

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

RATE ADJUSTMENT OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9352

O R D E R

IT IS ORDERED that Grayson Rural Electric Cooperative Corporation ("Grayson") shall file an original and 8 copies of the following information with this Commission, with a copy to all parties of record, by September 12, 1985, or within 2 weeks after the date of this order, whichever is later. 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. Grayson 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. Provide a schedule showing the actual test-year wages and salaries. This schedule should be in the same format as that used for the calculation of the pro forma and normalized labor adjustments, pages 4 and 5 of Schedule 5, Exhibit III.

2. Provide a schedule of the percentage increase in the salaries' and wages' base rate for the test year and for the base rate used in pro forma adjustment No. 9. Provide this schedule by employee class. Include a thorough discussion of the reason for the increases and detail Grayson's policy regarding wage and salary increases.

3. Based on the information in Item No. 7, Response to PSC Information Request No. 1, overtime wages increased approximately 30 percent from calendar year 1984. Please discuss in detail the reason for this increase.

4. In regard to the pro forma labor adjustment, explain in detail the treatment for employees hired or positions vacated subsequent to the test year. Include a discussion of the assumptions made concerning estimated regular and overtime hours for the new employees.

5. Explain why the test-year ratio of expenses to capitalized wages was used in the labor adjustments.

6. Reconcile the "Total Actual" column of the Labor Adjustment Summary, page 2 of 6 of Schedule 5, Exhibit III, with the test-year amounts of Item No. 7, Response to PSC Information Request No. 1.

7. In regard to the adjustment for telephone charges, explain the basis for using the difference between the amount of

collect calls received during the first and last month of the test year in the calculation of the phone charge adjustment. Discuss what other options were considered and the cost differential involved. Also include:

- a. Details of the cooperative's policy on handling these calls and who is authorized to receive collect calls;
- b. A comparison of the telephone bills for each month the collect-call service has been in effect to the same month of the preceeding year; and
- c. The actual dollar amount of collect calls received during each month the collect-call service has been in effect. Include any supporting documentation available.

8. Explain the reason for the premium increase in liability insurance. Note the company providing this coverage and if lower rates have been sought from other companies.

Also, include a discussion of the cooperative's procurement policies with regard to insurance and other goods and services.

9. Provide a thorough discussion of the assumptions underlying the normalized adjustments to interest expense and interest income.

10. Provide an annualized interest schedule based on the long-term debt as of the end of the test year.

11. Provide a schedule of temporary investments for each month of the test year. Include:

- a. Where invested;
- b. Type of investment;
- c. Amount invested; and
- d. Interest rate on investment.

Explain Grayson's policy regarding temporary investments.

12. Provide the calculations supporting the pro forma adjustment of \$543,408 to operating revenues. Include an explanation of the derivation of the \$16,022 adjustment to Other Electric Revenue.

13. In its Order of October 24, 1983, in Case No. 8778, Adjustment of Rates of Salt River Rural Electric Cooperative Corporation, the Commission stated that it is reconsidering its policy of allowing, for rate-making purposes, the interest on debt drawn down after the end of the test year and that any utility requesting such treatment of interest expense will have to prove the necessity of such treatment. Provide a detailed explanation of why Grayson should be allowed such treatment without any recognition of the additional revenues and expenses associated with the facilities constructed and/or improvements made with these additional funds.

14. Provide an explanation of why the 12-month period ending March 31, 1985, was used as the test year in this case.

15. In regard to the \$1,939 charged to Account No. 913-- Advertising Expense, submit any evidence available to support the allowance of this expense in that it will produce a material benefit to the ratepayer.

16. Provide a schedule comparing Account No. 923--Outside Services Employed for the past 5 years corresponding with the test year. Include an explanation of any unusual items.

17. In regard to Item No. 11, Response to PSC Information Request No. 1, discuss in detail:

- a. The fees paid Wilson, Stavros and Justice, Attorneys;
- b. The fee paid NRECA for the management audit study; provide a copy of the audit; and
- c. The fees paid Brown, Todd and Heyburn, specifically noting the fees paid for services prior to the test year.

