

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	CASE NO.
FOR AN INCREASE IN RETAIL RATES)	2016-00365

COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
TO FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Farmers Rural Electric Cooperative Corporation ("Farmers"), pursuant to 807 KAR 5:001, 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 March 24, 2017. 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.

Farmers 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

Farmers fails or refuses to furnish all or part of the requested information, Farmers 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. When filing a paper containing personal information, Farmers shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Staff's Second Request, Item 49.e. Explain whether Farmers reduced its revenue requirement by the \$1,578 of compensation charged to its subsidiary.

2. Refer to Commission Staff's Third Request for Information ("Staff's Third Request"), Item 1.

- a. In the narrative response to the data request, Farmers states, "Other amounts paid (Column F, Other Compensation) and reported on employees' W-2 include miscellaneous earnings such as the taxable amounts of the fringe benefits for use of company vehicle and group term life insurance paid over \$50,000." Provide the number of employees with life insurance with over \$50,000 of coverage, and the total cost of the life insurance above the \$50,000 coverage for all such employees, and the amount, if any, paid by the employee.

- b. Provide the level of life insurance coverage for each employee.

c. Refer to the Excel spreadsheet filed in response to the data request, column "Employee Number."

(1) Confirm that employee code "H" is for hourly employee.

(2) Confirm that code "PT" is for part-time employee.

(3) Provide the definition of code R/T.

d. Explain what constitutes standby duty and the responsibilities associated with this type of employment activity.

e. Explain why the president's salary has increased at a greater rate than the salaries of other employees over the five years ended in 2016.

f. Also refer to Staff's Third Request, Item 31, regarding Farmers retirement plans. In the third paragraph of this response, Farmers states that it has maintained the R&S Defined Benefit Retirement ("DB") for employees hired before January 1, 2012, but that the DB plan was closed to new participants on December 31, 2011, and was replaced with a Defined Contribution 401(k) ("DC") plan for all new hires.

(1) Provide a comparison of the percentage of employee salary Farmers paid under the DB and DC plan from 2012 through 2016.

(2) Under the DC plan, Farmers contributes 6 percent on behalf of each employee. Provide the percentage of the employee's salary paid by the employee, if any, under the DC plan.

(3) For the voluntary 401(k) plan, provide the amount that Farmers paid on behalf of the DB employees in the test year.

(4) For the voluntary 401(k) plan, provide the amount that Farmers paid on behalf of the DC employees in the test year.

3. Refer to Staff's Third Request, Item 2, regarding Medical/Health Insurance.

a. Provide and explain the provisions in the Federal Affordable Care Act that prevented Farmers from being able to increase its deductibles from 2010 through 2015.

b. For the test year, provide the amount of health insurance Farmers would have incurred, assuming the total cost equals the premium for each level of coverage plus the deductible, and that for single coverage the employee would pay 21 percent of the total cost and that for all other types of coverage, the employee would pay 32 percent of the total cost.

c. Identify all other variables that are material in determining the cost of healthcare insurance and explain how they would affect the total cost of each type of coverage.

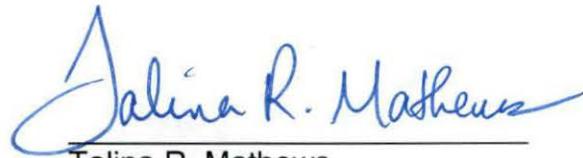
d. Provide Farmers total Medical/Healthcare insurance cost for 2010.

4. Refer to the Staff's Third Request, Item 15, regarding interest expense.

a. In the response, Farmers states that the annualized cost of debt of \$1,709,878, referred to in Staff's Second Request, Item 15, is calculated based on a formula that does not account for the variations in Farmers FFB variable loans. Explain what is meant by this statement and provide the formula referenced in the response.

b. Provide an update to Farmers' annualized cost of debt based on the rates currently in effect for its variable rate debt in both the formula request by Staff and the formula used by Farmers.

5. Explain the fluctuations in the net income of Farmers Energy Services Corporation from 2014 through 2016.



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DATED MAR 17 2017

cc: Parties of Record

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