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July 6, 2011

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PUBLIC SERVICE
COMMISSION

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

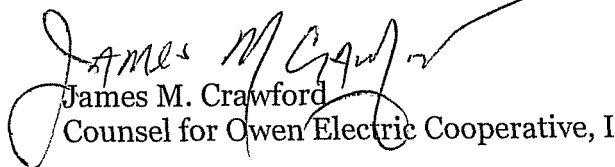
RE: Owen Electric Cooperative, Inc.
Case No. 2011-00160

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of OWEN ELECTRIC COOPERATIVE, INC.'S RESPONSE TO ORDER.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford
Counsel for Owen Electric Cooperative, Inc.

JMC/mns

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUL 07 2011

PUBLIC SERVICE
COMMISSION

CASE NO. 2011-00160

In the Matter of:

OWEN ELECTRIC COOPERATIVE, INC.)
)
ALLEGED FAILURE TO COMPLY WITH)
KRS 278.020 AND COMMISSION ORDER)

**OWEN ELECTRIC COOPERATIVE, INC.'S
RESPONSE TO ORDER**

*** **

Comes now Owen Electric Cooperative, Inc. ("Owen") in response to the Commission's Order dated June 21, 2011, in the above mentioned case that it is in violation of KRS 278.020 and the Commission's August 5, 2009, Order in Case No. 2009-00010 with regard to the filing of a Certificate of Public Convenience and Necessity ("CPCN") for its 2010-2011 work plan.

Owen acknowledges that a jurisdictional utility must obtain Commission approval by filing an application for a CPCN when it undertakes the construction of physical facilities pursuant to KRS 278.020 with two exceptions. The first is if the facilities being constructed are for "retail electric suppliers for service connections to electric-consuming facilities located within its certified territory". The second is for "ordinary extensions of existing systems in the usual course of business".

The Cooperative has requested an Informal Conference with Commission Staff to discuss issues related to this Case, including clarifications on the exceptions contained in KRS 278.020(1) and the need to file for work relating to routine CWPs. Owen has not been able to find any guidance regarding what constitutes "significant capital expenditures" as stated in the August 5, 2009 Order, nor can it find any documentation relating to expenditure caps or

limits on "ordinary service extensions" for the purpose of either appropriately filing applications for certificates for Construction Work Plan jobs or being covered by the exception clause. It is, therefore, unclear how it can make appropriate decisions regarding filing for CPCNs and requests clarification from the Commission regarding how to interpret the statute and its exceptions.

In making any determination relating to this investigation, Owen would ask that the Commission consider the following factors:

1. While the CPCN for the 2010-2011 CWP was not filed prior to beginning construction, the failure to file was not a willful disregard of the statute or Commission Order, but was merely an oversight. The oversight was subsequently discovered by Owen's staff and the application filed.
2. The CPCN was approved by the Commission without exception.
3. Owen is funding all expenditures relating to the current work plan from operating revenue and is not incurring any indebtedness on same.
4. Owen believes that there is considerable confusion regarding filing for certificates for ordinary Construction Work Plans, as well as what activities meet the exception provisions relating to KRS 278.020(1). If the routine nature of the work contained in Owen's CWP does not meet the requirement for the exception to filing for a certificate under 278.020(1), then what type of work does? Are there limits or expenditure caps that should be considered, and are the requirements for filing consistent across all electric suppliers?
5. Owen has implemented stringent procedures to ensure that all required filings with the PSC, including those related to filing for CPCNs for its Construction Work Plans are handled in an appropriate and timely manner in the future.

The basis for our request is predicated upon the following circumstances that put Owen in the position it is currently in. Owen began work on the 2010-2011 Construction Work Plan ("CWP") during the fall of 2009. It was filed with RUS in November 2009, and Owen received notification from RUS that the CWP had been approved on December 15, 2009. Owen

did not apply for any loan funds, from RUS or any other lender, for the expenditures relating to this work plan. All construction activities are being funded out of operating revenue.

In August, 2010, staff at Owen realized that a CPCN for the 2010-2011 Construction Work Plan had not been filed, and immediately began the process for filing. While work on the CWP had already begun, almost all of the work completed at that point was for routine service connections within Owen's certified territory, ordinary reliability improvements, pole and conductor replacements, and ordinary purchases of Special Equipment. Work on major system improvement projects did not begin until much later in the year, and none of those work orders closed until January 2011. (See Exhibit A for detailed explanation of expenditures). The CPCN was approved by the Commission in its Order dated June 21, 2011.