18. Reconcile the expense accounts in Item No. 16, Response to PSC Information Request No. 1, to the expense items listed for the test year on page 1 of Schedule 3, Exhibit III.

19. KRS 279.380 provides that:

"...Trustees shall not receive any salaries for their services as trustees.... The bylaws may, however, prescribe a fixed fee for attendance at each meeting of the Board of Trustees and may provide for reimbursement of actual expenses of attendance."

In regard to this statute, please provide:

- a. A statement of Grayson's policy regarding director's fees, and
- b. Grayson's position in regard to the above-cited statute.

20. Provide, for the test-year period, a schedule of directors' expenses detailing fixed fees, reimbursements and per diem payments. Provide this schedule by director.

21. In response to PSC Information Request No. 1, Grayson failed to 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. Please provide those names in response to Information Request No. 1.

22. The normalization adjustment of \$386 to depreciation appears to be mathematically incorrect. Provide the calculations in support of the composite depreciation rate and list the assumptions underlying both the normalized and pro forma depreciation adjustments.

23. Provide an annualized depreciation schedule based on plant-in-service at the end of the test year.

24. Does Grayson follow the depreciation rates and procedures as described in REA Bulletin 183-1?

25. Provide information for plotting the depreciation guideline curves in accordance with REA Bulletin 183-1. Furnish the data in the format shown on the attached data sheet No. 1.

26. Does Grayson propose any changes in depreciation rates?

27. Furnish a list of depreciation expenses in the format shown on the attached data sheet No. 2.

Done at Frankfort, Kentucky, this 28th day of August, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Herman
For the Commission

ATTEST:

