

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF JACKSON)
PURCHASE ELECTRIC COOPERATIVE)
CORPORATION FOR PERMISSION TO FLOW)
THROUGH A WHOLESALE RATE INCREASE) CASE NO. 9614
FILED BEFORE THE KENTUCKY PUBLIC)
SERVICE COMMISSION BY BIG RIVERS)
ELECTRIC CORPORATION, DOCKET NO. 9613)

O R D E R

IT IS ORDERED that Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by November 21, 1986, 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. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Jackson Purchase 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. Careful attention should be given to copied material to insure that it is legible. 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. The information requested herein is due no

later than November 21, 1986, or 2 weeks after the date of this Order. If the information cannot be provided by the due date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 2

The following questions are follow-up to the responses supplied in the Commission's Information Request No. 1 issued September 12, 1986, Jackson Purchase's response filed September 26, 1986.

1. See Exhibit 6 in the original application, page 2:

a. Explain why 1985 irrigation sales should be removed from the test year information. Provide the calculations used to arrive at the reduction figure of \$7,809.

b. Explain why the 72 KW adjustment is necessary and provide the detail which supports the 72 KW figure.

c. Explain why there should be a reduction to non-operating margins of \$32,959. Provide the calculations which document the 6.275 percent interest rate.

d. For the synchronization of fuel revenue with fuel expense adjustment, explain how the following items were determined:

(1) Wholesale Fuel Factor	\$<.002157>
(2) One Minus Line Loss	.93992

Include any supporting calculations. Also, explain the purpose for a retail adjustment factor.

2. In reference to the Commission's Information Request No. 1, Question No. 2:

a. Page 4 of 26, explain what the expected benefits were of the general advertising expenses.

b. Page 22 of 26, explain what the expected benefits were of the newsletter expenses.

c. Page 24 of 26, explain what the reasons were for performing a depreciation study. Indicate when the accrued \$21,000 was or will actually be paid. Also indicate if these expenditures would be of a non-recurring nature.

3. In reference to the Commission's Information Request No. 1, Question No. 5:

a. Explain why KAEC payments are part of the advertising expenses.

b. Explain what the expected benefit was for each expenditure.

4. In reference to the Commission's Information Request No. 1, Question No. 6:

a. Provide a copy of the 1985 Borrower Statistical Profile for Jackson Purchase, if available.

b. Page 9 of 10, explain in detail what actions have been taken to improve the figures for line item 65, Accounts Receivable over 60 days/Total Revenues, and line item 66, Amounts Written Off/Total Revenues.

c. Page 9 of 10, explain why management did not decide to review the result for line item 47, Accumulated Depreciation/Total Plant in Service, and line item 52, Debt/Total Assets.

5. In reference to the Commission's Information Request No. 1, Question No. 7, provide an explanation as to why the following wage categories changed between the calendar year ended 1985 and the test year ended May 31, 1986:

- a. Overtime Pay increased \$12,000.
- b. Wages Capitalized increased \$22,000.
- c. Miscellaneous General Expense decreased \$7,000.
- d. Distribution Expense decreased \$13,000.
- e. Customer Accounts Expense decreased \$10,000.

6. In reference to the Commission's Information Request No. 1, Question No. 8, provide a schedule of all directors' fees, per diems, and other compensations as of December 31, 1984, December 31, 1985, and May 31, 1986. Explain any changes between these dates.

7. In reference to the Commission's Information Request No. 1, Question No. 9, explain how Jackson Purchase computed the line item, "Working Capital Allowance: Operations and Maintenance," for the test year. Provide the detailed calculations which support the figure.

8. In reference to the Commission's Information Request No. 1, Question No. 11:

- a. Explain why the annual audit expense was not broken down into hourly rate, hours charged, and other charges.

- b. Provide a detailed explanation as to why Jackson Purchase had expenses totaling \$1,516.65 for rate Case No. 9437.

9. In reference to the Commission's Information Request No. 1, Question No. 12:

a. Explain why other capital credits are deducted in the computation of modified Times Interest Earned Ratio ("TIER") and modified debt service coverage ("DSC").

10. In reference to the Commission's Information Request No. 1, Question No. 13, provide an explanation for these changes in the electric plant in service balances:

<u>Account No.</u>	<u>Account Title</u>	<u>Increase or Decrease</u>	<u>Amount</u>
360	Land and Land Rights	Decrease	\$ 8,922
389	Land and Land Rights	Decrease	4,750
392	Transportation Equipment	Increase	98,983
396	Power Operated Equipment	Increase	23,933
397	Communication Equipment	Increase	314,558
398	Miscellaneous Equipment	Decrease	34,844

11. In reference to the Commission's Information Request No. 1, Question No. 15, provide a copy of the minutes of the 1986 Annual Meeting.

