

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9980
FOR AN ADJUSTMENT OF RATES)

O R D E R

IT IS ORDERED that Grayson Rural Electric Cooperative Corporation ("Grayson RECC") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. 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. The information requested herein is due no later than October 9, 1987. If the information cannot be provided by this 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

Question Nos. 1 through 8 refer to Exhibit II, Schedule 16, Workpapers for Test Year Adjustments and Schedule 17, Narrative of Test Year Adjustments:

1. With reference to page 3, the determination of other electric revenue adjustments, provide the following information:

a. A detailed description of Other Electric Revenue of \$226,284.

b. An explanation of the relationship between Account No. 450 and total test-year energy sales of \$7,492,163 that served as the basis for stating Account No. 450 as a percentage of total test-year energy sales.

c. An explanation of the relationship between Account No. 450 and total normalized revenue of \$7,916,979 that served as the basis for including Account No. 450 as a percentage of total required pro forma revenue in the determination of the level of pro forma other electric revenue.

2. With reference to page 4, capitalization adjustments, provide a clear, concise explanation of the reason for each adjustment.

3. With reference to pages 5 through 8, labor adjustments, provide the following information:

a. The base wage rate in effect at the end of the test year for each employee.

b. The base wage rate of each employee used to calculate the normalized labor adjustment.

c. The base wage rate of each employee used to calculate the pro forma labor adjustment.

d. The amount, percentage and date of any wage increase received by each employee during the test year and the past 3 calendar years.

e. The amount, percentage and date of any wage increase scheduled for each employee from the end of the test year through

the expiration of Grayson RECC's labor agreement with the I.B.E.W., Local 317.

f. The basis for restating employee number 631's overtime from 41 to 74 hours.

g. A schedule showing the overtime hours of each employee for the past 5 calendar years. Include an explanation for any change in excess of 10 percent.

h. An explanation of Grayson RECC's policy regarding overtime.

i. The rates used to calculate State Unemployment, Federal Unemployment, FICA and Worker's Compensation.

4. With reference to page 9, taxes - other adjustment, provide the following information:

a. For the taxes related to payroll, an explanation of how the 68.23 percent expensed was determined. Include calculations.

b. If not fully explained in Question No. 4(a), explain why the taxes expensed at 68.23 percent do not agree with the percent of wages expensed.

c. Calculations supporting the \$1,056 adjustment to the Public Service Commission assessment.

5. With reference to page 10, the normalization adjustment on liability insurance, provide the following information:

a. Invoices and calculations supporting the amount shown for 1987 for each category of insurance.

b. The amount paid for each category of insurance for each of the past 5 policy years. Include invoices or calculations as necessary.

c. An explanation of why the adjustment was spread based on the average payroll percentage of each classification for the test year. Include supporting calculations.

d. The average payroll percentage for each classification for the past 5 policy years.

e. A description of the coverage of each insurance. Include a discussion of any policy changes within the past 5 policy years.

f. Discuss Grayson RECC's procurement policies with regard to insurance and other goods and services.

6. Explain why Grayson RECC did not calculate the adjustments to long-term debt interest on pages 11 and 12 by multiplying the outstanding principal balances at test year-end by the appropriate interest rates. What adjustment would be indicated if the above method were utilized?

7. With reference to page 16, the normalization adjustment for depreciation expense, provide the following information:

a. Explain why Grayson RECC did not calculate the \$19,731 expense adjustment by applying the applicable depreciation rates to the level of plant in service at the end of the test year.

b. What adjustment would be indicated if the above method were utilized?

c. Explain the reason for the adjustment to depreciation resulting from the capitalized labor adjustment.

8. With reference to page 18, the survey of testing and changing out of PCB transformers, provide the following information:

a. Support for the amount of time to test each transformer (2 hours).

b. Describe and provide support for the \$5.50 material cost.

c. The base wage rate for each employee included in the labor cost of \$44,699.

d. Support for the overhead rate of .481342.

e. Support for the mileage and mileage rate.

f. Support for the 3.71 percent change out rate.

g. Support for the hours needed to complete each change out and for the labor rate.

h. Support for the transportation hours and for the rate per truck.

i. Is Grayson RECC presently conducting any tests or changing out any PCB transformers?

j. What amount was expensed during the test year with regard to testing or changing out PCB transformers? Provide supporting calculations and indicate accounts affected.

k. Describe any studies or research conducted by Grayson RECC with regard to the testing and change out of PCB transformers.

1. What is the total number of transformers in Grayson's system?

m. How many have been surveyed to this date?

n. How many have been changed to this date?

o. For the test year and the previous five calendar years (1982 through 1986) provide the following in tabular form:

(1) Number of transformers changed and associated costs.