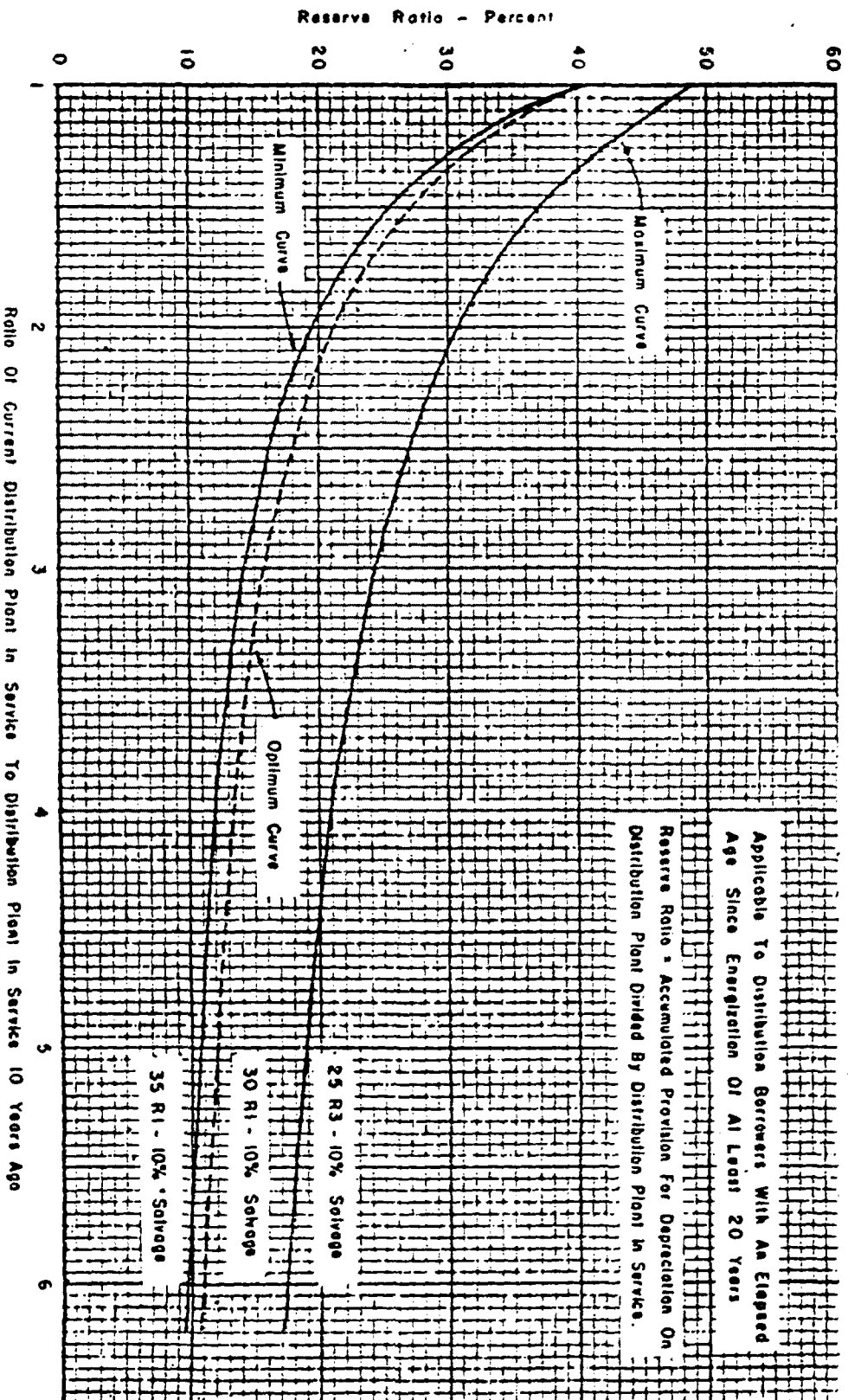
Secretary

DEPRECIATION GUIDELINE CURVES

Bulletin 183-1
Page 7

Average Annual Compounded Rate Of Growth Of Distribution Plant In Service (Percent) For At Least The Last 10 Years

0 1.0 2.0 3.0 4.0 5.0 6.0 7.0 8.0 9.0 10.0 11.0 12.0 13.0 14.0 15.0 16.0 17.0 18.0 19.0 20.0



Applicable To Distribution Borrowers With An Elapsed Age Since Energization Of At Least 20 Years

Reserve Ratio = Accumulated Provision For Depreciation On Distribution Plant Divided By Distribution Plant In Service.

Utility:
Case Number:
Date:

DATA FOR
DEPRECIATION GUIDELINE CURVE
PRA BULLETIN 183-1

Year Ended December 31,	Distribution Plant in Service (1)	Accumulated Provision for Depreciation Distribution Plant (2)	Reserve Ratio $(3) = (2) \div (1)$	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				

Utility:
Case Number:
Date:

Account No.	Item	(End of Test Year) Plant Account Balance	Depreciation Rate	Annual Depreciation
<u>TRANSMISSION PLANT</u>				
3500000	Land & Land Rights			
3550000	Poles & Fixtures			
3560000	O/H Conduct. & Devices			
<u>DISTRIBUTION PLANT</u>				
3600000	Land & Land Rights			
3620000	Station Equipment			
3640000	Poles, Towers, Fixtures			
3650000	O/H Conduct. & Devices			
3660000	Underground Conduit			
3670000	U/G Conduct. & Devices			
3680000	Line Transformers			
3690000	Services			
3700000	Meters			
3710000	Install. on Cust. Premises			
3720000	Leased Prop. on Cust. Prem.			
3730000	St. Light & Sign Systems			
<u>GENERAL PLANT</u>				
3890000	Land & Land Rights			
3900000	Structures & Improvements			
3910000	Office Furn. & Equipment			
3911000	IBM 5251 Display Stations			
3920000	Transportations Equip.			
3930000	Stores Equipment			
3940000	Tools, Shop, Garage Equip.			
3950000	Laboratory Equipment			
3960000	Power Operated Equipment			
3970000	Communications Equipment			
3980000	Miscellaneous Equipment			