12. In reference to the Commission's Information Request No. 1, Question No. 16, provide an explanation for the following changes in these year-end expenditure balances:

<u>Account No.</u>	<u>Account Title</u>	<u>Increase or Decrease</u>	<u>Amount</u>
582	Station Expense	Decrease	\$ 39,649
583	Overhead Line Expense	Increase	282,568
583.1	Overhead Line Expense- PCB Test and Inspect	Decrease	11,507
584	Underground Line Expense	Increase	57,494
586	Meter Expenses	Increase	75,898
587	Customer Installation Expenses	Increase	28,637
588	Miscellaneous Distribu- tion Expenses	Increase	184,746
590	Maintenance Supervision and Engineering	Decrease	195,517
592	Maintenance of Station Equipment	Decrease	113,406

<u>Account No.</u>	<u>Account Title</u>	<u>Increase or Decrease</u>	<u>Amount</u>
593	Maintenance of Overhead Lines	Increase	\$697,606
593.3	Maintenance of Overhead Lines - Tree Trimming	Increase	510,484
594	Maintenance of Under-ground Lines	Decrease	75,886
595	Maintenance of Line Transformers	Increase	80,240
902	Meter Reading Expenses	Decrease	84,371
909	Inform and Instruct Advertising Expense	Decrease	42,514
920.1	Administrative and General Salaries-MGR	Decrease	279,037
923	Outside Services Employed	Decrease	160,232
924	Property Insurance	Decrease	15,251
925	Injuries and Damages	Increase	106,237
930.21	Directors' Fees and Expenses	Increase	110,974
930.22	Annual Meeting Expenses	Decrease	252,422
930.235	Depreciation Study - 1984/1985	Increase	63,257

13. In reference to the Commission's Information Request No. 1, Question No. 16, page 9 of 10:

a. Explain in detail why charges were made in the test year for Account No. 930.241--Retail Rate Case - 1983 Case and Account No. 930.255--Wholesale Rate Case Flow-Through - 9010.

b. Explain in detail why the information presented for the 930 series of accounts does not agree with Jackson Purchase's response to Question No. 2.

14. In reference to the Commission's Information Request No. 1, Question No. 18, provide the revenue per books for the test year, broken down into eight classifications presented in the original application, Exhibit 8, pages 15-16.

15. In reference to the Commission's Information Request No. 1, Question No. 19, indicate who Delbert Powers replaced on the Board of Directors, effective September 25, 1986.

16. In reference to the Commission's Information Request No. 1, Question No. 21, provide the detailed calculations which support the total annual costs and the average annual cost per employee for the NRECA Benefits. Also explain if all employees are covered by the NRECA Benefits.

The following questions are follow-up to the response supplied in the Commission's Order issued September 17, 1986, Jackson Purchase's response filed October 7, 1986:

17. In reference to Schedule 1, provide a detailed explanation as to why Non-Operating Margins should increase \$88,819. Include all supporting calculations. Also explain why, in the original application, this line item was proposed to decrease \$32,959. Explain the change in Jackson Purchase's assumption.

18. In reference to Schedule 2:

a. Provide copies of the invoices on billings for the 1986 NRECA annual dues, 1986 KAEC annual dues, and the 1986 Ad Valorem Tax. Also provide the check number and the date paid.

b. Explain why the KAEC payment, made in January 1986, would be an adjustment to the test year which ended May 31, 1986.

c. Explain in detail why Jackson Purchase wishes to amortize the cost of Rate Case No. 9614 over a 2-year period.

d. Provide a detailed schedule of the cost of rate Case No. 9614 through September 30, 1986, in the format used in the First Information Request, Question No. 22, pages 1-2. Also,

provide an explanation for the reasoning in computing Adjustment 3 of Schedule 2 in the manner presented.

e. Provide copies of the actual invoices for the insurance policy periods June 1985, to May 1986, and June 1986, to May 1987. Explain the coverage provided by each type of policy. Also define what the letters MODL mean. Finally, explain the changes in each policy's cost between the 2 periods.

f. Adjustment 5 states that the booked depreciation expense in the test year was \$1,098,979.50. However, Schedule 1 shows the per books depreciation expense at \$979,882. Explain in detail why there is a difference and indicate which amount is correct.

g. Provide the calculations and the reasoning for a capitalization rate of 37 percent for transportation and 29.33 percent for payroll.

h. In reference to Adjustment 6, explain why Jackson Purchase wishes to amortize for 3 years the Big Rivers Donated Capital of \$82,810, which was written off in 1984.

i. In reference to Adjustment 8, provide a schedule of the test-year tree trimming expenses, in a format similar to that of the Commission's First Information Request, Question No. 2, page 4 of 26. Also supply documentation to support the 3 percent increase effective in August 1986.

j. In reference to Adjustment 9, provide detailed calculations which support the interest income rate of 6.275 percent. Explain why interest expense has been netted with interest income and where does the adjustment of \$58,307.60 appear on Schedule 1.

19. In reference to Schedule 4, provide a copy of the 1984-1985 workplan and indicate how the listed work orders apply to that plan.

20. Please provide all supporting calculations used to prepare Exhibit 8 of the application, pages 12-13.

Done at Frankfort, Kentucky, this 12th day of November, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director