COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2012-00030

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

Pursuant to 807 KAR 5:001, Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before June 21, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, 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.

Big Sandy shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Big Sandy fails or refuses to furnish all or part of the requested information, Big Sandy shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Big Sandy's January 25, 2012 letter to the Commission advising of its intent to file an application for an increase in its retail rates and Item 5.e. of the Application. Explain why the letter of intent was filed almost two months before the Board of Directors of Big Sandy adopted a motion to proceed with filing the application for a rate increase.

2. Refer to paragraph 5.c. of the Application which indicates that Big Sandy had a Times Interest Earned Ratio ("TIER") of 1.96 for the test year ending August 31, 2011 and a TIER of 2.00 for calendar year 2010. The paragraph further states that Big Sandy is required under its mortgage agreement to maintain an operating TIER of 1.25, based on an average of two of the three most current years. Paragraph 5.d. asserts that Big Sandy needs the proposed rate adjustment in order to meet the terms of the mortgage agreement.

a. What was Big Sandy's TIER for calendar year 2011?

b. What was Big Sandy's TIER for the 12 months ending May 31, 2012?

c. What is Big Sandy's projected TIER for calendar year 2012?

d. Given that Big Sandy's TIER is above the mortgage covenant threshold of 1.25 for the years listed in paragraph 5.c. of the Application, explain the statement, "Big Sandy requires this rate adjustment to meet the terms of the mortgage agreement . . . ."

e. Refer to the Direct Testimony of David Estepp ("Estepp Testimony"), page 2. In response to Q10, "What considerations were given to increase the rates and charges of Big Sandy Rural Electric?" Mr. Estepp states, "According to those mortgage agreements, Big Sandy Electric is required to maintain a Net TIER of 1.25 and an Operating TIER of 1.1." Reconcile Mr. Estepp's response with the statement in paragraph 5.c. which states that Big Sandy must maintain an operating TIER of 1.25.

3. Refer to Exhibit C of the Application and the revised tariffs and notice filed on May 3, 2012. Confirm the following:

a. If approved as proposed by Big Sandy, rates for Schedules A-1, A-2, LP, LPR, and YL-1 will increase by the approximate percentages shown for each class in Exhibit C of Big Sandy's application.

b. If approved as proposed by Big Sandy, steps 2 and 3, which would be effective June 1, 2013 and June 1, 2014, would be revenue neutral, resulting in no change in the bill of an average Farm and Home customer.

c. If approved as proposed by Big Sandy, steps 2 and 3 will affect only customers served under Big Sandy's Farm and Home rate class.

4. Refer to the Estepp Testimony.

a. Refer to the second paragraph of the answer to Q10, where it states that the Application is necessary for Big Sandy to pay capital credits and maintain adequate equity and cash reserves. Explain whether Big Sandy intends to restart payment of general capital credits or if this applies only to payment of estate capital credits.

b. In response to Q13, on page 3, Mr. Estepp states that Big Sandy is requesting a TIER of 2.0 due to the substantial deterioration of Big Sandy's financial condition since 2009 as well as to satisfy debt service obligations and operating costs. Given that the Commission approved Big Sandy's last base rate adjustment increase on June 3, 2009, explain in detail the circumstances which gave rise to the substantial deterioration of Big Sandy's financial condition since 2009.

c. Refer to Q15 on page 3. Explain whether Big Sandy has experienced opposition from any of its members to its proposal to recover more of its fixed costs through the customer charge, or to the stepped approach Big Sandy proposes. Include in the explanation whether Big Sandy has communicated its proposal to customers in any way other than its Official Notice; for example, civic or community group presentations.

d. In response to Q16, on page 4, Mr. Estepp states that Big Sandy will aggressively pursue energy efficiency and demand-side management ("DSM") programs if it is allowed to recover more of its fixed costs through the customer charge. In response to Q17, Big Sandy describes its energy efficiency and conservation efforts, including Beat the Peak, How $mart KY, Direct Load Control, Energy Audits, and Rebates and Incentives.

