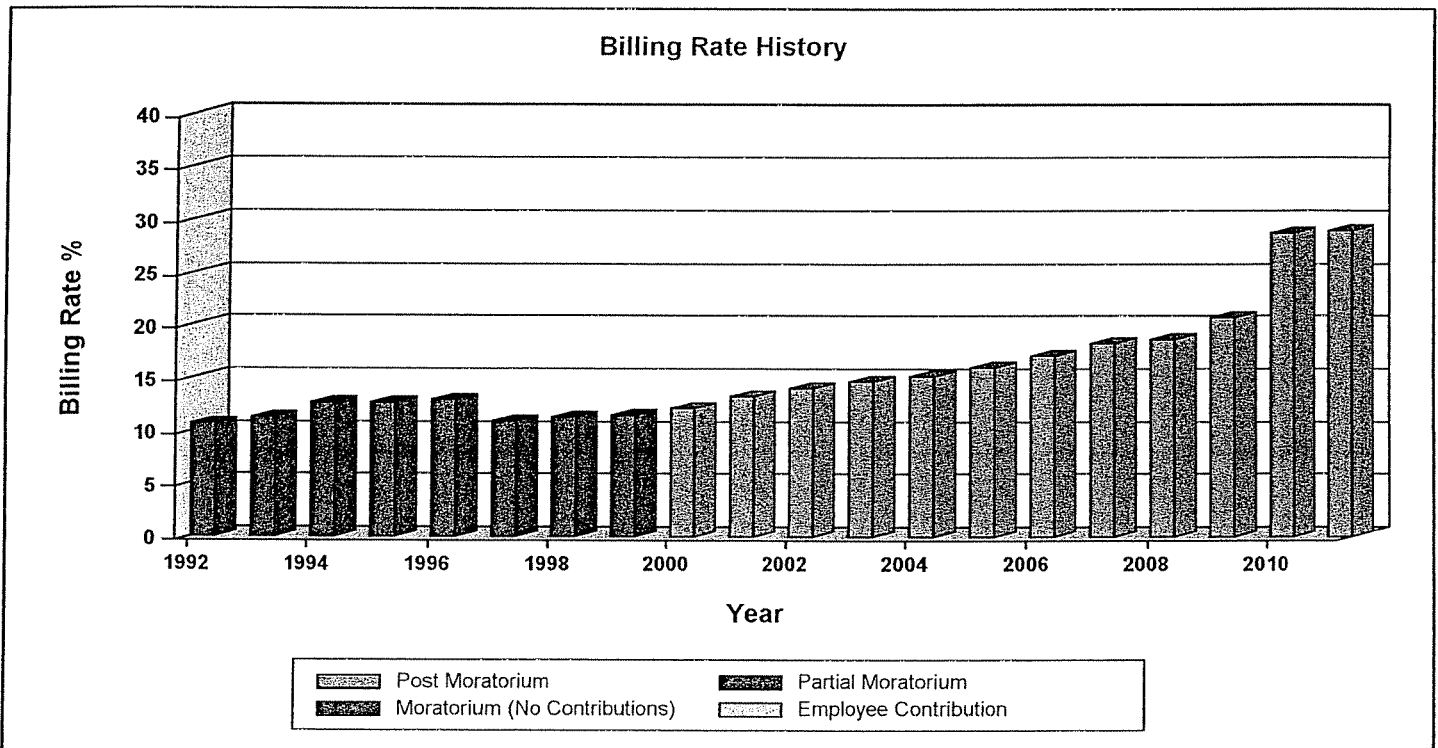
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Retirement Security Plan



System #:	01-18018-001	Plan ID:	RNR01A
Name:	MEADE COUNTY RECC		

Year	Benefit Level	System Cost	Employee Contribution	Plan	COLA	Average Age	100% Death Benefit	Salary Type
1992	1.50	10.70	0.00	30	No	42	No	BS
1993	1.50	11.30	0.00	30	No	42	No	BS
1994	1.50	12.72	0.00	30	No	42	No	BS
1995	1.50	12.72	0.00	30	No	42	No	BS
1996	1.70	12.98	0.00	30	No	40	Yes	BS
1997	1.70	10.95	0.00	30	No	41	Yes	BS
1998	1.70	11.32	0.00	30	No	41	Yes	BS
1999	1.70	11.51	0.00	30	No	41	Yes	BS
2000	1.70	12.15	0.00	30	No	43	Yes	BS
2001	1.70	13.30	0.00	30	No	43	Yes	BS
2002	1.70	14.07	0.00	30	No	43	Yes	BS
2003	1.70	14.73	0.00	30	No	44	Yes	BS
2004	1.70	15.22	0.00	30	No	44	Yes	BS
2005	1.70	16.06	0.00	30	No	44	Yes	BS
2006	1.70	17.17	0.00	30	No	45	Yes	BS
2007	1.70	18.35	0.00	30	No	46	Yes	BS
2008	1.70	18.72	0.00	30	No	46	Yes	BS
2009	1.70	20.78	0.00	30	No	46	Yes	BS
2010	1.70	28.78	0.00	30	No	47	Yes	BS
2011	1.70	29.02	0.00	30	No	48	Yes	BS



Note: The System Cost is the total of the Trust Contribution and the Administrative Fee.

