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August 16, 2011

RECEIVED

AUG 17 2011

**PUBLIC SERVICE
COMMISSION**

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

RE: Owen Electric Cooperative, Inc.
Case No. 2011-00037

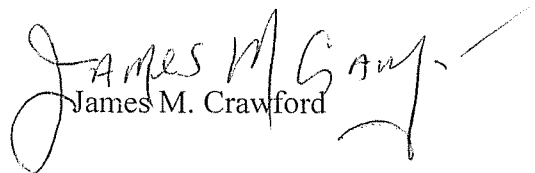
Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of the responses to the "Attorney General's Supplemental Data Requests" to Owen Electric Cooperative, Inc.

Please contact me with any questions regarding this filing.

Respectfully submitted,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford

JMC/mns

Enclosures

cc: Mr. Dennis Howard, Assistant Attorney General

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

AUG 17 2011

APPLICATION OF OWEN)
ELECTRIC COOPERATIVE, INC.)
FOR AN ADJUSTMENT OF RATES)

PUBLIC SERVICE)
COMMISSION)
Case No. 2011-00037

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUESTS

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

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Owen with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information

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

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

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

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

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

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

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and

shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-

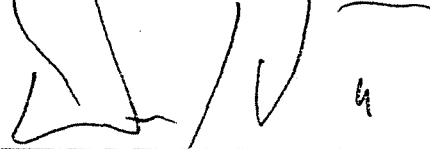
readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

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

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL

A handwritten signature in black ink, appearing to read "J. Black Hans", written over a horizontal line.

JENNIFER BLACK HANS
DENNIS G. HOWARD, II
LAWRENCE W. COOK
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315

Certificate of Service and Filing

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

Mark Stallons
President
Owen Electric Cooperative, Inc.
P. O. Box 400
Owenton, KY 40359

Hon. James M. Crawford
Crawford & Baxter, P.S.C.
PO Box 353
Carrollton, KY 41008

this 5th day of August, 2011




Assistant Attorney General

APPLICATION OF OWEN
ELECTRIC COOPERATIVE, INC.
FOR AN ADJUSTMENT OF RATES
Case No. 2011-00037
Attorney General's Supplemental Data Requests

1. Reference the responses to the initial data requests at AG-6 and PSC-8. Provide copies of the model, in Excel with all variables and formulae intact, used in the decision making process(es) .
2. Reference the response to the initial data request at AG-7. Please explain why a DSM approach to the rate design was not used if the rates are sufficient to maintain sufficient levels for Owen to provide safe, adequate and reliable service at reasonable rates?
3. Reference the response to the initial data request at AG-8i, at page 6 of 14. Please identify and provide specific details concerning the other pilot projects along with the costs and results.
4. Reference the response to the initial data request at AG-14a. Please provide any and all documentation, emails, etc. regarding the "discussions."
5. Reference the response to the initial data request at AG-23g. Please state whether the examination will be provided.
6. Reference the response to the initial data request at AG-20. Please explain in detail what tools are available.
7. Reference the response to the initial data request at AG-38a. Please state whether the company will commit to provide to the Attorney General the data without being ordered to do so by the Commission.

Affiant, Mark A Stallons, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.



Mark A Stallons

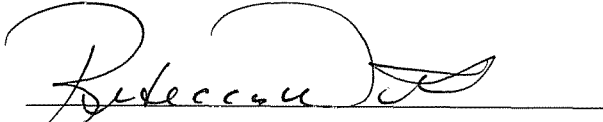
Subscribed and sworn to before me by the affiant, Mark A Stallons, this
17th day of August, 2011.

Notary Melissa K. Moore

State-at-Large

My Commission expires April 14, 2015.

Affiant, Rebecca Witt, states that the answers given by her to the foregoing questions are true and correct to the best of her knowledge and belief.

A handwritten signature in cursive script, appearing to read "Rebecca Witt", written over a horizontal line.

Rebecca Witt, Senior Vice President of Corporate Services

Subscribed and sworn to before me by the affiant, Rebecca Witt, this 17th
day of August, 2011.

Notary Melissa K. Moore
State-at-Large

My Commission expires April 14, 2015.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:

Reference the responses to the initial data requests at AG-6 and PSC-8. Provide copies of the model, in Excel with all variables and formulae intact, used in the decision making process(es)..