(1) Explain in detail how Big Sandy will aggressively increase its DSM offerings and the strategy it will utilize in achieving that goal. Include in this explanation a discussion of Big Sandy's current DSM programs and whether those programs are initiated by East Kentucky Power Cooperative, Inc. ("EKPC") or by Big Sandy, and whether Big Sandy will offer DSM programs in the future independent of EKPC.

(2) Explain whether there are additional DSM programs Big Sandy has identified, or will analyze that may be included in its energy efficiency portfolio if its increased customer charge is approved. Include a brief description of each program.

(3) Explain whether Big Sandy plans to modify or enlarge any of its current energy efficiency programs if the request to increase its customer charge is approved.

(4) Briefly describe Big Sandy's Beat the Peak program and whether it differs from the Schedule A-1 Farm & Home Marketing rate.

(5) Explain whether Big Sandy acknowledges that on a percentage increase basis, increasing the customer charge in relation to the energy charge will to some extent impact lower usage customers more than it will affect higher usage customers, as exemplified on page 1 of Exhibit I.

(6) Provide examples of the effects on bills for the highest and lowest usage customers for the most recent billing period.

(7) Provide the current annual budget for each energy efficiency program, the participation level of each program, the energy and peak demand savings (in kWh) for each program, and how long each program has been offered by Big Sandy.

(8) Provide a schedule of all existing and planned energy efficiency and DSM programs for 2013 and 2014 including the information requested in part 4.d.(7) above.

(9) Provide a schedule showing the amount spent on all energy programs and the percentage of those amounts to total retail sales revenue for 2010 and 2011.

(10) Provide a schedule showing the amount of energy savings for all energy efficiency programs and the percentage of those amounts to total retail sales (in kWh) for calendar years 2010 and 2011.

5. Refer to Exhibit H-3 of the Application, the Prepared Testimony of James R. Adkins ("Adkins Testimony").

a. Refer to page 5. In the paragraph at the top of the page, Mr. Adkins states that in addition to being used in the allocation of test-year adjustments, payroll expenses were utilized in the functionalization of test-year expenses. Provide the location in the cost-of-service study ("COSS") wherein payroll expenses were used in the functionalization of test-year expenses.

b. Refer to page 9. A reference to South Kentucky is made in the response to Q14. Confirm that the South Kentucky reference should have instead referred to Big Sandy.

c. Refer to page 10.

(1) Confirm that, according to Big Sandy's proposal, three customer charge increases will occur over a period of two years, as opposed to a gradual increase over three years as stated in the testimony.

(2) Explain whether it is Big Sandy's proposal to ultimately increase its A-1 customer charge to $18.00 or to $17.50, as stated in the testimony.

d. Refer to page 11. In response to Q16, Mr. Adkins notes that "Big Sandy has a very comprehensive listing of DSM programs[.]" Explain in detail how the DSM programs indicated in the Estepp Testimony, at pages 4-5, are considered to be comprehensive.

6. Explain whether Big Sandy currently offers, or has considered offering, time-of-day rates for other than industrial classes and if so, briefly discuss the rate including potentially eligible customer classes and applicable on-peak and off-peak hours.

7. Explain whether Big Sandy has considered recovering the costs of its DSM programs through a DSM surcharge pursuant to KRS 278.285.

8. Refer to Exhibit I. The percentage increase per kWh usage levels appears to be calculated incorrectly; for example, the $2.49 increase for a customer with 0 usage is divided by the proposed customer charge of $12.87 to derive an increase of 19.3 percent instead of dividing by the existing customer charge of $10.38 to derive an increase of 24 percent. Provide a corrected Exhibit I showing the increases calculated as a percentage of existing rates.

9. Refer to Exhibit J, page 1. There are no billings for rate schedules Ind 1 and Ind 2 contained in Exhibit B. Confirm that there were no billings for Ind 1 and Ind 2 rate schedules.

10. Refer to Exhibit J, page 2. Confirm that there were no billings for Off Peak energy charges for the test year.

11. Provide billing analyses in identical format to page 2 of Exhibit J for the proposed steps 2 and 3 increases to the customer charge and decreases to the energy charge per kWh.

12. Provide in electronic format all schedules in Exhibit J of the Application, with all formulas unprotected and unlocked.