Your Retirement Security Plan's salary type is "base salary." As a result, your contribution cost is applied as a percentage of each participant's annualized base rate of pay in effect on November 15, 2010, which is that participant's effective salary for the 2011 plan year. Beginning with your January 2011 monthly statement, the estimated amount due will be based on this percentage. Rates noted are for the plan in effect as of January 1 for each year.





Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

27. Refer to Exhibit 12 of the application, where Meade estimates the expenses associated with this rate case. On a monthly basis, beginning in April 2009, provide the amount of Meade's actual rate case expenses, by category, as was done in the estimate. Consider this an ongoing request which is to be updated monthly.

Response:

Attached

Meade County Rural Electric  
Case No. 2010-00222  
Second Information Request of Staff  
Rate Case Expenses

Σxh 27  
2 of 2

<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Description</u>	<u>Legal</u>	<u>Consulting</u>	<u>Advertising</u>	<u>Other</u>	<u>Total</u>
5/28/2010	93808	Visa	Meals, consultants				67.05	67.05
7/7/2010	94001	Visa	Meals, consultants				180.67	180.67
7/30/2010	94373	Visa	Meals, consultants				35.82	35.82
8/6/2010	94444	Staples	Office supplies				887.84	887.84
8/31/2010			Prepaid postage				38.46	38.46
8/27/2010	94607	Ohio Co. Times/News	Ads			992.25		992.25
8/27/2010	94627	Visa	Meals, consultants				30.15	30.15
8/27/2010	94627	Visa	Sec State, existence				10.00	10.00
8/27/2010	94627	Visa	UPS				42.85	42.85
8/31/2010	94643	Herald News Publishing	Ads			2,394.00		2,394.00
9/7/2010	94685	Meade Co Messenger	Ads			1,070.10		1,070.10
9/7/2010	94675	Grayson Co News	Ads			3,572.10		3,572.10
		Subtotal		0.00	0.00	8,028.45	1,292.84	9,321.29
		Cooperative labor and benefits (no overtime included)					8,758.61	8,758.61
		Total expenses		0.00	0.00	8,028.45	10,051.45	18,079.90



Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

28. Refer to Exhibit 13.

a. Refer to page 1 of 3. The existing rates for the three-party anchor attachment and three-party ground attachment are shown as \$4.72 and \$.15, respectively. The amounts in Meade's current tariff are \$3.74 and \$.17, respectively. Explain the discrepancy between the rates shown on this page and those in Meade's tariff.

Response:

See the revised CATV attachment computations. This reflects a lower rate for the three-party attachment in relation to the two-party attachment rate.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

28. Refer to Exhibit 13.

b. Refer to page 2 of 3.

(1) Provide all documents and workpapers supporting the pole sizes and costs used in the calculation of the weighted average costs. Include in the response whether the gross investment costs shown on this page are gross or net.

Response:

Attached are the continuing property records (CPR's) that indicate the quantities and amounts for each of the elements for poles. It should be noted that the Three-Party Pole cost in the application did not include the 40' poles with the 45' poles. This has been remedied in this response. The investment is shown as gross costs.

	<u>Quantity</u>	<u>Cost</u>	<u>Average</u>
35' - 40' Poles	27,840	14,680,250	527.31
40' - 45' Poles	29,191	15,837,457	542.55