Response:

See attached CD.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:

Reference the response to the initial data request at AG-7. Please explain why a DSM approach to the rate design was not used if the rates are sufficient to maintain sufficient levels for Owen to provide safe, adequate and reliable service at reasonable rates?.

Response:

In the present business environment Owen Electric's energy sales are basically stable to slow growth. As a result, in total, our revenues are adequate to cover our costs. The need for the revenue neutral rate case is to enable Owen Electric to recover its consumer related costs through its customer charge, to provide financial stability to the cooperative, and to ensure that each member class pays their fair share of the costs. Additionally, this rate design will position Owen Electric to aggressively implement an energy innovation strategy that has the potential to reduce energy sales by a significant amount as either demonstrated by pilot projects at Owen Electric or as proven by other cooperatives and investor owned utilities.

As explained in Rate Case 2008-00154, in our application for Rate Case 2011-00037, and in subsequent data requests, as our rates are presently structured a significant decline in energy sales will erode our financial stability because our customer charge does not adequately recover our customer related expenses. After investigating several options we have concluded that the simplest and most efficient and effective solution is to employ a gradualism approach as embraced by the Commission and raise our customer charge over a five (5) year timeline to a level that adequately recovers our customer related expenses.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

An added benefit and a second significant reason for properly aligning our customer charge with our consumer related expense is to ensure that every member pays their fair share. Presently a member who significantly reduces energy consumption does not adequately pay their customer related expenses thereby shifting recovery of those costs to their members.

In regards to why we prefer a cost of service rate design in lieu of a DSM surcharge mechanism, please refer to our answer to question #8 in PSC data request #1.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:

Reference the response to the initial data request at AG-8i, at page 6 of 14. Please identify and provide specific details concerning the other pilot projects along with the costs and results.

Response:

Owen has two other pilot projects, a Beat the Peak projects and a Smart Home project.

The Beat the Peak project was launched in April 2011 and has three member test groups. The first group has a small device that indicates with a red light when electricity is expensive for the cooperative. The members are requested, during peak times, to reduce their electrical load as much as they can without major inconvenience. They also receive communication from Owen ahead of time regarding when peak times are occurring, so they can be prepared. The member selects the form of the communications and it may be either by email, phone, or text. The second group receives the communication regarding peak times, but does not have the in-home device. The third member group is a control group that receives neither the device nor communication. Their energy usage will just be monitored for comparison with the other two groups. The Beat the Peak pricing signal is only sent out a few times a month so this is not significant demand on the member. Owen is working with the first two groups over the test year to maximize the benefits of the pilot. After a year the data will be analyzed to determine the cost effectiveness of fully deploying or implementing the program.

The test includes about 300 members and is a low cost project, with approximately half of the cost being paid for by Department of Energy stimulus funds. The total budgeted cost of this project is approximately \$68,000, and Owen's cost share is expected to be approximately \$34,000. While this project has not previously been tested on Owen's system, it has been tested and fully deployed successfully by another cooperative.

OWEN ELECTRIC COOPERATIVE
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RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

The purpose of the Smart Home with TOD project is to put equipment in the members' home that will allow them to monitor and control all major electrical loads and to allow the member to have Owen Electric, or another third party, to assist them in this endeavor. While the products and services Owen will provide in the future for the Smart Home with TOD or Critical Peak Pricing are still under development with our pilot projects, key components of the project are: to put as many key tools for managing the members' usage of electricity in their hands as we can, educate them on the benefits of those tools, monitor how the members use the system, evaluate the cost benefits of all components, share the results with key stakeholders, and finally develop rates and services that will be cost effective for our members.