13. Refer to Exhibit R of the Application.

a. Provide a copy of Exhibit R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected. If it is necessary to update Exhibit R in response to questions contained in this request, provide the updated version instead of the original version in both hard copy and electronically.

b. Describe any differences in methodology used in the COSS submitted in this case relative to recent COSS prepared by Mr. Adkins in rate cases of other utilities filed with this Commission.

14. Refer to Exhibit R, pages 6-8.

a. Several columns on these pages are not wide enough to accommodate the amounts and therefore the contents of certain cells appear as "######." Provide a revised copy of these pages with columns wide enough to accommodate the amounts.

b. Refer to pages 6 and 7. Explain why the amounts in the "Adjusted Test Year" column do not equal the amounts in the "Total" column.

c. Refer to page 8. Footnote 1 states that "Line Expenses are Allocated between Lines and Services Based on Plant Investment."

(1) Provide the calculation of the allocation factors referred to in the footnote.

(2) Explain why the allocations between Lines and Services on page 6 for Accounts 583 and 593 appear to use different allocation percentages.

15. Refer to page 9 of Exhibit R.

a. Explain how the General Plant allocations were calculated.

b. The allocation of Distribution Plant on Line 29 does not appear to be based on the Distribution Plant percentages shown on Line 20. Explain the basis for the allocations on Line 29.

16. Refer to page 22 of Exhibit R, the table at the top of the page. Provide the basis for the allocation of Transformers Demand in the amount of $531,538 to the various rate classes.

17. Refer to pages 26 and 27 of Exhibit R. Explain the differences in customer number between the four tables for classes LP, LPR, and YL-1.

18. Refer to page 28 of Exhibit R, the Consumer Records Table. Explain why the "Expense Allocated" total of $628,605 differs from the $629,448 total of Account 903 shown on page 1 of Exhibit R.

19. Refer to page 33 of Exhibit R.

a. Confirm that the COSS supports a customer charge for the Farm and Home class of $23.25 (total customer costs of $3,369,008 divided by 144,933). If this is not correct, provide the calculation.

b. Confirm that the Primary and Secondary Metered Rate labels at the bottom of the page are reversed.

c. For classes LP and LPR, explain how the proposed Primary and Secondary metered rates were determined. Include in the response the reason for the proposed decreases in the Primary metered rates.

20. Refer to page 3 of 4 of Exhibit S of the Application. For Adjustment 3, Depreciation, $124 is listed as a Sales Operating Expense. Confirm the amount should have been listed as an Administrative and Management Expense as contained on page 3 of 6 of Exhibit 3 - Depreciation Adjustment.

21. Refer to Exhibit X of the Application which provides a comparison of income statement account levels for the test period and the 12 months preceding the test period.

a. Refer to page 2. Provide a detailed breakdown of Accounts 450, Forfeit Discount; 451, Miscellaneous Service Revenue; 454, Rent from electric property; and 456, Other electric revenue.

b. For Accounts 450, 451, 454, and 456, provide the August 31 balances of these accounts for the most recent five-year period.

c. Account 586.00, Meter Expense, increased from $431,488 in the 12 months preceding the test year to $507,922 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

d. Account 590.00, Engineering and Supervision Expense, decreased from $165,107 in the 12 months preceding the test year to $119,976 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

e. Account 593.00, Maintenance of Overhead Right-of-Ways, increased from ($254,508) in the 12 months preceding the test year to $483,070 in the test year.

(1) Provide a detailed explanation for why this expense increased by this magnitude.

(2) Explain the negative balance in the account for the year preceding the test year.

f. Account 593.20, Contract Right-of-Way Maintenance, increased from $407,193 in the year preceding the test year to $612,131 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

g. Account 598, Miscellaneous Distribution Expense, increased from $72,666 in the year preceding the test year to $95,675 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

h. Account 902.00, Meter Reading Expense, decreased from $73,548 in the year preceding the test year to $57,703 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

i. Account 923, Outside Service Expense, increased from $34,199 in the year preceding the test year to $69,771 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

j. Account 926.00, Employee Benefits Expense, increased from $966 in the year preceding the test year to $36,691 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

k. Account 930.11, Directors Per Diem, increased from $39,200 in the year preceding the test year to $48,550 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

l. Account 930.14, Directors Expenses, increased from $38,818 in the year preceding the test year to $44,337 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

m. Account 930.20, Miscellaneous General Expense, increased from $175,402 in the year preceding the test year to $202,601 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

n. Account 935.00, Maintenance of General Plant, decreased from $45,084 in the year preceding the test year to $30,542 in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

22. Refer to Exhibit 1 of the Application.

a. Explain why 2,088 hours was used in calculating actual test-year wages for salaried and most hourly employees.