(2) Number of transformers surveyed and associated costs.

9. In Case Number 9970 Grayson was granted deviation from a one-year meter reading program to a three-year meter reading program. The allocation for the one-year program was about \$27,000. What does Grayson propose to allocate per year for its three-year meter reading program? What account is this allocation contained in? Provide support for this. Will the deviation affect its application for a rate increase?

10. Please provide Exhibit II, Schedule 9, pages 28 through 51, Miscellaneous General Expenses, Account 930.30 in a format that includes detail of test year expenses only. The total test year expenses should correspond to the amount shown on page 1 of this exhibit.

11. With reference to Grayson RECC's property taxes of \$85,263 as shown in Exhibit II, Schedule 4, provide the following information:

a. Copies of the property tax returns as filed with the Property Tax Department of the Kentucky Revenue Cabinet for tax year 1986 and tax year 1987.

b. Copies of the tentative notice of assessment for tax year 1986 and tax year 1987.

c. Copies of the documents showing the property certified to each taxing district for tax year 1986 and tax year 1987.

12. With reference to Interest Expense - Other of \$35,726 as shown in Exhibit II, Schedule 4, provide the following information:

a. A detailed explanation of the charges included.

b. The amount of short-term loans outstanding or due at test year-end.

13. With reference to Non-Operating Margins, Interest of \$49,915 as shown in Exhibit II, Schedule 4, provide the following information:

a. A detailed explanation of the income included and the source of that income.

b. A schedule of all investments and the effective interest rate as of the end of the test year.

14. Provide an explanation for the (\$1,430) Non-Operating Margins, Other as shown in Exhibit II, Schedule 4.

15. With reference to Exhibit II, Schedule 3, provide a thorough explanation of the reason for the change in each account that reflects an increase or decrease of 10 percent or more, provided that the amount of change is greater than \$1,000. For your

convenience, a schedule showing the amount and percentage change has been included as Attachment I.

16. With reference to Exhibit II, Schedule 13, Compensation for Board of Directors, provide the following information:

a. A detailed schedule showing the mileage payments, reimbursements, per diem payments and/or fixed fees for each director. A brief description of each payment should be included.

b. Describe any reimbursements in excess of actual out-of-pocket costs included in (a) above.

c. Describe any expenses for spouses included in (a) above.

d. Describe the insurance coverage provided for each director included in (a) above.

e. What alternatives are offered by Grayson RECC to the directors in place of the insurance coverages noted above?

17. With reference to Exhibit II, Schedule 15, Employee Benefits, provide the basis and a clear explanation for the amounts expensed and capitalized for each benefit.

18. With reference to Exhibit II, Schedule 11, Advertising Expense, provide copies of the advertisements included.

19. With reference to Exhibit II, Schedule 12, Outside Services Employed, provide an explanation and the reason for each expenditure.

20. Please explain the manner in which Grayson RECC determined that an increase of \$656,434 was needed.

21. In the Application, Grayson RECC states that the requested increase would result in a 2.50 TIER. What TIER would

result if Generation and Transmission Capital Credits were included?

22. What is the TIER required by the Rural Electrification Administration/National Rural Utilities Cooperative Finance Corporation ("REA/CFC") Concurrent mortgage agreements? How is TIER calculated by REA/CFC? What TIER would be required by Grayson RECC to comply with its mortgage agreements?

23. What is Grayson RECC's optimum equity level? How was this determined?

24. What is Grayson RECC's current policy with regard to refunds of patronage capital?

25. When does Grayson RECC project that it will begin a general rotation of patronage capital?

26. Provide a copy of any Equity Management Plan currently adopted by Grayson RECC. Include a thorough explanation of the goals Grayson RECC is seeking to achieve (with respect to TIER, equity level, capital credit rotation period, for example).

Done at Frankfort, Kentucky, this 28th day of September, 1987.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director

