

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF INTER-COUNTY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION OF DANVILLE, KENTUCKY,) CASE NO. 9486
FOR AN ORDER AUTHORIZING AN)
INCREASE IN ITS RETAIL RATES,)
APPLICABLE TO ALL CONSUMERS)

O R D E R

IT IS ORDERED that Inter-County Rural Electric Cooperative Corporation ("Inter-County") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by May 2, 1986. 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.

Information Request No. 3

1. With reference to Adjustment No. 11, the cost of converting to CADP was amortized over the remaining 10 months of the contract ending in April 1985. Since this expense is no longer being amortized, please explain why this cost should not be excluded for rate-making purposes.

2. The Commission generally does not allow charitable contributions for rate-making purposes. Please explain why these donations should not be excluded for rate-making purposes.

3. With reference to Exhibit 27, Item No. 12, apparently the directors' fees increased from \$100 per month to \$150 per month in June 1985. Please explain the fees paid in addition to the regular monthly fees concerning Inter-County Board Meetings (Column No. 1.)

In recent rate cases involving rural electric cooperative corporations ("RECCs"), the Commission has disallowed fees paid to directors for meetings attended other than regular or special board meetings of the RECC. Why should this treatment not apply to Inter-County?

4. Concerning the response to the Commission's Information Request No. 2, Item No. 15, it was stated that \$2,085 was charged to Other Deductions during the test period for the benefit of directors' spouses. Please provide a breakdown of Other Deductions reconciling to the Statement of Revenue and Expenses, Exhibit I. In addition, please provide a detailed explanation of the expenses incurred for the benefit of directors' spouses.

5. With reference to the response to the Commission's Information Request No. 2, Item No. 11, it was stated that Inter-County performed a review of the payroll distribution. Please discuss the results of this review and provide the basis for the change made in the distribution of the operations manager's time.

6. It was stated in the response to the Commission's Information Request No. 2, Item No. 7, that the majority of the items making up the promotional expense were used as "giveaways" at the annual meeting, in addition to being given to consumers who visit Inter-County's offices. Please state the percentage of

these items which were distributed at the annual meeting. In addition, please provide an explanation as to why these expenses were not classified in Account No. 913 - Advertising Expense as novelties for general distribution.

7. Inter-County has proposed an adjustment to interest expense based upon the interest expense on \$668,000 of Rural Electric Administration ("REA") funds drawn down after the test period. It was stated in Exhibit 6 that by prolonging the date of drawing these funds by 4 months, the out-of-pocket interest cost was reduced by \$11,133. Please provide the means by which this construction was paid for without drawing any of the REA funds until after it was completed. In addition, please provide the estimated interest income that could have been earned if these monies had been invested instead of being used for the construction.

8. Presently the Commission determines the adjustment to test-year depreciation expense exclusive of amounts charged to clearing accounts. Please explain why this treatment should not apply to Inter-County.

9. Please provide explanations for the increases over the prior year expenses in Account No. 925 - Injuries and Damages of \$25,146, and in Account No. 926 - Employee Benefits and Pension of \$29,489.

10. Explain the methodology and the calculation for the following:

a. Exhibit N, page 6, Normalized Revenue, Schedule 6, - the billing adjustment of \$1,945.53.

b. Exhibit O, page 6, Proposed Revenue, Schedule 6, -
the billing adjustment of \$2,654.52.

11. Referring to Account Nos. 583.0 and 593.0, please list
any extraordinary expenses that may have been included in the test
year expenses.

Done at Frankfort, Kentucky, this 28th day of April, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Henneys
For the Commission

ATTEST:

Secretary