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

c. For actual test-year wages for hourly employees with less than 2,080 hours worked, provide an explanation each employee who had less than 2,080 hours worked.

d. Explain why actual test-year wages, on page 3, for employee number 130 was $81,808 when the normalized wages for this employee is $100,006.

e. Explain why employee number 15 had 2,090 regular hours worked.

f. Refer to page 8, the analysis of salaries and wages for calendar years 2007 through 2009 and the test year. Explain why test-year salaries and wages listed on this page differ from page 2 and provide corrections as necessary.

23. Refer to the second and third sentences of page 1 of Exhibit 2 in the Application where it states, "The wage limit increases from $106,608 in 2011 to $106,800 in 2010 for FICA; all wages are subject to medicare." Provide the necessary corrections to this sentence as well as any corrections in the ensuing calculations and affected exhibits.

24. Refer to page 2 of Exhibit 4. Explain why the real estate purchase in October 2010 was not included in the 2011 real estate assessment for Johnson County.

25. Refer to Exhibit 5 of the Application and Case No. 2011-00408.[1] Explain why the refinancing approved in this case was not reflected in the Application and provide a schedule that reflects the interest savings due to the refinancing.

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[1] Case No. 2011-00408, Application of Big Sandy Rural Electric Cooperative Corporation for Authorization to Borrow $872,900.24 from CoBank and Execute Necessary Notes to Repay Cooperative Finance Corporation Notes in the Same Amount (Ky. PSC Nov. 01, 2011).

26. Refer to Exhibit 6 of the Application. There appears to be a page missing from this Exhibit. Provide a schedule summarizing the proposed adjustment and how it is allocated to Big Sandy's accounts.

27. Refer to Exhibit 8 of the Application. Explain why the monthly retainer fee for the attorney increased from $500 to $1,000 per month.

28. Refer to Exhibit 11 of the Application where Big Sandy estimates the expenses associated with this rate case. On a monthly basis, beginning with the first month in which it incurred any rate case expense, provide the amount of Big Sandy's actual rate case expenses, by category, as was done in the estimate. Consider this an ongoing request which is to be updated monthly.

29. Refer to Exhibit 14 of the Application.

a. Explain why the CATV Pole Attachments were treated as an exhibit in the Application instead of being included in Exhibit J, Revenue Analysis.

b. Refer to page 2. Explain whether the weighted average costs shown for poles and anchors are gross values or net of depreciation.

c. Refer to the Cost of Money section on page 3 of 4.

(1) Explain how the 6.67 percent rate was determined and provide a schedule showing the calculations.

(2) Provide the current Cost of Money as requested in this case.

(3) Explain why the Cost of Money used in the calculations was not the current Cost of Money as requested in this case.

(4) Provide revised calculations for page 1 through 3 using the Cost of Money as requested in this case.

30. Refer to page 1 of Exhibit 20 which shows the payment of capital credits to members on an annual basis beginning with calendar year 2006. Provide a breakdown of capital credits by year for the years prior to 2006 in the same format as shown in Exhibit 20 of the Application.

31. Refer to Exhibit 22 of the Application. Big Sandy proposes a Purchase Power Adjustment.

a. Does Big Sandy believe this additional line item will be difficult for consumers to understand? Explain.

b. Explain whether Big Sandy knows of other cooperatives experiencing this cash flow problem, and if so, whether the cooperatives are supportive of Big Sandy's proposal. Identify any known cooperatives supporting the proposal.

c. Explain whether the cash flow problems to be addressed by Big Sandy's Purchase Power Adjustment are caused by timing problems between its power supplier, EKPC and the cooperative, and if so, why a solution between EKPC and the cooperatives is not possible and preferable to an additional line item on the member's bill.

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DATED: JUN 0 7 2012

cc: Parties of Record

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