

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF FARMERS RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
AN ORDER AUTHORIZING A BASIC RATE)
INCREASE AND CHANGES IN ITS BILLING) CASE NO. 9446
AND COLLECTING POLICY CONTAINED IN)
THE RULES AND REGULATIONS OF SERVICE)

O R D E R

IT IS ORDERED that Farmers Rural Electric Cooperative Corporation ("Farmers") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by February 26, 1986, or 2 weeks from the date of this Order, whichever is later. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. 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. With reference to the proposed right-of-way adjustment, provide the following information:

a. Provide a copy of the proposal made by Georgia Right-of-Way referred to in Item No. 2a of the Second Information Request.

b. Provide copies of bids for right-of-way clearing services and explain why the proposal of Georgia right-of-way was accepted.

c. With reference to Item No. 2f of the Second Information Request, state the estimated revenue increase and maintenance of lines expense reduction expected to be experienced upon implementation of the right-of-way clearing program. Also, explain how these factors were considered in arriving at the proposed \$100,000 adjustment.

d. If a contractor is hired, will this eliminate the two-man crew and the three-man crew currently employed by the cooperative or is this in addition to the crews now being used?

e. Of the reported 600 cases of right-of-way needing to be cleared in 1984, how many cases have been corrected? Please define more specifically what is meant by "case," i.e., what constitutes a "case"?

f. How long will the contractor be employed?

g. How long will it require for the contractor to bring right-of-way clearance up to date?

h. With reference to Item No. 1, sheet 1 of the first Information Request, when calculating the hourly rate in Adjustment 2, it states that one aerial lift bucket truck with hydraulic tools or one tractor with bushhog mower will be employed. If only one of these pieces of equipment will be required, why is the cost of both included in the cost summary. Please supply the costs associated with each of these pieces of equipment when calculating the hourly rate.

i. Please explain how the annual expense of \$100,000 was determined and why the method used is preferable to other methods such as determining the work to be performed, the amount of time required and applying the hourly labor rates to the time required.

2. With reference to the insurance expense adjustment, state the amount of insurance expense charged to operations for the test period September 1, 1984-August 31, 1985. Also, provide a copy of the 1985 quarterly billing of \$14,872.75.

3. With reference to Item No. 12 of the Second Information Request, provide the following information:

a. State the frequency with which the helicopter sprayings of right-of-ways has been conducted.

b. Does Farmers expect to continue its program of spraying right-of-ways by helicopter?

4. Provide a breakdown of Board of Directors per diem payments associated with attendance at meetings other than regular or special Board of Directors meetings of Farmers.

5. With reference to Account No. 141--Notes Receivable and Account No. 231--Notes Payable, the monthly REA Form 7s on file with the Commission reflect that these accounts frequently carry a negative balance. Explain the reason for this.

6. In recent electric cooperative proceedings before the Commission, the Commission has determined that a TIER level of 2.0 is appropriate under existing economic conditions. Explain the

factors considered by Farmers in determining that a 2.5 TIER is necessary. Also, provide any evidence deemed appropriate as to why the Commission should deviate from recent decisions and grant a TIER in excess of 2.0 in this instance.

7. With reference to Item No. 1, sheet 3 of the First Information Request, Adjustment 12, state the basis for amortizing the CFC conversion fee over a 48-month period. Also, explain why an amortization period equal to the remaining life of the loan would not be more appropriate.

8. With reference to Adjustment 14 to reflect the normalization of non-operating margins due to the sale of facilities and service rights to the City of Glasgow, provide the following information:

- a. The sales contract.
- b. The journal entries to record the transaction.
- c. The use that was made of the proceeds.
- d. Any evidence deemed appropriate as to why this revenue should not be amortized to reflect a benefit to the ratepayers for this transaction.

9. Submit a copy of current tariff and proposed tariff for requested changes in consumer billing and collection policy in Rules and Regulations.

10. With reference to Exhibit 3, page 2 of the application, CFC note 9014, provide a schedule showing the interest rate in effect for that note for each month of the test year.

Done at Frankfort, Kentucky, this 19th day of February, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Wessing
For the Commission

ATTEST:

Secretary