

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

RATE ADJUSTMENT OF BIG)
SANDY RURAL ELECTRIC) CASE NO. 8993
COOPERATIVE CORPORATION)

O R D E R

IT IS ORDERED that Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") shall file an original and eight copies of the following information with the Commission, with a copy to all parties of record by June 15, 1984. Each copy of the data requested should be placed in a bound volume with each item tabbed. Where a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Careful attention should be given to copied material to insure that it is legible. Big Sandy shall furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. In its application, Big Sandy has proposed an adjustment to reflect the interest expense on CFC funds drawn down subsequent to the end of the test period. The Commission, in its Order dated October 24, 1983, in Case No. 8778, Adjustment of Rates of Salt River Rural Electric Cooperative Corporation, stated that for rate-making purposes it is reconsidering its policy of allowing interest on debt drawn down after the end of the test year, and that any utility requesting the allowance of such interest expense will have to prove the necessity thereof. Therefore, provide a detailed explanation as to the reason(s) that Big Sandy should be allowed interest on this debt without any recognition of the additional revenues and expenses associated with the facilities constructed with these funds.

2. In Exhibit H, Adjustment No. 2, Big Sandy has proposed an adjustment to decrease its investment in associated organizations by an amount of \$71,921, thereby reducing to a zero level the amount of non-cash capital credits assigned by various cooperatives. It is stated that the test-period balance sheet was adjusted by this amount because the capital credits were deemed to have no cash value. The Commission, in Case No. 8930, Rate Adjustment of South Kentucky Rural Electric Cooperative Corporation, stated that it is not convinced that such capital credits will never be paid or have no cash value. Therefore, provide all information or arguments available to Big Sandy in support of this adjustment.

3. The breakdown of depreciation presented in Exhibit J, page 2 of 5, reflects a depreciation rate of 17 percent as having

been applied to the test year balances of depreciable transportation equipment. However, the information presented in Item No. 4, Exhibit J, page 3 of 5, seems to indicate that depreciation on transportation equipment is not computed on the basis of a depreciation rate. Therefore, provide a detailed explanation clarifying the method(s) used to calculate depreciation on transportation equipment, including supporting computations that reflect the determination of the actual and normalized test-period depreciation expense associated with these assets.

4. According to the explanation of Adjustment No. 5 presented in Exhibit J, page 1 of 11, six of Big Sandy's non-union employees were granted a wage increase of 50 cents per hour. With regard to this wage increase, provide the following information:

- a. The effective date of the increase.
- b. The percentage of increase granted to each employee.
- c. The annual wages of each employee prior to the increase and the effective date of that wage level.
- d. Complete details regarding the factors considered in determining the amount of the wage increase, including any studies conducted with regard to the level of wages and salaries paid by industries in Big Sandy's service area or by other electric cooperatives.

5. With regard to the wage increase granted to salaried employees, Exhibit J, page 1 of 11, indicates that effective January 1, 1983, the increase granted to inside employees was 8 percent and the increase granted to the general manager was 10

percent. Provide the amount of increase granted to these employees effective January 1, 1984. In addition, for these employees provide the information requested in Item No.'s 4c and 4d above.

6. According to Adjustment No. 6, Exhibit J, page 2 of 2, the state unemployment tax rate and federal unemployment tax rate applied to taxable wages were 1.8 percent and 1.4 percent, respectively. Provide complete details regarding the basis upon which these rates were determined, including copies of any documents from the respective agencies specifying the tax rates.

7. According to the annual report for the year ended December 31, 1983, Big Sandy incurred advertising expenses in the amount of \$6,663 as reported in Account No. 913. However, the breakdown submitted in response to Item No. 5 of the Commission's Information Request No. 1 dated March 15, 1984, reflects advertising expense in the total amount of \$1,086 as having been incurred during the test period ended December 31, 1983. Provide an explanation, as well as a reconciliation, of the discrepancy that exists between these reported expense amounts.