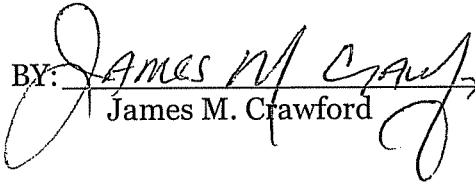
Owen acknowledges that it did not file for the CPCN before any work began on the Construction Work Plan. The lack of filing was not willful in nature nor was it an intentional disregard of KRS 278.020 or the Commission's Order of August 5, 2009. The filing in question was simply overlooked during a transition period within the organization and was an oversight on Owen's part. Owen Electric values the relationship it has with the Commission and intends to always comply with all Commission Orders, as well as all applicable Statutes.

This concludes Owen's response to this Order.

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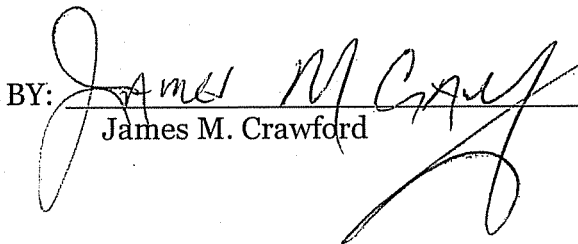
BY: 
James M. Crawford

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Request for Informal Conference was mailed postage pre-paid on this the 6th day of July, 2011, to:

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

Hon. Quang Nguyen
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

BY: 
James M. Crawford

OWEN ELECTRIC COOPERATIVE
 2010-2011 WORK PLAN EXPENDITURE ANALYSIS
 CASE NO 2011-00160
 EXHIBIT A

740c CODE	NAME	DESCRIPTION/EXPLANATION OF ACTIVITY	WORK PLAN BUDGET	EXPENDITURES JAN 10 - NOV 10	EXPENDITURES JAN 10-JAN 11
100	OH EXTENSIONS	Ordinary extension of service to residential/sm commercial members	\$2,419,242.00	\$576,239.87	\$759,991.32
101	UG CONSTRUCTION	Ordinary extension of service to residential/sm commercial members	\$2,530,265.00	\$564,037.82	\$791,743.54
102	LP CONSTRUCTION	Ordinary extension of service to large power members	\$659,648.00	\$102,063.03	\$153,362.65
200	TIE LINES	Tie Lines	\$0.00	\$57,425.10	\$57,425.10
300	LINE CONVERSION/REPLACEMENT	25.2 miles of conductor upgrading and replacement	\$3,049,056.00	\$0.00	\$713,297.36
601	SPECIAL EQUIPMENT	Purchase of Transformers and Meters - New and Replacements	\$3,538,095.00	\$866,142.15	\$1,087,293.40
602	SERVICE UPGRADES	Increase Service Capacity to existing members	\$502,642.00	\$0.00	\$378,063.76
603	SECTIONALIZING	On-going Reliability Improvements	\$1,000,000.00	\$125,303.00	\$272,339.41
604	VOLTAGE REGULATORS	On-going Reliability Improvements	\$383,680.00	\$172,359.85	\$989,826.05
605	CAPACITORS	On-going Reliability Improvements	\$20,000.00	\$0.00	\$0.00
606	POLE REPLACEMENTS	Ordinary Pole replacements	\$1,569,251.00	\$813,376.90	\$428,864.04
607	MISC REPLACEMENTS	Miscellaneous Replacements	\$650,000.00	\$309,850.10	\$216,326.33
608	CONDUCTOR REPLACEMENT	Conductor Replacements	\$5,885,318.00	\$103,087.30	\$117,925.66
610	LINE RELOCATES (ROAD)	Relocating lines for road improvements/changes	\$120,000.00	\$0.00	\$0.00
611	LINE RELOCATES (SAFETY)	Relocating lines for safety issues	\$420,000.00	\$0.00	\$0.00
701-705	OUTDOOR LIGHTING/SCADA/AMR	Outdoor lighting, AMR equipment, SCADA	\$1,157,600.00	\$81,501.29	\$5,622.07
999	WORK PLAN REMOVAL	Removal only	\$0.00	\$7,836.41	\$29,432.91
1600	MINOR PROJECTS	Minor projects <\$100,000 and unbudgeted	\$0.00	\$29,432.91	\$0.00
TOTAL 2010-2011 WORK PLAN			\$23,904,797.00	\$3,808,655.73	\$6,001,513.60