The proposed member tools are:

1. Smart thermostat
2. Water heater control
3. Smart switch
4. Smart Appliances – Washer, dryer, stove, dishwasher, refrigerator
5. A Home management system consisting of a display, communication system to all the above devices as well as the meter, software to monitor and control all the above devices, associated hardware and communication to the internet so that the system can be remotely managed via their phone or have OEC or a third party manage their system for them. The communication will also be used for OEC to send energy pricing signals or critical data to the member.
6. Host software at OEC so that our Customer Service Representative can assist members when requested.
7. Also be able to interface with third parties if the members desired sharing the data or having someone else assisting with managing their energy usage.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Since this is a new and complex project, Owen proposes splitting implementation into four segments. The first segment is to set up the system in two or three homes of Owen employees in order to work out the technical details associated with the implementation. The second step is to implement the system into about five (5) members home in order to develop a member deployment process and get initial feedback. The third step is to deploy to 50 to 100 members for 1 to 2 years for full monitoring and analysis. In the final phase a cost/benefit analysis will be conducted and program development will be done to offer the system to all of our members.

This technology was very new and was not fully developed so we delayed this project as long as possible. The bids received from the seven vendors confirm our concerns regarding the initial development of the technology. Only one vendor is bidding smart appliances and six are proposing that a third party host all the data vs. the homeowner maintaining their own data and only sharing it if they wish. Owen's next step in this process will be to sit down with two or three of the best vendors and either negotiate an acceptable solution, or modify the project to make it acceptable from a cost, scope of work, and ease of use standpoint. The total budget for this project is approximately \$490,000, with Owen's cost share portion budgeted at approximately \$245,000.

Some of the possible products and services Owen could offer as an outcome of this project are:

1. Energy saving incentive rates that are optimum for members' life styles with maximum energy conservation at no additional cost to all other members.
2. Educational tools to demonstrate to our members what is available in the market for energy conservation equipment and systems and cost benefit analysis on them based on other members use of those products.
3. Provide home area network systems to our members, either with or without a third party, similar to the one in the pilot project.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:

Reference the response to the initial data request at AG-14a. Please provide any and all documentation, emails, etc. regarding the "discussions."

Response:

Owen could only find one email and attachment from early in 2009 relating to this issue. See attached.

Rebecca Witt

From: Mark Stallons
Sent: Wednesday, August 10, 2011 5:08 PM
To: Rebecca Witt
Subject: FW: FAC Questionnaire
Attachments: FACLagQuery.doc

I have gone through my files and the central files and this is the only FAC correspondence I have found.

Mark

From: Isaac Scott [<mailto:isaac.scott@ekpc.coop>]
Sent: Wednesday, February 18, 2009 2:26 PM
To: bsexton@bigandyrecc.com; destepp@bigandyrecc.com; danb@bgenergy.com; donalds@bgenergy.com; pembs@clarkenergy.com; heades@clarkenergy.com; thampton@cvecc.com; rtolliver@cvecc.com; bprather@farmersrecc.com; wdavis@farmersrecc.com; cperry@fme.coop; jhazelrigg@fme.coop; carol.fraleay@graysonrecc.com; don.combs@graysonrecc.com; jim@intercountyenergy.net; vickie@intercountyenergy.net; donschaefer@jacksonenergy.com; sharoncarson@jacksonenergy.com; khoward@lvrecc.com; snjohnson@lvrecc.com; mmiller@nolinrecc.com; ovsparks@nolinrecc.com; Mark Stallons; Rebecca Witt; larryh@srelectric.com; eddieb@srelectric.com; debbiem@shelbyenergy.com; denise@shelbyenergy.com; eaanderson@skrecc.com; stephenj@skrecc.com; bmyers@tcrecc.com; jpatterson@tcrecc.com
Cc: Jim Lamb; Ann Wood
Subject: RE: FAC Questionnaire

Ladies and Gentlemen,

I wanted to thank those who have already responded to the FAC Questionnaire and offer a reminder to the rest that we would like to get your responses by Friday, February 20, 2009. The original message is below and I am attaching the questionnaire to this message. Thank you for your help.

Isaac S. Scott

Manager - Pricing
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, Kentucky 40392-0707
859.745.9243
isaac.scott@ekpc.coop

-----Original Message-----

Subject: FAC Questionnaire

Ladies and Gentlemen,

In an attempt to address some of the concerns with the FAC, it has been decided we need to look at the billing lag issue. But in order to adequately examine this issue, we need some information from each of the Member Systems. Attached to this e-mail is a questionnaire that should provide information to help determine the feasibility of shortening the FAC billing lag.

