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December 18, 2017

RECEIVED

DEC 18 2017

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: IN THE MATTER OF: APPLICATION OF BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION FOR A GENERAL ADJUSTMENT OF EXISTING
RATES - Case No. 2017-00374

Ms. Pinson:

Please find enclosed and accept for filing on behalf of Big Sandy Rural Electric Cooperative Corporation: (i) an original and ten (10) copies of Big Sandy's Response to Commission Staff's Second Request for Information propounded December 7, 2017 (including eleven (11) identical compact discs); and (ii) an original and ten (10) copies of Big Sandy's Supplemental Response to Commission Staff's First Request for Information, Item 34, propounded September 27, 2017.

Please return a filed-stamped copy of this submission to me. I appreciate your assistance with this matter, and please do not hesitate to contact me with any questions or concerns.

Respectfully submitted,



Mark David Goss

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DEC 18 2017

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR A GENERAL) Case No. 2017-00374
ADJUSTMENT OF EXISTING RATES)

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

Filed: December 18, 2017

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

1. Refer to the Application, Exhibit 3, the 3rd Revised Sheet No. 1, Schedule A- 1 Farm & Home Tariff. Confirm that the Energy charge should be \$0.08705.

Response:

Big Sandy confirms that the referenced Energy charge should be \$0.08705.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

2. Refer to the Application, Exhibit 4, the 3rd Revised Sheet No. 1, and Schedule A- 1 Farm & Home Tariff. Confirm that the Energy charge should be \$0.07805.

Response:

The referenced Energy charge should be \$0.08705.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

3. Refer to the Application, Exhibit 4.
 - a. Explain why the due dates in the terms of payment section of each rate schedule, with the exception of Schedule IND 1-B, have been increased from 15 to 20 days.
 - b. Explain why the due date in the terms of payment section of Schedule IND 1-B is not proposed to be changed.

Response:

- a. Big Sandy's primary driver for proposing to extend the bill payment timeframe is customer convenience. Big Sandy believes allowing its customers an additional five (5) days to pay their bills is reasonable and appropriately recognizes issues which may occur based on postal times, varying payroll schedules, and other considerations.
- b. Big Sandy does seek to change the due date from 15 to 20 days under Schedule IND 1-B, like the other rate schedules, as part of this proceeding. The Application's failure to reflect this proposed change was inadvertent.

**Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information**

4. Refer to the Application, Exhibit 9.
- a. Refer to page 5, lines 22-23 and page 6, lines 1-2. Provide the annual average customer count by rate class from 2013 to present.
 - b. Refer to page 7, lines 8-9. Big Sandy states that approximately 50 percent of its debt is at variable interest rates. Explain how Big Sandy monitors this interest rate risk.
 - c. Refer to page 7, lines 14-18. Explain whether Big Sandy is exploring further refinancing opportunities.
 - d. Refer to page 9, lines 15-18. Provide the percentage of single dental insurance premiums paid by Big Sandy.
 - e. Refer to page 11, lines 6-12.
 - (1) Explain whether the "annual employee performance evaluation" is a written evaluation. If so, provide a template.
 - (2) Provide the metrics included in the "Balanced Scorecard."
 - (3) Explain how supplemental performance evaluations are tied to bonuses for management staff.

Response:

a.

ANNUAL AVERAGE CUSTOMER COUNT

Class	2013	2014	2015	2016	Present
A-1 FARM & HOME	12080	12015	11960	11893	11850
A-2 COMMERCIAL AND SMALL POWER	934	925	929	930	919
LP LARGE POWER SERVICE	154	153	154	154	163
LPR LARGE POWER SERVICE	8	8	9	8	8
IND 1-B	1	1	1	1	1
	13177	13102	13053	12986	12941

- b. Big Sandy's variable interest rate loans consist primarily of debt issued by the Federal Financing Bank (FFB). FFB loans account for approximately 90% of Big Sandy's variable rate long term debt. Big Sandy utilizes 90-day rates offered by FFB. This allows Big Sandy to closely monitor and to react quickly if interest rates are expected to change significantly. The other approximately 10% of Big Sandy's variable interest rate loans are through Rural Utilities Service (RUS). Big Sandy's variable rates with RUS are renewed at least annually. This allows Big Sandy to react reasonably quickly in the event interest rates are expected to significantly increase.
- c. Big Sandy consistently seeks opportunities to responsibly manage and adjust its debt portfolio and regularly evaluates loan and interest rate offerings (short-term and long-term, variable and fixed) to best balance risk and desired outcomes. At this time, no specific refinancing opportunities are being pursued by Big Sandy.
- d. All Big Sandy employees, with the exception of staff (senior level management) employees, pay their own dental insurance premiums no matter the plan type in which they are enrolled (single, family, etc.). Big Sandy pays 100% of single dental insurance premiums for nine (9) staff employees, but additional premiums associated with any plan other than single coverage are the responsibility of the staff employee.
- e. (1) Performance evaluations of Big Sandy employees have historically been written. In the past, management staff and supervisory personnel generally developed and utilized their own evaluation forms; however, Big Sandy has now implemented a uniform performance evaluation template, a copy of which is attached at Page 4 and Page 5 of this Response.