MEADE COUNTY RURAL ELECTRIC

DATE 1/14/10

CPR MASTER FILE DATA

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CPR CODE	DESCRIPTION	TO DATE COST	TO DATE QTY	AVERAGE COST	STD COST TO ADD LABOR	STD COST TO ADD MATERIAL	STD COST TO ADD OVERHEAD
364010 0000	ANCHOR GUYS	674,605.56	11,823	57,0587	24.66	33.33	49.32
364010 1989	ANCHOR GUYS	115,606.07	853	135,5288	28.52	32.87	57.03
364010 1990	ANCHOR GUYS	181,459.43	1,154	157,2439	28.52	33.36	57.03
364010 1991	ANCHOR GUYS	139,797.15	914	152,9509	19.68	37.20	39.35
364010 1992	ANCHOR GUYS	164,240.14	1,381	118,9284	19.68	34.34	39.35
364010 1993	ANCHOR GUYS	161,339.50	1,333	121,0349	19.68	29.53	39.35
364010 1994	ANCHOR GUYS	213,667.98	1,576	135,5761	19.68	32.99	39.35
364010 1995	ANCHOR GUYS	217,494.86	1,525	142,6196	19.68	33.12	39.35
364010 1996	ANCHOR GUYS	248,631.71	1,818	136,7611	23.55	32.46	47.09
364010 1997	ANCHOR GUYS	198,599.17	1,604	123,8149	23.55	33.22	47.09
364010 1998	ANCHOR GUYS	250,515.37	2,020	124,0175	23.55	28.86	47.09
364010 1999	ANCHOR GUYS	213,418.92	1,904	112,0898	24.66	28.01	49.32
364010 2000	ANCHOR GUYS	244,421.55	1,802	135,6390	24.66	30.06	49.32
364010 2001	ANCHOR GUYS	329,723.33	2,326	141,7555	24.66	28.62	49.32
364010 2002	ANCHOR GUYS	309,601.68	2,374	130,4135	24.66	30.55	49.32
364010 2003	ANCHOR GUYS	284,997.01	2,013	141,5782	24.66	31.29	49.32
364010 2004	ANCHOR GUYS	236,830.77	1,608	147,2828	24.66	34.29	49.32
364010 2005	ANCHOR GUYS	337,782.90	2,056	164,2913	24.66	46.98	49.32
364010 2006	ANCHOR GUYS	324,662.67	1,766	183,8407	24.66	49.23	49.32
364010 2007	ANCHOR GUYS	404,435.28	2,056	196,7098	34.57	51.27	69.14
364010 2008	ANCHOR GUYS	277,082.94	1,195	231,8686	34.57	63.43	69.14
364010 2009	ANCHOR GUYS	247,527.28	980	252,5789	34.57	58.58	69.14
364012 0000	STAND OFF ARM	832.60	25	33,3040	21.06	48.97	42.13
364012 1989	STAND OFF ARM	.00	0	33,3041	16.81	35.34	33.62
364012 1990	STAND OFF ARM	.00	0	33,3041	16.81	39.12	33.62
364012 1991	STAND OFF ARM	.00	0	33,3041	16.81	44.87	33.62
364012 1992	STAND OFF ARM	361.38	3	120,4600	16.81	45.60	33.62
364012 1993	STAND OFF ARM	1,029.91	13	79,2238	16.81	44.30	33.62
364012 1994	STAND OFF ARM	.00	0	79,2238	16.81	53.79	33.62
364012 1995	STAND OFF ARM	.00	0	79,2238	16.81	47.68	33.62
364012 1996	STAND OFF ARM	829.27	6	138,2117	20.11	48.76	40.22
364012 1997	STAND OFF ARM	.00	0	138,2117	20.11	46.78	40.22
364012 1998	STAND OFF ARM	.00	0	138,2117	20.11	44.38	40.22
364012 1999	STAND OFF ARM	783.10	7	111,8714	21.06	51.36	42.13
364012 2000	STAND OFF ARM	.00	0	111,8714	21.06	47.76	42.13
364012 2001	STAND OFF ARM	10,595.30	64	165,5516	21.06	52.53	42.13
364012 2002	STAND OFF ARM	742.34	4	185,5850	21.06	50.42	42.13
364012 2003	STAND OFF ARM	267.59	2	133,7950	21.06	48.16	42.13
364012 2004	STAND OFF ARM	.00	0	133,7950	21.06	52.97	42.13
364012 2005	STAND OFF ARM	.00	0	133,7950	21.06	62.61	42.13
364012 2006	STAND OFF ARM	.00	0	133,7950	21.06	65.25	42.13
364012 2007	STAND OFF ARM	.00	0	133,7950	29.53	67.24	59.05
364012 2008	STAND OFF ARM	.00	0	133,7950	29.53	64.30	59.05
364012 2009	STAND OFF ARM	.00	0	133,7950	29.53	60.26	59.05
364020 0000	CROSSARM	141,369.85	5,270	26,8294	23.63	73.37	47.27
364020 1989	CROSSARM	49,429.36	264	187,2324	35.25	61.56	70.51
364020 1990	CROSSARM	31,803.23	136	233,8473	35.25	65.68	70.51
364020 1991	CROSSARM	41,355.00	243	170,1852	18.86	70.69	37.71
364020 1992	CROSSARM	62,008.92	388	159,8168	18.86	70.64	37.71
364020 1993	CROSSARM	46,962.92	276	170,1555	18.86	70.69	37.71
364020 1994	CROSSARM	90,278.53	417	216,4953	18.86	80.21	37.71