8. According to Exhibit N, Big Sandy has included in the computation of its test-period rate base the balance of materials and supplies at August 31, 1983. Provide an explanation of the reason this amount was included in the calculation of the test-period rate base instead of the balance of materials and supplies at December 31, 1983.

9. Provide an explanation of the basis upon which Big Sandy has included the interest on its long-term debt in the calculation of its actual and pro forma working capital, as

indicated in the total cost of electric service per Exhibit O of the application.

10. Provide an explanation of why the 12-month period ended December 31, 1983, was used as the test year in this case.

11. Provide an explanation of the rationale used in determining the amount of the increase in revenue to be allocated to the various charges within each rate class.

12. Page 1 of Exhibit L indicates that small businesses that had previously been billed under Rate A-1 are now going to be billed under Rate A-2. Explain the bases for the reclassification of these customers.

13. Under Rate A-2 the energy charge has been decreased by 2.16 percent and a new demand charge has been implemented. What was the reasoning for this new design within this rate class and how was the amount of the energy and demand charge determined?

14. Big Sandy has proposed to change the billing and meter reading dates shown in their tariffs. Provide the rationale used in determining the new dates and the reasons that new dates were proposed.

15. Under Item 4 of Conditions of Service in Schedule LP, if service is furnished at primary distribution voltage a discount was applied to both the demand and energy charge. Big Sandy is now proposing that this discount be only applied to the energy charge and that the amount of the discount be decreased from 10 percent to 5 percent. Provide a statement of the reasons for proposing these changes and a schedule showing any difference that will be made in the revenue produced by this rate class.

16. In Item 3 under the Special Provisions section of Schedule LPR, if service is furnished at 7620/1320 volts or above a discount was applied to both the demand and energy charge. Big Sandy has proposed that this discount only be applied to the energy charge. Provide a statement of the reasons for proposing this change and a schedule showing the difference that will be made in the revenues produced by this rate class due to this change.

17. The second paragraph under Item 3 of the Special Provisions section in Schedule LPR shows new language concerning the seller having the option of metering at secondary voltage and adding the estimated transformer losses to the metered KWH and KW demand. Provide a statement of the reasons deeming the new language necessary and a schedule of any difference that will be made in the revenue produced in this rate class because of this change.

18. Provide a statement of how the estimated KWH losses, mentioned in Item 8, will be determined.

19. After review of proposed tariffs it has been found that no tariff exists to serve a customer whose load is between 25 KVA and 750 KVA and is not located near three-phase line. Provide an explanation for the absence of this type of tariff.

20. Under Item 2 of the Conditions of Service section of Schedule LP it states that the registrations of the two demand meters shall be added to obtain the total KW demand for billing purposes. Provide the rationale for this methodology and show any revenue effect that it has had. Shouldn't this demand be the

addition of the two meters to show coincidental peak demands instead of the arithmetic peak demands of the the two meters?

21. File the proposed tariffs for the Experimental Residential Time of Day rates indicating any changes that have been made from the present tariffs.

22. Provide information for plotting the depreciation guideline curve in accordance with REA Bulletin 183-1. Furnish the date in the format shown on the attached PSC Data Sheet No. 1.

23. When was the most recent depreciation study made by Big Sandy? Furnish a copy, if available.

24. In reference to Exhibit J, page 2, explain how the 3.2 percent composite depreciation rate for distribution plant was calculated.

Done at Frankfort, Kentucky, this 5th day of June, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

Utility:
 Case Number:
 Date:

DATA FOR
 DEPRECIATION GUIDELINE CURVE
 RRA BULLETIN 183-1

Year Ended December 31,	Distribution Plant in Service (1)	Accumulated Provision for Depreciation Distribution Plant (2)	Reserve Ratio (3)÷(2)÷(1)	Ratio of Current Distribution Plant to Distribution Plant Ten Years Prior
1983				1983
1982				1982
1981				1981
1980				1980
1979				1979
1973				
1972				
1971				
1970				
1969				