(2) Big Sandy's "Balanced Scorecard" was an evaluative tool implemented and managed by the Cooperative's former Chief Executive Officer. Each year, the metrics used by Big Sandy for departmental performance evaluation were separated into three benchmark categories: Minimal, Goal and Stretch. The designation of Minimal indicated that the Goal had not been achieved, but that results were acceptable. If the results fell into Goal range, the results Big Sandy targeted were achieved. If the results fell into Stretch range, the results were better than the previously-established goals. The ranges/categories varied from year to year based on the current year's outlook and Big Sandy's former CEO's performance goals. A Balanced Scorecard template is provided at Page 6 through Page 9 of this Response.

Importantly, due to Big Sandy's current financial condition, it will not pay bonuses for 2017 and thus will not utilize the Balanced Scorecard for that purpose.

(3) Big Sandy's former Chief Executive Officer conducted the supplemental performance evaluations of management staff and, guided by the results of the Balanced Scorecard and other evaluation metrics he established, awarded additional bonuses following this process.

BIG SANDY RECC
 Employee Performance Review



EMPLOYEE INFORMATION	
Name	Employee ID
Job Title	Date
Department	Manager
Review Period	to

RATINGS				
	-1 = Unsatisfactory	1 = Satisfactory	2 = Good	3 = Excellent
Job Knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Work Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Attendance/Punctuality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Initiative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Communication/Listening Skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Teamwork	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Dependability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				
Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Comments</i>				

EMPLOYEE INFORMATION

Name Employee ID
Job Title Date
Department Manager
Review Period to

Overall Rating /24

Evaluation

COMMENTS/GOALS:

EMPLOYEE COMMENTS:

RECOMMENDED WAGE/SALARY INCREASE:

RECOMMENDED WAGE/SALARY INCREASE IS DETERMINED BY OVERALL PERFORMANCE RATING AND THE FOLLOWING SCALE:

OVERALL SCORE	INCREASE AMOUNT
19 – 24	Evaluated and as approved by GM
15 – 18	
11 – 14	
6 - 10	
0 – 5	

NOTE: TWO (2) RATINGS OF UNSATISFACTORY DURING REVIEW PERIOD WILL RESULT IN NOT BEING RECOMMENDED FOR A WAGE/SALARY INCREASE

Verification of Review

BY SIGNING THIS FORM, YOU CONFIRM THAT YOU HAVE DISCUSSED THIS REVIEW IN DETAIL WITH YOUR SUPERVISOR. SIGNING THIS FORM DOES NOT NECESSARILY INDICATE THAT YOU AGREE WITH THIS EVALUATION.

Supervisor Signature: Date

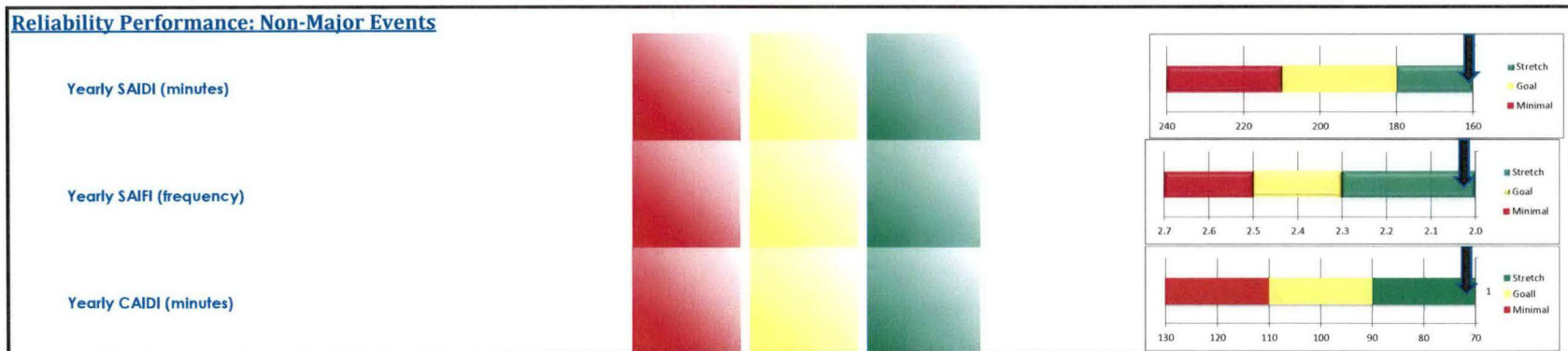
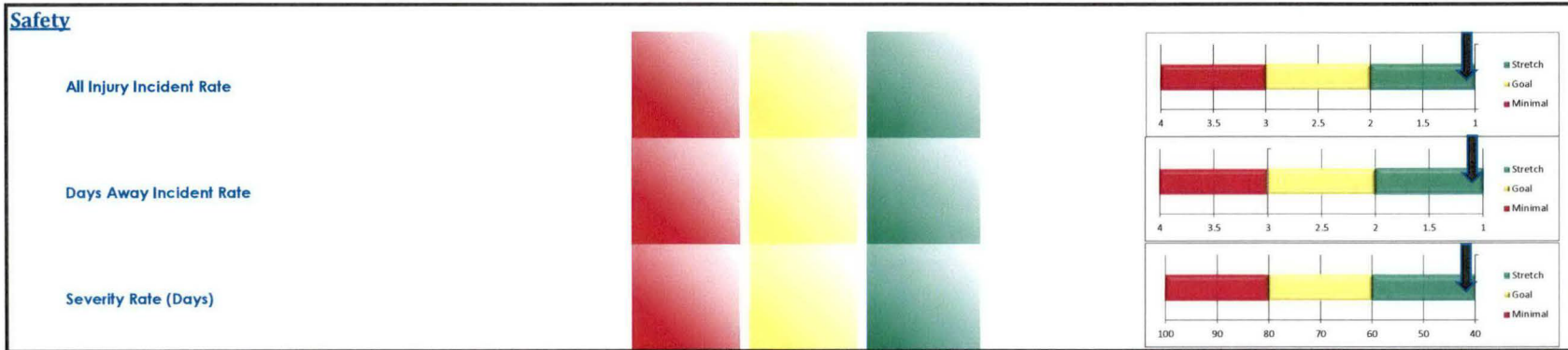
Employee Signature: Date