46,081

5,776,441.27

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CPR CODE	DESCRIPTION	TO DATE COST	TO DATE QTY	AVERAGE COST	STD COST TO ADD LABOR	STD COST TO ADD MATERIAL	STD COST TO ADD OVERHEAD
364020	1995 CROSSARM	40,723.87	212	192.0937	18.86	71.95	37.71
364020	1996 CROSSARM	128,768.02	617	208.7002	22.56	76.02	45.13
364020	1997 CROSSARM	83,108.02	310	268.0904	22.56	70.63	45.13
364020	1998 CROSSARM	69,720.07	417	167.1944	22.56	68.98	45.13
364020	1999 CROSSARM	111,231.11	583	190.7909	23.63	76.01	47.27
364020	2000 CROSSARM	94,828.67	499	190.0374	23.63	71.51	47.27
364020	2001 CROSSARM	124,763.09	588	212.1821	23.63	77.81	47.27
364020	2002 CROSSARM	204,075.13	1,067	191.2607	23.63	76.17	47.27
364020	2003 CROSSARM	74,245.61	357	207.9709	23.63	73.55	47.27
364020	2004 CROSSARM	95,905.97	449	213.5990	23.63	81.64	47.27
364020	2005 CROSSARM	116,173.98	507	229.1400	23.63	96.29	47.27
364020	2006 CROSSARM	147,827.52	551	268.2895	23.63	100.73	47.27
364020	2007 CROSSARM	181,503.45	755	240.4019	33.13	103.22	66.26
364020	2008 CROSSARM	118,753.53	401	296.1435	33.13	105.11	66.26
364020	2009 CROSSARM	61,459.17	206	298.3455	33.13	100.60	66.26
364030	0000 POLES 30	1,192,431.19	11,956	99.7350	78.61	145.45	157.21
364030	1989 POLES 30	140,136.29	439	319.2171	50.10	100.95	100.19
364030	1990 POLES 30	233,289.33	667	349.7591	50.10	113.01	100.19
364030	1991 POLES 30	203,803.68	530	384.5352	62.72	101.57	125.44
364030	1992 POLES 30	214,519.37	639	335.7111	62.72	99.84	125.44
364030	1993 POLES 30	209,583.20	579	361.9744	62.72	108.39	125.44
364030	1994 POLES 30	224,453.94	560	400.8106	62.72	117.52	125.44
364030	1995 POLES 30	258,561.48	599	431.6552	62.72	127.38	125.44
364030	1996 POLES 30	302,607.34	713	424.4142	75.05	135.65	150.09
364030	1997 POLES 30	247,359.15	599	412.9535	75.05	140.78	150.09
364030	1998 POLES 30	267,564.57	650	411.6378	75.05	142.31	150.09
364030	1999 POLES 30	271,258.29	670	404.8631	78.61	141.90	157.21
364030	2000 POLES 30	241,633.02	487	496.1664	78.61	159.72	157.21
364030	2001 POLES 30	269,063.73	564	477.0634	78.61	157.21	157.21
364030	2002 POLES 30	285,511.21	567	503.5471	78.61	155.93	157.21
364030	2003 POLES 30	260,718.96	512	509.2167	78.61	151.36	157.21
364030	2004 POLES 30	255,343.47	495	515.8454	78.61	179.47	157.21
364030	2005 POLES 30	294,713.92	603	488.7461	78.61	158.13	157.21
364030	2006 POLES 30	259,722.67	435	597.0636	78.61	198.38	157.21
364030	2007 POLES 30	303,761.14	497	611.1894	110.19	195.52	220.37
364030	2008 POLES 30	323,099.39	443	729.3440	110.19	206.78	220.37
364030	2009 POLES 30	255,994.93	359	713.0778	110.19	183.55	220.37
364035	0000 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1989 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1990 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1991 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1992 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1993 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1994 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1995 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1996 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1997 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1998 POLES 35'	.00	0	.0000	.00	.00	.00
364035	1999 POLES 35'	.00	0	.0000	.00	.00	.00
364035	2000 POLES 35'	.00	0	.0000	.00	.00	.00
364035	2001 POLES 35'	.00	0	.0000	.00	.00	.00