		RAYSON RURAL ELECTRIC COOPERATIVE CORPORATION CASE NO. 9980 RATE CASE SUMMARY PERIOD 09-22-1987		COMPARISON OF TEST YEAR ACCOUNT BALANCES WITH THOSE OF THE PRECEDING YEAR			
ACCOUNT NUMBER	DESCRIPTION	AS OF MAY 31, 1987	AS OF MAY 31, 1986	DIFFERENCE	PERCENTAGE CHANGE	INCREASE/DECREASE	SUPPORT
8	580.00 OPERATIONS AND SUPERVISION	9,036	10,915	(1,879)	-17.31%	DECREASE	SUPPORT
9	582.00 SUB-STATION EXPENSE	5,788	9,702	(3,914)	-67.69%	DECREASE	1
10	583.00 OVERHEAD LINE EXPENSE	49,025	50,669	(1,644)	-3.27%	DECREASE	1
11	585.00 UNDERGROUND LINE EXPENSE	972	145	827	794.48%	INCREASE	1
12	586.00 METER EXPENSE	58,018	60,010	(1,992)	-3.42%	DECREASE	1
13	588.10 METER OPERATION SURVEY	26,979	9,827	17,152	173.52%	INCREASE	SUPPORT
14	587.00 CONSUMER INSTALLATION EXP.	2,173	2,399	(225)	-9.28%	DECREASE	1
15	587.10 SERVICE INSPECTION	904	644	260	40.37%	INCREASE	1
16	588.00 MISC. DISTRIBUTION EXP.	4,926	9,726	(4,800)	-96.83%	DECREASE	SUPPORT
17	590.00 SUPERVISION MAINT./CEN.	6,900	9,535	(2,635)	-37.94%	DECREASE	SUPPORT
18	593.00 MAINT. OVERHEAD LINES	187,349	227,277	(39,928)	-21.31%	DECREASE	SUPPORT
19	593.10 MAINT. O/H LINE R/W	165,782	185,101	(19,319)	-11.64%	DECREASE	1
20	594.00 MAINT. UNDERGROUND LINES	1,201	383	818	205.62%	INCREASE	1
21	595.00 MAINT. LINE TRANSFORMERS	30,570	21,365	9,205	43.06%	INCREASE	SUPPORT
22	596.00 MAINT. STREET LIGHTS/SIGNAL	280	125	155	124.00%	INCREASE	1
23	597.00 MAINT. METERS	48,598	42,138	6,460	13.28%	INCREASE	SUPPORT
24	598.00 MAINT. MISC. DISTR.	5,710	8,222	(2,512)	-30.59%	DECREASE	SUPPORT
25	901.00 BILLING SUPERVISION	9,188	10,112	(924)	-9.15%	DECREASE	1
26	902.00 CONSUMER METER READING	21,840	20,886	954	4.37%	INCREASE	1
27	903.00 CENS. RECORDS/COLLECTION	206,288	201,132	5,156	2.56%	INCREASE	1
28	903.10 OVER/SUBMIT CASH DRAWER	41	(34)	75	-175.91%	DECREASE	1
29	903.20 BELONGINGS CASH DRAWER	(86)	(34)	(52)	152.91%	INCREASE	1
30	904.00 UNCOLLECTIBLE ACCOUNTS	27,533	25,507	2,048	8.03%	INCREASE	1
31	907.00 CUSTOMER SERVICES/INVO. EXP.	65	648	(583)	-89.97%	DECREASE	1
32	909.00 INVO./INDUSTRIAL R/W	46,536	37,357	9,179	24.57%	INCREASE	SUPPORT
33	912.00 DEMONSTRATION/SELLING EXP.	9,342	17,777	(8,435)	-26.88%	DECREASE	SUPPORT
34	913.00 ADVERTISING	0	937	(937)	-100.00%	DECREASE	SUPPORT
35	920.00 ADMIN & GEN SALES	109,144	112,017	(2,873)	-2.56%	DECREASE	1
36	921.00 OFFICE SUPPLIES	38,597	34,678	3,919	11.30%	INCREASE	SUPPORT
37	923.00 OUTSIDE SERVICES	17,883	18,228	(345)	-2.64%	DECREASE	1
38	924.00 PROPERTY INSURANCE	33,549	21,394	12,155	36.81%	INCREASE	SUPPORT
39	925.00 TRAVEL & DAMAGES	20,263	9,700	10,563	108.62%	INCREASE	SUPPORT
40	926.00 EMP. PENSION & BENEFITS	145,052	128,598	16,454	13.40%	INCREASE	SUPPORT
41	930.20 ANNUAL MFG./CAP. CREDIT WORK	14,876	17,707	(2,831)	-15.99%	DECREASE	SUPPORT
42	930.30 MISC. GEN. EXP. METER MFG.	12,433	12,555	(122)	-0.81%	DECREASE	1
43	930.60 BOARD OF DIRECTORS EXP.	50,478	40,398	10,080	24.93%	INCREASE	SUPPORT
44	930.70 MFG./MFG. DUES	26,377	25,482	895	3.51%	INCREASE	1
45	932.00 MAINT. GENERAL PLANT	37,959	35,189	2,770	7.87%	INCREASE	1