BIG SANDY RECC BALANCED SCORECARD

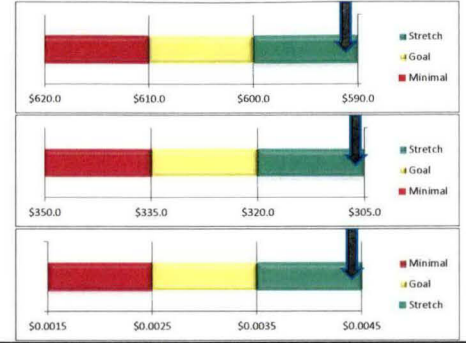
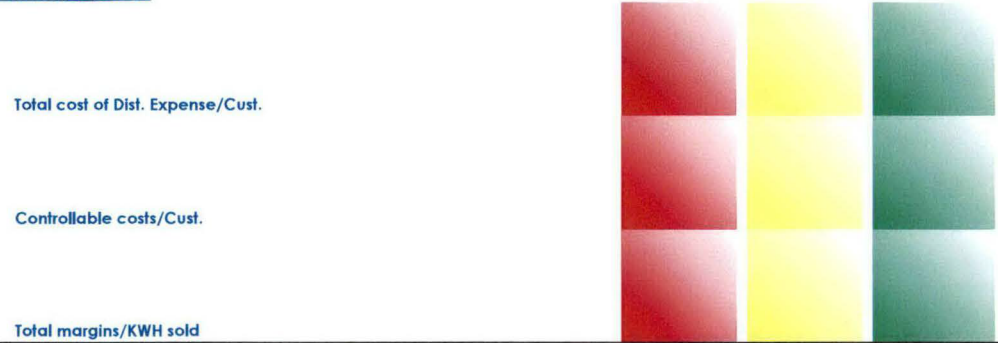
*****GOALS*****

Minimal	Goal	Stretch
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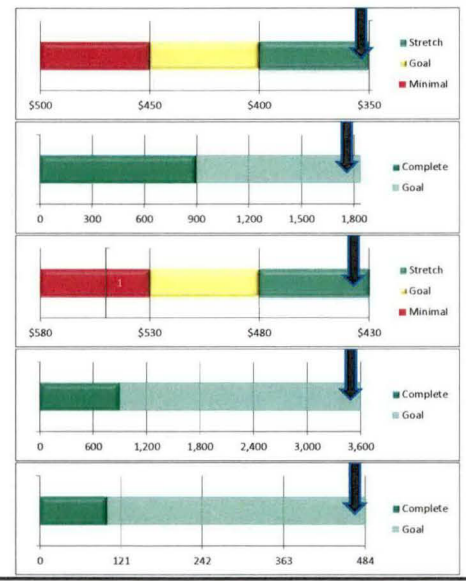
Results