21072



CPR CODE	DESCRIPTION	TO DATE COST	TO DATE QTY	AVERAGE COST	STD COST TO ADD LABOR	STD COST TO ADD MATERIAL	STD COST TO ADD OVERHEAD
364035	2002 POLES 35'	.00	0	.0000	.00	.00	.00
364035	2003 POLES 35'	148.66	0	487.3500	78.61	151.36	157.21
364035	2004 POLES 35'	.00	0	535.8400	78.61	179.47	157.21
364035	2005 POLES 35'	.00	0	344.7600	78.61	158.13	157.21
364035	2006 POLES 35'	.00	0	646.4100	78.61	198.38	157.21
364035	2007 POLES 35'	10.23	0	646.4100	110.19	195.52	220.37
364035	2008 POLES 35'	.00	0	554.8600	110.19	206.78	220.37
364035	2009 POLES 35'	.00	0	1,019.0600	110.19	183.55	220.37
364040	0000 POLES 40'	711.131.82	4,466	159.2324	92.99	214.34	185.98
364040	1989 POLES 40'	139,041.19	361	385.1557	56.64	147.08	113.27
364040	1990 POLES 40'	299,139.16	669	447.1437	56.64	149.22	113.27
364040	1991 POLES 40'	201,508.51	437	461.1179	74.20	147.64	148.40
364040	1992 POLES 40'	330,963.25	769	430.3813	74.20	146.11	148.40
364040	1993 POLES 40'	351,347.47	785	447.5764	74.20	162.43	148.40
364040	1994 POLES 40'	390,257.60	767	508.8104	74.20	173.39	148.40
364040	1995 POLES 40'	569,996.77	1,001	569.4273	74.20	188.98	148.40
364040	1996 POLES 40'	713,990.46	1,269	562.6402	88.78	195.88	177.56
364040	1997 POLES 40'	706,643.56	1,266	558.1703	88.78	205.49	177.56
364040	1998 POLES 40'	845,450.72	1,576	536.4535	88.78	199.33	177.56
364040	1999 POLES 40'	754,883.60	1,418	532.3580	92.99	237.92	185.98
364040	2000 POLES 40'	892,168.28	1,419	628.7303	92.99	215.95	185.98
364040	2001 POLES 40'	1,242,473.75	1,982	626.8788	92.99	230.57	185.98
364040	2002 POLES 40'	1,093,208.97	1,710	639.3035	92.99	233.93	185.98
364040	2003 POLES 40'	934,209.34	1,439	649.2073	92.99	229.86	185.98
364040	2004 POLES 40'	639,056.95	977	654.1013	92.99	233.94	185.98
364040	2005 POLES 40'	1,057,792.74	1,573	672.4684	92.99	268.10	185.98
364040	2006 POLES 40'	978,508.30	1,246	785.3197	92.99	320.24	185.98
364040	2007 POLES 40'	1,182,378.77	1,426	829.1576	130.35	300.57	260.70
364040	2008 POLES 40'	651,113.93	732	889.4999	130.35	283.63	260.70
364040	2009 POLES 40'	507,981.67	552	920.2566	130.35	266.59	260.70
364045	0000 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1989 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1990 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1991 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1992 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1993 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1994 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1995 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1996 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1997 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1998 POLES 45'	.00	0	.0000	.00	.00	.00
364045	1999 POLES 45'	.00	0	.0000	.00	.00	.00
364045	2000 POLES 45'	.00	0	.0000	.00	.00	.00
364045	2001 POLES 45'	.00	0	.0000	.00	.00	.00
364045	2002 POLES 45'	.00	0	.0000	.00	.00	.00
364045	2003 POLES 45'	.00	0	.0000	.00	.00	.00
364045	2004 POLES 45'	93,732.09	127	631.2657	92.99	265.78	185.98
364045	2005 POLES 45'	193,619.29	271	738.0480	92.99	285.36	185.98
364045	2006 POLES 45'	267,297.18	304	714.4623	92.99	305.71	185.98
364045	2007 POLES 45'	294,738.40	345	879.2670	92.99	358.42	185.98
364045	2008 POLES 45'	150,759.13	153	854.3142	130.35	332.70	260.70
364045	2009 POLES 45'			985.3538	130.35	351.37	260.70