At this stage, I must stress we are only gathering information on this issue – we will not be able to determine if it is possible until we have reviewed the responses from all the Member Systems. So getting responses from every Member System will be critical. After gathering this information, we will be getting together to discuss what is possible to pursue.

Item No 4
page 3 of 4

This e-mail is being sent to the CEOs and Financial personnel. Because of this week's storm, I will be sending out a hard copy of the questionnaire via regular mail, addressed to Financial personnel only. You can enter your responses on the electronic document and send it back via e-mail or send in a hard copy response.

Thank you for your help with this questionnaire. If you have any questions, please feel free to call.

Isaac S. Scott

Manager - Pricing

East Kentucky Power Cooperative, Inc.

4775 Lexington Road

P. O. Box 707

Winchester, Kentucky 40392-0707

859.745.9243

isaac.scott@ekpc.coop

FUEL ADJUSTMENT CLAUSE LAG

To the EKPC Member Systems,

One of the topics that comes up when there is a discussion of the FAC is the billing lag. We have decided to explore the possibility of setting up a process where the lag could be shortened. One approach that comes to mind is something similar to that used with the environmental surcharge, where EKPC files not only its monthly surcharge factor, but files the pass-through factors for the Member Systems.

As a starting point, we need some information from each of you in order to determine if this is feasible. I would greatly appreciate it if you would respond to the following questions by February 20, 2009. We will be setting up a meeting for everyone at a later date to see if we can come up with a workable solution for the billing lag issue. The current plan is if we can come up with a workable solution, we will go to the PSC seeking an Order approving the solution. We would be seeking a PSC Order, first because legal counsel has advised it and second, while the FAC regulation doesn't specify a lag time, there very likely is an old Order out there somewhere that established the current lag time structure.

You can send your responses as an attachment to an e-mail using this document. Thank you for your assistance in gathering this information.

Isaac S. Scott
Manager – Pricing

1. Assume we could come up with a way to shorten the billing lag from 2 months to 1 month.
 - a. Describe what accounting problems or issues could result from this change. Possible problems or issues could, but not limited to, be with accounts receivable, coordinating with the billing cycles, and accounting for the power bill.
 - b. Could such a change impact any over/under recovery calculated as part of your FAC? Please describe the impact.
2. In what month do you record EKPC's wholesale power bill? [month of service, month bill received, other (specify)]
3. How many billing cycles do you have in a month?
4. What does your monthly FAC calculation entail and could EKPC receive this needed information no later than the 15th of the month?
5. Are there other issues or potential problems related to shortening the FAC lag that haven't been addressed in these questions? If yes, please describe.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:

Reference the response to the initial data request at AG-23g. Please state whether the examination will be provided.

Response:

In this rate filing Owen is seeking a cost of service approach to rate design, and will provide all information requested by the Commission as directed in regard to same.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:

Reference the response to the initial data request at AG-20. Please explain in detail what tools are available.

Response:

In reviewing the initial data request at AG-20 we do not find the term "tools" referenced in the response and are therefore unable to respond. If the question relates to the tools mentioned in the response to AG 23-g, please see the response to Item No. 3 above.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST

Question:


Reference the response to the initial data request at AG-38a. Please state whether the company will commit to provide to the Attorney General the data without being ordered to do so by the Commission.

Response:

As stated in the response to the initial data request at AG-38a, Owen will provide any and all information requested to the Commission, as directed. We have no plans to publically disseminate information relating to these initiatives beyond what the Commission requires, and will make no commitment to do so.



OWEN Electric

A Touchstone Energy Cooperative 

August 17, 2011

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

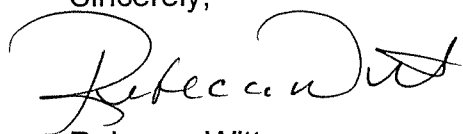
RE: Case No 2011-00037

Dear Mr. Derouen:

Attached is a CD containing documentation for Owen Electric Cooperative's response to the Attorney General's Supplemental Data Request in PSC Case No. 2011-00037.

Please sign or stamp below to acknowledge receipt of CD provided in this case.

Sincerely,



Rebecca Witt
SR VP Corporate Services
Owen Electric Cooperative, Inc.

KY PSC Receipt

Attorney General Receipt