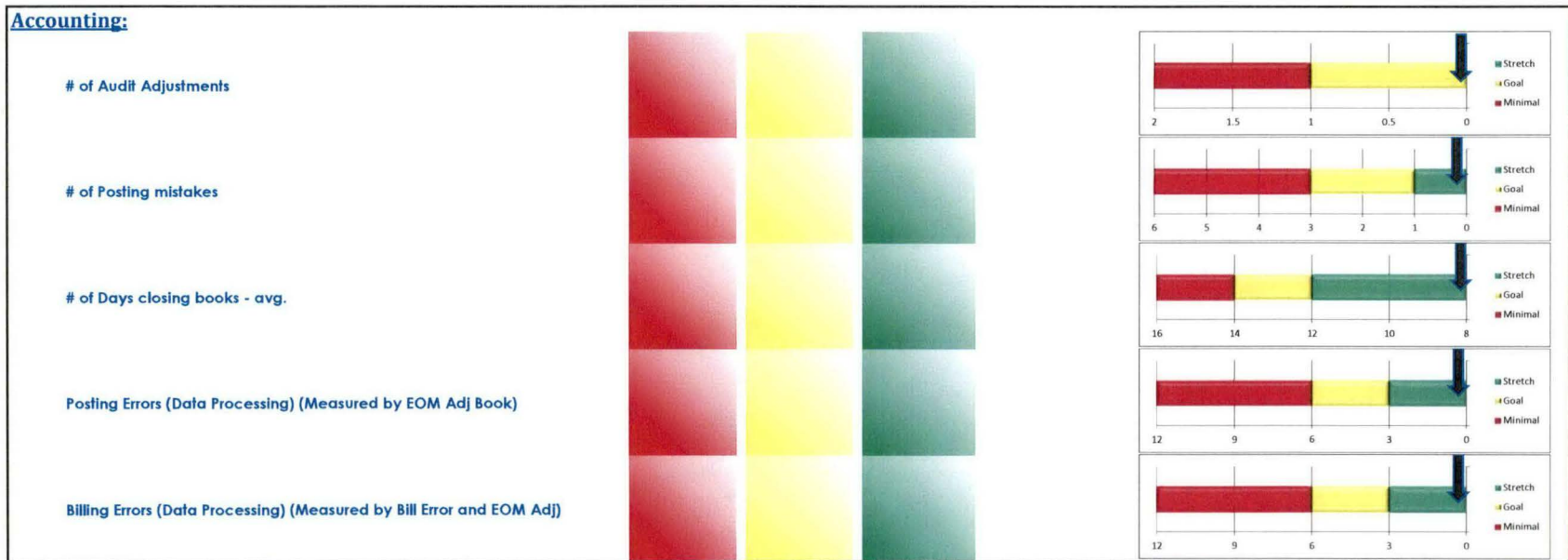
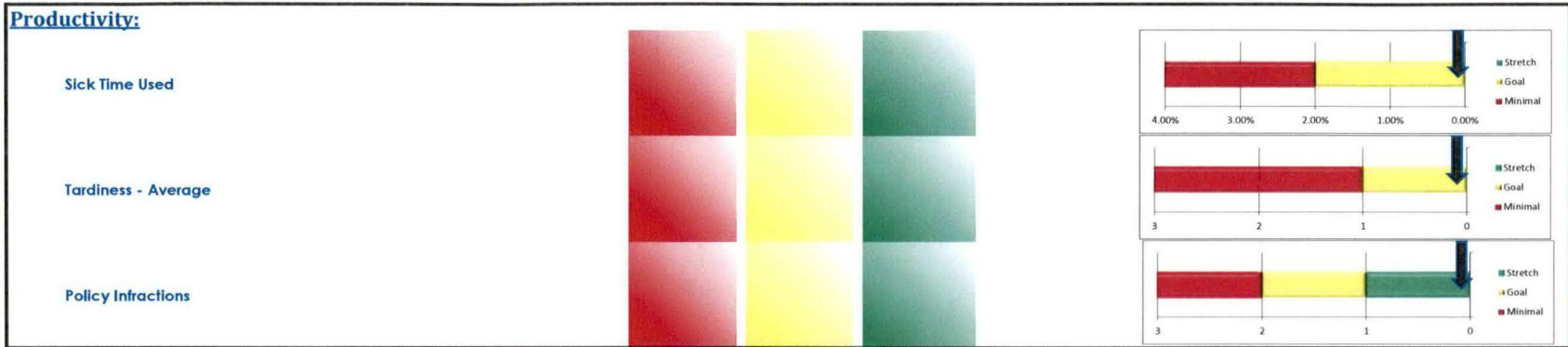


Cost Performance:



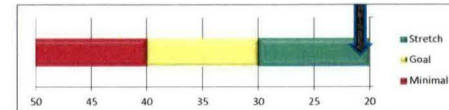
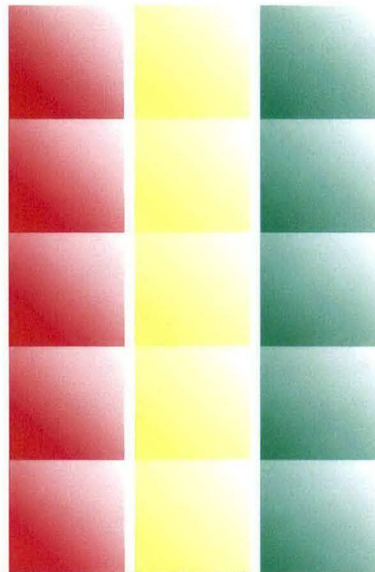
Efficiency:



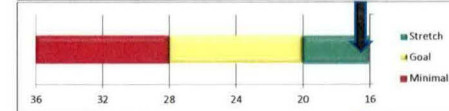


Billing:

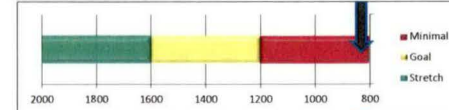
of Bill Posting Mistakes



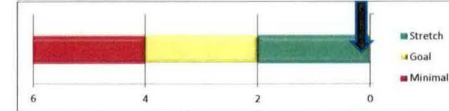
of Balancing Errors



Account Updates



of PSC Complaints

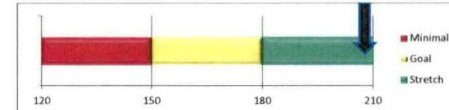


Cash Drawer Variance

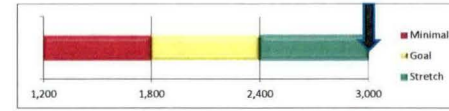


Member Service:

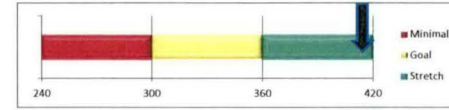
Small Commercial Visits



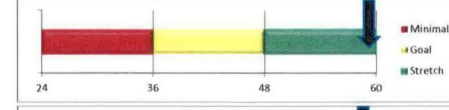
Member Satisfaction Survey



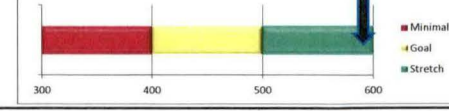
Calls/Emails/Mailed



Customer Service Surveys



Energy Audits



Social Media/Website Update

**Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information**

5. Refer to the Application, Exhibit 10, Exhibit JW-2, pages 5 and 6 of 38.
 - a. Confirm that the 13 employees included in the pro forma test year had regular hours worked of less than 2,080 for the actual test year. Explain why these employees should be included in the pro forma test year at 2,080 hours.
 - b. Confirm that employee H03 had 1,121 overtime hours in the test year. Explain whether this level of overtime is considered normal for this employee.
 - c. Explain why employee H19 had 2,082 regular hours worked in the actual test year.
 - d. Refer also to Big Sandy's response to Staff's Second Request, Item 26, and page 3 of 4.
 - (1) Explain whether sick leave and personal days utilized by employees during the test year are included in Exhibit JW-2.
 - (2) Explain whether employees' accrued vacation, sick leave, and personal days expire if unused.

Response:

- a. Big Sandy confirms that the 13 employees included at 2,080 hours for the pro forma adjustment is correct. During the actual test year, 5 of these 13 employees experienced extended leave due to either a workers' compensation claim or maternity leave; 5 employees had unique but insignificant situations which resulted in slightly less than their normal 2,080 regular hours; 1 employee temporarily left the employment of Big Sandy during the test year, but has returned full-time; and the remaining 2 employees began full-time employment with Big Sandy during the test year. In sum, Big Sandy reasonably expects each of the referenced employees to work normal, full-time (2,080) hours in any given year.
- b. Big Sandy confirms that employee H03 had 1,121 overtime hours in the test year. Employee H03 is a Serviceman/Lineman who chooses to nearly always remain on-call and voluntarily responds to outages at nearly every opportunity. Therefore, this amount of overtime is considered normal for this particular employee.

- c. Employee H19 had 2,080 regular hours worked in the test year and the amount listed was a typographical error.
- d. (1) Sick leave and personal days utilized by employees during the test year are included in Exhibit JW-2 as regular earnings.

(2) A maximum of 120 hours of an employee's accrued vacation can be carried over. Any vacation time that exceeds 120 hours is either lost or paid to the employee. To be eligible to be paid for excess vacation, an employee must carry forward 120 hours of vacation time and must have used 120 hours of vacation time during the year. Once both criteria are met, and if Big Sandy is in a financial position which allows it, Big Sandy has the discretion to pay an employee for up to 40 hours of their unused vacation time. Employees accrue a maximum of 480 sick hours. Sick hours do not expire, but once the employee reaches the 480 maximum hours he or she no longer accrues sick time. Personal days must be utilized within the year or they expire.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

6. Refer to the Application, Exhibit 10, Exhibits JW-4 and JW-5. Provide all allocation vectors and naming schematics. This should be in Excel spreadsheet format will all formulas and rows unprotected and accessible.

Response:

The allocation vectors and naming schematics for Exhibit 10, Exhibits JW-4 and JW-5 are built into the cost of service study ("COSS") itself, which is provided here in response to Item 8 in electronic Excel spreadsheet format with all formulas and rows unprotected and accessible.

In the COSS, Big Sandy's test-year costs are functionally assigned and classified using what are referred to in the model as "Allocation Vectors". These vectors are multiplied by the various accounts (using scalar multiplication) in order to simultaneously assign costs to the functional groups and cost classifications (demand, energy, and customer). This means that in Exhibit JW-4, Big Sandy's accounting costs are functionally assigned and classified using both the *explicitly* determined allocation vectors identified in the analysis and the *internally* generated allocation vectors. The explicitly determined allocation vectors, which are primarily used to direct where costs are functionally assigned and classified, are listed on pages 27-28 of Exhibit JW-4, or in the Excel spreadsheet file on tab "Func & Classif" starting on row 467.

Internally generated allocation vectors are utilized throughout the COSS to functionally assign costs either on the basis of similar/related costs or on the basis of internal cost drivers. The internally generated allocation vectors are also shown on pages 27-28 of Exhibit JW-4, or in the Excel spreadsheet file on tab "Func & Classif" starting on row 491. An example of this process is the use of total Operation and Maintenance Expenses Less Purchased Power ("OMLPP") to allocate cash working capital included in rate base. Because cash working capital is determined to be 12.5% of operation and maintenance expenses, exclusive of purchased power expenses, it is appropriate to functionally assign and classify these costs on that same basis using the OMLPP allocation vector. (*See* Exhibit JW-4 pages 7 and 8 or in the Excel spreadsheet file on tab "Func & Classif" row 129.) The allocation vector used to allocate a specific cost is identified by the column in the model labeled "Allocation Vector" and refers to a vector identified elsewhere in the analysis in the column labeled "Name."

Once costs for all of the major accounts are functionally assigned and classified, the resultant cost matrix for the major cost groupings (*e.g.*, Plant in Service, Rate Base, Operation and Maintenance Expenses) is then transposed into Exhibit JW-5 and allocated to the customer classes using similarly-designed allocation vectors, also referred to as allocation factors.

The results of the class allocation step of the COSS are included in Exhibit JW-5. The costs shown in the column labeled "Total System" in Exhibit JW-5 were carried forward from the functionally assigned and classified costs shown in Exhibit JW-4.