27840

14,680,249.71

pg. 50712

CPR MASTER FILE DATA

CPR CODE	DESCRIPTION	TO DATE	COST	TO DATE	QTY	AVERAGE	COST	STD COST TO ADD LABOR	STD COST TO ADD MATERIAL	STD COST TO ADD OVERHEAD
364045	2009 POLES 45'	157,060.52	151	1,040.1359	130.35	337.34	260.70			
364050	0000 POLES 50'	84,693.14	749	113.0750	113.03	345.33	226.05			
364050	1989 POLES 50'	10,896.12	18	605.3400	77.82	294.04	155.63			
364050	1990 POLES 50'	20,189.65	25	807.5860	77.82	276.88	155.63			
364050	1991 POLES 50'	8,943.33	14	638.8093	90.19	258.31	180.37			
364050	1992 POLES 50'	25,726.21	47	547.3662	90.19	249.14	180.37			
364050	1993 POLES 50'	15,300.01	25	612.0004	90.19	291.50	180.37			
364050	1994 POLES 50'	57,891.18	84	689.1807	90.19	259.35	180.37			
364050	1995 POLES 50'	20,805.19	28	743.0425	90.19	322.24	180.37			
364050	1996 POLES 50'	74,849.01	86	870.3373	107.91	326.23	215.82			
364050	1997 POLES 50'	93,072.79	70	1,329.6113	107.91	359.51	215.82			
364050	1998 POLES 50'	62,859.25	73	861.0856	107.91	367.74	215.82			
364050	1999 POLES 50'	84,285.20	98	860.0531	113.03	353.21	226.05			
364050	2000 POLES 50'	81,408.78	95	856.9345	113.03	351.42	226.05			
364050	2001 POLES 50'	114,439.19	115	995.1234	113.03	363.49	226.05			
364050	2002 POLES 50'	152,426.04	187	815.1125	113.03	351.84	226.05			
364050	2003 POLES 50'	23,060.98	27	854.1104	113.03	404.65	226.05			
364050	2004 POLES 50'	46,888.07	48	976.8348	113.03	421.33	226.05			
364050	2005 POLES 50'	41,597.91	45	924.3980	113.03	436.70	226.05			
364050	2006 POLES 50'	59,864.74	54	1,108.6063	113.03	486.46	226.05			
364050	2007 POLES 50'	73,571.33	73	1,007.8264	158.44	466.22	316.88			
364050	2008 POLES 50'	97,377.24	78	1,248.4262	158.44	487.19	316.88			
364050	2009 POLES 50'	22,092.63	15	1,472.8420	158.44	470.94	316.88			
364055	0000 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1989 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1990 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1991 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1992 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1993 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1994 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1995 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1996 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1997 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	1998 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	2000 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	2001 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	2002 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	2003 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	2004 POLES 55'	.00	0	.0000	.00	.00	.00			
364055	2005 POLES 55'	1,826.37	2	859.3800	113.03	417.32	226.05			
364055	2006 POLES 55'	12,016.81	10	913.1850	113.03	417.72	226.05			
364055	2007 POLES 55'	9,326.46	9	1,201.6810	113.03	563.50	226.05			
364055	2008 POLES 55'	21,686.76	17	1,036.2733	158.44	527.54	316.88			
364055	2009 POLES 55'	15,303.32	9	1,275.6918	158.44	537.48	316.88			
364060	0000 POLES 60'	.00	0	1,700.3689	158.44	536.69	316.88			
364060	1989 POLES 60'	.00	0	.0000	137.17	628.35	274.35			
364060	1990 POLES 60'	.00	0	861.8600	77.82	441.24	155.63			
364060	1991 POLES 60'	.00	0	1,167.2300	77.82	441.24	155.63			
364060	1992 POLES 60'	.00	0	1,167.2300	109.45	445.03	218.90			
364060	1993 POLES 60'	.00	0	517.0500	109.45	445.04	218.90			
364060	1993 POLES 60'	.00	0	735.3900	109.45	449.36	218.90			

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Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

28. Refer to Exhibit 13.

b. Refer to page 2 of 3.

(2) Explain why it is reasonable for a three-party pole attachment to be higher than a two-party pole attachment. Include in the response the calculation of the present rates which resulted in a lower charge for the three-party pole attachment.

Response:

See the revised CATV attachment computations. This reflects a lower rate for the three-party attachment in relation to the two-party attachment rate.

Meade County Rural Electric  
Case No. 2010-00222  
CATV Pole Attachments  
as of December 31, 2009

A. 1. Two-Party Pole Cost:

<u>Size</u>	<u>Quantity</u>	<u>Amount</u>	<u>Weighted Average Cost</u>
35'-40' Poles	<u>27,840</u>	<u>\$14,680,250</u>	<u>\$527.31</u>

2. Three-Party Pole Cost:

<u>Size</u>	<u>Quantity</u>	<u>Amount</u>	<u>Weighted Average Cost</u>
40 - 45' Poles	<u>29,426</u>	<u>\$15,837,457</u>	<u>\$538.21</u>

3. Average cost of anchors

\$94.01

B. 1. Pole Charge:

a. Two party =	\$527.31	85%	17.77%	0.1224	\$9.75
b. Three party =	\$538.21	85%	17.77%	0.0759	\$6.17

2. Pole Charge, with ground attachments:

a. Two party =	\$527.31	85%	\$12.50	17.77%	0.1224	\$0.27
b. Three party =	\$538.21	85%	\$12.50	17.77%	0.0759	\$0.17

3. Anchor Charge:

a. Two party =	\$94.01		17.77%	0.50	\$8.35
b. Three party =	\$94.01		17.77%	0.33	\$5.51

(1) Remove miscellaneous allocations to pole accounts when using Record Units in the continuing property record (CPR's) system, per PSC Administrative Case No. 251

Meade County has not made any adjustments or modifications to its CPR's during the current or previous several years.

Meade County Rural Electric  
Case No. 2010-00222  
CATV Pole Attachments  
as of December 31, 2009

Fixed charges on investment from PSC Annual Report at December 31, 2009.

Total Distribution Expense	4,704,658	
Reference Page 14		
Customer Accounts Expense	1,253,665	
Reference Page 15		
Customer Service and Informational Expense	230,731	
Reference Page 15		
Administrative and General	1,392,256	
Reference Page 15		
Depreciation Expense	2,956,264	
Reference Page 13		
Taxes Other than Income Taxes	32,462	
Reference Page 13		
	<hr/>	
Sub total	10,570,036	
Divided by Total Utility Plant	91,162,723	11.59%
Line 2, Page 1		
Cost of Money		
Rate of Return on Investment allowed in the last General		
Rate Request, Case No. 2009-00222	8.26%	
Net plant ratio for distribution plant:		
Distribution plant	<u>82,006,321</u>	
Accumulated depreciation	20,716,588	25.3%
Rate of return ( times 1 minus reserve ratio)		<u>6.17%</u>
Annual carrying charges		<u><u>17.77%</u></u>

Meade County Rural Electric  
CATV Pole Attachments  
as of December 31, 2009

2/20/12

*Additional revenues generated*

Attachment Description	Number	Rates		Revenue		Increase	
		Existing	Proposed	Existing	Proposed	Amount	Percent
2 party Pole	1,680	\$7.21	\$9.75	\$12,113	\$16,376	\$4,263	26%
3 party Pole	7,152	5.98	6.17	42,769	44,125	\$1,356	3%
2 party Anchor	1	5.67	8.35	6	8	\$3	32%
3 party Anchor	97	4.72	5.51	458	535	\$77	14%
2 party Ground	919	0.27	0.27	248	250	\$2	1%
3 party Ground	0	0.15	0.17	0	0	\$0	0%
Total				<u>\$55,593</u>	<u>\$61,294</u>	<u>\$5,700</u>	9%

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

28. Refer to Exhibit 13.

c. Refer to page 3 of 3 wherein the rate of return used in the CATV calculation is shown as 6.47 percent.

(1) State where in the Order in Meade's most recent general rate case the 6.47 percent rate of return is shown.

Response:

The calculation of rate of return from Meade County's most recent general rate case is as follows:

Normalized test year margins (Exh S)	234,981
Increase granted in Order	<u>1,905,793</u>
Adjusted margins	2,140,774
Normalized interest on long term debt	<u>2,188,093</u>
Margins plus interest	4,328,867
Net rate base (Exh K)	60,295,462
Rate of return	7.18%

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

28. Refer to Exhibit 13.

c. Refer to page 3 of 3 wherein the rate of return used in the CATV calculation is shown as 6.47 percent.

(2) Provide a revised Exhibit 13 using the rate of return proposed in this case.

Response:

A revised Exhibit 13 is attached with the updated average cost for poles and the rate of return requested in this application, with the proposed rate being 8.26%.

d. The parties and attachments are as follows:

	Windjammer	Insight	Mediacom
2 party Pole	263	675	742
3 party Pole	1,557	4,349	1,246
2 party Anchor			1
3 party Anchor	97		
2 party Ground		423	496
3 party Ground			





Meade County Rural Electric Cooperative  
Case No. 2010-00222  
Second Data Request of Commission Staff

29. Refer to Exhibit 14 of the application.

a. Refer to page 1 of 6. The existing rate for Temporary Service is shown as \$35.00. However, Meade's tariff shows the amount to be \$60. Explain the discrepancy between the rate shown on this page and Meade's tariff.

Response:

The tariff reflects a \$35.00 pole fee plus a service charge of \$25.00 for a total of \$60.00.

Meade County Rural Electric Cooperative  
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29. Refer to Exhibit 14 of the application.

b. Refer to page 2 of 6. At the bottom of the page, under “Other Direct Costs”, explain why it is appropriate to divide the annual cost per employee by 1,784 hours rather than 2,080 hours.