In Exhibit JW-5, the explicitly-determined allocation vectors are listed beginning on pages 11-13 (or in the Excel spreadsheet file on tab "Alloc & Returns" rows 395-496.) The internally-generated allocation vectors are determined in the sections above that, again using the approach where the allocation vector used to allocate a specific cost is identified by the column in the model labeled "Allocation Vector" and refers to a vector identified elsewhere in the analysis in the column labeled "Name."

For any vector where the total is a number other than one, each individual allocator is the value in the given column divided by the total, so that each individual allocator is a value between zero and one.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

7. Refer to the Application, Exhibit 10, Exhibit JW-8. Explain why the consumer-allocation portion of the underground conductors is over 2.5 times larger than the customer-related portion for overhead conductors.

Response:

The zero intercept analysis was used to determine the split between customer-related and demand-related distribution costs for underground conductor. In this instance the analysis classifies 96.75% of the cost as customer-related and 3.25% as demand-related. There are two ways to explain this result, and the first is mathematically:

The zero-intercept methodology is based on the theory that there is a linear relationship between the unit cost of conductor (\$/ft) and the current-carrying capability of the conductor. A linear relation is established of the form $y = m * x + b$, where y is the unit cost of the conductor, x is the size of the conductor (cross sectional area), and m , b are the linear coefficients representing the slope and intercept of the line, respectively. Theoretically, the unit cost of a foot of conductor with zero size (*i.e.*, conductor with zero load-carrying capability) can then be determined when $x = 0$ as b , which is called the zero intercept. The zero intercept is essentially the cost component of conductor that is invariant to the size and load-carrying capability of the conductor.

Because the lengths of conductor on Big Sandy's system are not uniformly distributed over all sizes of wire, it is necessary to use a weighted linear regression analysis, instead of a standard least-squares analysis, in the determination of the zero intercept. Using a weighted linear regression analysis, the cost and size of each type of conductor is weighted by the length (in units of feet) of installed conductor.

In this analysis for underground conductor, the resultant zero intercept is \$4.94 per unit. With 74,513 units, the cost is \$367,798 or 96.75% of the total cost of \$380,159. This zero intercept cost is the customer portion of total costs, *i.e.*, the portion of costs related to simply being a customer connected to the grid with underground conductor for a hypothetical no-load situation. The R-squared (a statistical measure of how close the data are to the fitted regression line, or a value between 0% and 100% that indicates how well the model explains all the variability of the response data around its mean) is 99.64%.

This indicates that the model with the resultant zero intercept explains the variability of the data reasonably well.

The second way to explain the result is operationally:

The NARUC Electric Utility Cost Allocation Manual states on page 90 that “classifying distribution plant as a demand cost assigns investment of that plant to a customer or group of customers based upon its contribution to some total peak load. The reason is that costs are incurred to serve area load, rather than a specific number of customers.” For Big Sandy, the vast majority of member service connections are provided with overhead conductor. Overhead comprises 96% of the total conductor, while underground comprises just 4%. The underground conductor installations are so few in number that they ultimately serve a small set of customers and thus bear only a small portion of the total peak area load. This means that only a small portion of the costs should be classified as demand-related, and a large portion of the costs must then be classified as customer-related.

Based on the foregoing, Big Sandy believes the resulting classification of underground conductor costs as 96.75% customer-related and 3.25% demand-related is justified and reasonable.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

8. Refer to the Application, Exhibit 10, Exhibit JW-5. Confirm that the Pro-Forma Adjustment for FEMA Reimbursements is incorrect. Provide an update to the cost-of-service-study.

Response:

Big Sandy confirms that the pro forma adjustment for FEMA Reimbursements included in its Application was incorrect. However, on November 22, 2017, Big Sandy tendered the Supplemental Direct Testimony of John Wolfram and a Revised Exhibit JW-2 that, *inter alia*, described and reflected an updated pro forma adjustment for FEMA Reimbursements.

An update to the cost of service study to reflect the revisions described in Big Sandy's November 22nd filing is provided in electronic format (with all formulas and rows unprotected and accessible) on the enclosed compact disc (*see* filename "Big_Sandy_COS_2017-FILED PSC 2-8 Response.xls"). This essentially serves as a supplemental response to Commission Staff's First Request for Information, Item 59, as the file provided herewith supersedes the originally provided "Big Sandy_COS_2017_10-30-2017.xls".

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Second Request for Information

9. Refer to the Application, Exhibit 10, Exhibit JW-9, page 7 of 9.
 - a. Provide the reasoning for the inclusion of each light listed under the 175 Watt category.
 - b. Provide the reasoning for the inclusion of each light listed under the 400 Watt category.
 - c. Provide the reasoning for the inclusion of each light listed under the 400 Watt Flood category.
 - d. Refer to the Application, Exhibit 4, 2nd Revised Sheet No. 13, Schedule YL-1. Explain why the lights listed in the Application, Exhibit JW-9, Page 7 of 9 are not listed on the tariff.

Response:

Big Sandy prefaces the responses below with a broad observation and explanation. A fundamental challenge that Big Sandy and other utilities across the country are facing is the speed and extent of recent improvements in lighting technology, and how to revise the current lighting tariffs to handle those ongoing changes.

Advances in Light Emitting Diode ("LED") lighting technology are affecting Big Sandy in the same way that they impact how individual consumers manage the lighting options in their homes: an expanding selection of increasingly-efficient LED lights are becoming commercially available on a nearly continuous basis.

Historically, utilities have offered particular lamps to customers and listed the charges for each lamp in the tariff. These lamps were designated by wattage and also by type of bulb, *e.g.*, High Pressure Sodium ("HPS"), Metal Halide ("MH") and Mercury Vapor ("MV"). This approach went largely unchanged for decades, because bulb wattages were effectively standardized and the different types of bulbs produced a roughly equivalent amount of light (measured in lumens) for the given wattage.

Now, manufacturers are developing new, high-efficiency LED lights that produce the same lumens but at lower and lower wattages. The costs for these LED options are declining and the selection of available options is growing.

These developments do not easily mesh with the historic approach for managing utility lighting tariffs; the tariffs cited specific lamp wattage and were updated on a relatively infrequent basis. But now, the LED lighting options are changing very rapidly and the current structure of the lighting tariffs makes it difficult for Big Sandy to keep pace with those changes.

Big Sandy's goals in this area are to keep pace with technology improvements, promote member satisfaction, encourage energy efficiency and adhere to its tariffs and related regulatory requirements. To achieve these aims, Big Sandy is proposing to revise its lighting rate schedule such that it sets forth charges for particular lights by wattage but also allows for the installation of new lights that are similar to the listed wattage bulbs within a listed range of lumens. Use of a lumens range in this way allows Big Sandy to implement new lights that produce roughly equivalent lumens as they become available, even as the efficiency continues to improve. This allows Big Sandy to avoid making frequent updates to its lighting tariffs while still accommodating the new, more efficient LED products as they emerge.

- a. The lights listed under the 175 W category are all lights that have estimated lumens approximately equivalent to that of the 175 W MV lights (in the range of 6,400 to 6,800 lumens). The LED lights in particular have recently become commercially available in greater efficiency; from the standpoint of lumens these lights are virtually equivalent. (The 150 W High Pressure Sodium light is an exception; although it is 150 W, the lumens are closer to 13,000 – but the existing handful of these fixtures in service were connected for the City of Prestonburg and are not otherwise available to the general membership.)
- b. The lights listed under the 400 W category all have estimated lumens in the range of 17,000 to 25,000, approximately equivalent to that of the 400 W MV light. From the standpoint of lumens these lights are virtually equivalent.
- c. The 250 W light listed under the 400 W Flood category is a MH floodlight with estimated lumens of 17,000 (which is approximately equivalent to the 20,000 lumens of the 400 W MV flood light). From the standpoint of lumens these lights are virtually equivalent.

- d. The lights listed in Exhibit JW-9, Page 7 of 9, are addressed in the tariff in Exhibit 4, Rate Schedule YL-1, in the revised language stating “*for lights of listed wattage or for similar lights with approximately equivalent lumens* as follows” above the listing of charges per light. The proposed tariff revisions are intended to permit Big Sandy to install more efficient LED lighting as these technology advancements continue, without the administrative burden of requiring frequent tariff revisions to cite new bulb specifications.

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10. Refer to the Application, Exhibit 20. Explain why Big Sandy has not conducted a depreciation study for ten years.

Response:

The depreciation rates presently employed by Big Sandy were approved by the Commission as part of the Cooperative's 2008 general rate adjustment proceeding, Case No. 2008-00401. These rates were not formally revisited as part of Big Sandy's most-recent general rate adjustment proceeding filed in early 2012 (Case No. 2012-00030); however, Big Sandy's depreciation rates are reviewed at least annually as part of the Cooperative's annual audit and have been consistently within RUS-acceptable guidelines. While Big Sandy has not found its depreciation rates to be unreasonable or inappropriate despite the age of its most-recent study, the Cooperative recognizes that the Commission may require a new depreciation study be conducted in advance of any future general rate adjustment proceeding and intends to comply with any such directive.

Big Sandy Rural Electric Cooperative Corporation
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11. Refer to the Application, Exhibit JW-2 Schedule 1.03.
 - a. Confirm that the rate for line transformers is 3.46 percent and not 3.45 percent.
 - b. Confirm that the rate for transportation is 20 percent and not 16 percent.

Response:

- a. Big Sandy confirms that the rate for line transformers is 3.46%.
- b. The annualized rate for Transportation in Account 392 is 19.20% (or 0.016 multiplied by 12).

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12. Refer to Big Sandy's Revised Exhibit JW-2 Schedule 1.01, pages 5-6 of 38.
 - a. Explain what the column labelled as "other" represents.
 - b. Explain why Big Sandy is not planning to hire any summer or part-time employees.

Response:

- a. The "other" column represents payments made to employees as a result of the Balanced Scorecard and supplemental performance evaluations.
- b. Big Sandy is not planning to fill part-time or temporary positions due to its current unfavorable financial situation. While it may elect to do so in the future, Big Sandy believes that for ratemaking purposes, the current, full-time work force as reflected in the pro forma adjustment in Schedule 1.01 is sufficient to ensure the provision of safe, reliable and efficient services to the cooperative's members.

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13. Refer to Big Sandy's Revised Exhibit JW-2, page 10 of 38. Provide the source of the allocation percentages for the depreciation adjustment.

Response:

The allocation percentages noted in the question relate to transportation clearing. Depreciation on transportation equipment is charged to a clearing account. Transportation costs are then cleared to various accounts based on time used for each vehicle from the daily time sheets of employees driving the vehicles. Thus the allocation percentages for the increase in depreciation on transportation equipment are based on actual test year transportation clearing account data.