Response:

2,080 is the total number of hours an employee can work if they perform 8 hours of work each day. Since employees receive vacation, holidays, and sick days off from work, the direct costs should be divided by the actual hours worked on an annual basis.

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29. Refer to Exhibit 14 of the application.

c. Refer to page 3 of 6.

(1) Provide justification for the 240 minutes of serviceman time and 45 minutes of clerical time for the Tampering charge.

Response:

When there are suspicions of tampering, Meade County sends two (2) linemen to investigate the situation. If there is evidence of tampering, there are both written reports and pictures taken of the tampering. Extreme care is exercised since tampering usually results in a dangerous situation for both the consumer and Meade County's linemen. Also, the linemen are apprised that tampering could result in legal action by either the Cooperative against the consumer, or by the consumer against the Cooperative. The average time expended is at least two (2) hours for this encounter ( 2 men x 2 hours x 60 minutes = 240 minutes). Again, clerical time is expanded greatly to document the tampering, ensure that all information is documented in the file, and notes are placed in the consumers records to document the result of the findings. Usually this information is reviewed by the CSR Supervisor to ensure all necessary information is included in the consumer's file.

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29. Refer to Exhibit 14 of the application.

c. Refer to page 3 of 6.

(2) Given that the hourly rate used to calculate the “Direct Labor Charge” for the nonrecurring charges consists of both the 85.77 percent actual hours worked and 14.23 percent non-working hours (as calculated by Meade on page 2 of 6), explain why it is appropriate to also include the “Direct Wage Expense” which is calculated using the 14.23 percent non-working hours (Le., explain how the 14.23 percent is not included twice).

Response:

Using the “Direct Labor Charge” allows this rate to include vacation, holiday, and sick time. The “Direct Wage Expense” is only the benefits that are associated with labor. This method allows Meade County to capture both the direct and other benefits in addition to the direct labor. This is not double-recovery in that Meade County’s computer software does not allocate benefits to labor charged to vacation, holiday, and sick time.



MEADE COUNTY RECC  
CASE NO. 2020-00222

RESPONSE TO COMMISSION STAFF'S SECOND INFORMATION REQUEST

Question:

State whether the Special Meter Reading Charge will always be in reference to a remote meter reading. If so, provide justification for the time incurred by the service man and office clerk.

Response:

The Special Meter Reading Charge applies to other types of meter readings.





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31. State whether Meade has made any recent changes in the accounting for the following items:

- a. Recognition of income and expense;
- b. Capitalization threshold for assets;
- c. Expensing of costs; and
- d. Prepayments

Response:

Meade has not made any changes in accounting practices and none are anticipated.



Meade County Rural Electric Cooperative  
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32. In the September 1, 2010 issue of *Energy Finance Daily*, it was reported that Meade received an \$18.6 million loan from United States Department of Agriculture for work on its distribution system.

a. Describe in detail and provide quantification of the impact(s) this loan has on the financial assumptions put forward in this rate case.

Response:

The impact of the \$18.6 million loan impacts Exhibit H, James Adkins testimony in Exhibit JRA-1 data. This information was obtained from the Financial Forecast, as prepared by the RUS Field Representative, in connection with the loan application filed with RUS. This is the only place in the application that reflects this loan.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
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32. In the September 1, 2010 issue of *Energy Finance Daily*, it was reported that Meade received an \$18.6 million loan from United States Department of Agriculture for work on its distribution system.

b. Provide the date the loan proceeds were received and the terms of the loan.

Response:

There have been no loan advances. The loan is still pending awaiting final RUS approval. Until RUS makes its final determination, Meade County is not able to advance loan funds.

Meade County Rural Electric Cooperative  
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32. In the September 1, 2010 issue of *Energy Finance Daily*, it was reported that Meade received an \$18.6 million loan from United States Department of Agriculture for work on its distribution system.

c. Describe in detail how Meade will use the proceeds from this loan.

Response:

Meade County will use the proceeds to finance a portion of the construction projects included with the work plan and loan application.

Meade County Rural Electric Cooperative  
Case No. 2010-00222  
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32. In the September 1, 2010 issue of *Energy Finance Daily*, it was reported that Meade received an \$18.6 million loan from United States Department of Agriculture for work on its distribution system.

d. Does Meade plan to use any of these funds or any other funds for the development of smart meter or smart grid technology? If so, describe these plans in detail.

Response:

Meade County has already installed automated meter information (AMI) technology for all but demand meters on its system. The projects included in the work plan are normal construction and replacement activities. There are no funds designated for either smart meter or smart grid technology. Meade County has filed the work plan with this Commission in Case No. 2009-00496.