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14. Refer to Big Sandy's Revised Exhibit JW-2, page 11 of 38. Explain why property taxes from 2014 were used to calculate the property tax adjustment.

Response:

The property taxes paid during the test period were used in the calculation of the pro forma adjustment to property tax. The column headers for Property Taxes refer to the assessment year, which precedes the year in which the taxes were paid. These amounts were then adjusted so that the pro forma amounts reflect the most recent known and measurable values – *i.e.*, the property taxes based on 2016 assessments, which were paid in 2017. The column headers could alternatively read “Property Tax Paid During Test Year” and “Property Tax Paid During Most Recent Year” for this Exhibit.

**Big Sandy Rural Electric Cooperative Corporation
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15. Refer to Big Sandy's Revised Exhibit JW-2, page 30 of 38.
 - a. Explain what a second service connection entails.
 - b. Explain why a second service connect takes five minutes longer than the other disconnect/reconnect estimated times.
 - c. Explain a field personnel's role in processing a returned check.
 - d. Explain why the mileage is different for a reconnect during regular hours versus a reconnect after-hours.
 - e. Explain why an after-hours reconnect takes twice the amount of time as a reconnect during regular hours.

Response:

- a. A second service connection, which is any service connection made in addition to the initial service connection at a member premise, currently (i) requires a Field Service Representative to travel to the member premise, connect the second service by activating a meter, and report the activation, and (ii) requires a Customer Service Representative to update the member information system(s) for metering and billing to reflect the connection.
- b. Second service connections are rare. While the durations of each kind of disconnect/reconnect were independently estimated, it is reasonable to assume that a second service connection could take 30 minutes (like the others) instead of 35 minutes.
- c. Line 3 under "Field Personnel" refers to Big Sandy's accounting staff, reported as "Accounting" personnel in the "Direct Wage Expense" section on page 31 of 38. This line only applies to the Returned Check Charge. While the values are correct, this line should be moved from "Field Personnel" into the "Office / Clerical Personnel" section.

- d. For a reconnect during regular hours, the Field Service Representative (“FSR”) receives the reconnect order and can then work to optimize the placement of that reconnect into the sequence of jobs on the schedule for the day – allowing the FSR to attempt to minimize mileage for the reconnect. For a reconnect after hours, the FSR must travel to the reconnect premise from the FSR’s home, so the FSR does not have that same opportunity to optimize the routing and minimize mileage. For this reason Big Sandy assumes that after hours reconnects require more mileage.

- e. For the purposes of this calculation, Big Sandy assumes that for a reconnect during regular hours, the FSR is already working when the reconnect order is placed; the FSR can then optimize the placement of that reconnect into the sequence of jobs on the schedule for the day, allowing the FSR to attempt to minimize travel time for the reconnect. For a reconnect after hours, the FSR is not working and must take time first to prepare to perform the work and then to travel to the reconnect premise from the FSR’s home, which requires additional time. Furthermore, Big Sandy’s current union contract requires the FSR to be paid for a minimum of 2 hours for any after-hours call-out, so the 60 minute time estimate used here is conservative. (Using 120 minutes instead of 60 would increase the estimated cost for After Hours Reconnects from \$68.89 to \$116.73, and Big Sandy is proposing to increase the actual charge from \$52.65 to \$65.00.)

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16. Refer to Big Sandy's Response to Staff's First Data Request, Item 59, Big_Sandy_COS_2017-10-30-2017.xls, tab Func & Classif, cell G316. Explain the \$600,157 and if it is allocated within the cost-of-service study.

Response:

Column G in the referenced file is only used to create space between Columns F and H for increased readability. The \$600,157 in cell G316 is an inadvertent entry, is not used or allocated in any way in the study, and should be removed. (It is removed in the file provided in response to Item 8 of this Request for Information.)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR A GENERAL) Case No. 2017-00374
ADJUSTMENT OF EXISTING RATES)

VERIFICATION OF BILLY O'BRIAN (BRIAN) FRASURE

COMMONWEALTH OF KENTUCKY)
COUNTY OF JOHNSON)

Billy O'Brian (Brian) Frasure, being duly sworn, states that he has supervised the preparation of certain of the responses of Big Sandy Rural Electric Cooperative Corporation to Commission Staff's Second Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Billy O. Frasure
Billy O'Brian (Brian) Frasure

The foregoing Verification was signed, acknowledged and sworn to before me this 15th day of December, 2017, by Billy O'Brian (Brian) Frasure.

Judy L. McClure
Commission expiration: 6-19-2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR A GENERAL) Case No. 2017-00374
ADJUSTMENT OF EXISTING RATES)

VERIFICATION OF JOHN WOLFRAM

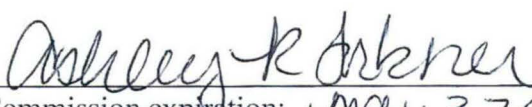
COMMONWEALTH OF KENTUCKY)
COUNTY OF Jefferson)

John Wolfram, being duly sworn, states that he has supervised the preparation of certain of the responses of Big Sandy Rural Electric Cooperative Corporation to Commission Staff's Second Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 14 day of December, 2017, by John Wolfram.



Commission expiration: May 3 2018

ASHLEY R. FORKNER
Notary Public
State at Large
Kentucky
My Commission Expires May 3, 2018