

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF BEREA)
COLLEGE ELECTRIC UTILITY, A) CASE NO. 10066
DEPARTMENT OF BEREA COLLEGE)

O R D E R

IT IS ORDERED that Berea College Electric Utility ("Berea") 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 January 25, 1988. 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. 3

1. With reference to the response to the Commission's Information Request No. 2, Item No. 1, page 2, please provide the following information concerning salaries and wages for each employee of Berea's work force:

a. For salaried employees, provide in comparative form salaries at August 31, 1986, and August 31, 1987.

b. For hourly employees, provide the following information for the test year:

- (1) Regular hours worked.
- (2) Regular hours wage rate at test year-end.
- (3) Overtime hours worked.
- (4) Overtime hours wage rate at test year-end.
- (5) For each employee, identify whether he/she is full-time or part-time and indicate the number of hours budgeted for that employee to work annually.

c. Identify any employees that began or ended their employment at Berea during the test year.

d. State whether any employees have been or are expected to be added or subtracted from the test-year-end work force.

e. State the number of employees added since December 31, 1982.

f. State the average percent wages and salaries increases granted each July 1 since December 31, 1982.

2. With reference to the response to the Commission's Information Request No. 2, Item No. 1, please provide the following information:

a. Provide the amount of social security taxes, retirement contribution, Blue Cross-Blue Shield, life insurance, unemployment compensation, worker's compensation, disability insurance, and accrued vacation pay charged to the books of Berea during the test year.

b. List the account(s) to which each of the above items were charged.

c. State the basis or method for any of the above amounts that were allocated.

d. Provide the fringe benefit rate for all calendar years since 1983. Also provide the workpapers showing the calculations of these rates.

3. State the amount of compensation related to Donald E. Bewley included in test year operations. Also, state the beginning date and expected ending date of his leave of absence.

4. Provide a narrative explanation explaining the cost allocation determination processes and procedures in allocating expenses to the Electric Department. Also, provide any existing internal documents, including but not limited to, cost allocation manuals, policy statements, etc., that relate to the allocation of costs to the Electric Department.

5. With reference to Exhibit 4, page 8, of the application, provide the following information:

a. Documentation of the \$32,175 incurred for underwriters fees.

b. Documentation of the \$5,863 incurred for bond counsel fees.

c. Explain why Berea proposes that the full amount be amortized over 10 years, whereas the term of a portion of the bonds is only 5 years.

6. With reference to Exhibit 4, page 11, of the application, adjustment to amortize legal fees, provide the following information:

a. Reference the FERC case number of each case involved and provide the costs applicable to each case.

b. Briefly explain the efforts and results of Berea's intervention in these cases.

c. If Berea intervened in collaboration with other parties, identify those parties and explain how common expenses were shared among them.

7. With reference to the response to the Commission's Information Request No. 1, Item No. 4, please provide a complete copy of the auditor's report for the year ending June 30, 1987.

8. With reference to the response to the Commission's Information Request No. 1, Item No. 10, explain the circumstances that resulted in the increase in the balance of the following two accounts:

a. F40-64 - Poles, Towers and Fixtures.

b. F40-65 - Overhead Conductors and Devices.

9. With reference to the response to the Commission's Information Request No. 1, Item No. 9:

a. State Berea's position regarding the inclusion of the non-recurring \$2,876 of costs associated with Case No. 9397.¹ If Berea believes these costs should be included, explain the

¹ Berea College Electric Utility Department Metering Practices, Final Ordered dated July 2, 1986.

rational for including a non-recurring cost in test year operations.

b. Elaborate on the services provided by Moody Investors related to the \$2,438 expenditure (Receiving Form 72).

10. With reference to Exhibit 4, page 4 of 13, of the application, revenue normalization adjustment, provide the following information:

a. Provide the calculations of the \$12,104 in refunds.

b. State the date(s) that the refunds were made.

c. Explain the circumstances that resulted in the March 1987 check returned from Gibson Greeting Card Company and provide a complete chronology of this transaction.

d. Explain how the refunds were accounted for on the books of Berea. Include within this explanation all applicable journal entries.

11. With reference to paragraph 4 of the application, wherein Berea states that it has expended \$955,376 for capital expenditures since its last general rate case, provide an itemized listing of all construction projects costing in excess of \$10,000 since Berea's last general rate case. Also, cite the Commission's Order approving such construction where applicable.

12. With reference to Exhibit 1, page 1, paragraph 5, of the application, June 30, 1987, Bond Issue, provide the following information:

a. Cite the case number in which the Commission approved the Bond Issue of June 30, 1987. If Commission approval

of this bond issue was not obtained, explain why such approval was not obtained.

b. Provide a copy of the loan documents associated with this bond issue.

13. With reference to the response to the Commission's Information Request No. 1, Item No. 11, for each of the following accounts, please provide a complete explanation of the circumstances that resulted in the increase or decrease in the test-year expense level, relative to the level incurred in the 12-month period immediately preceding the test year. Also, state the amount incurred for each of these expenses for the years 1982-1987, inclusive.

<u>Account No.</u>	<u>Account Title</u>
U10-37	Service Labor
U10-41	Student Payroll
U10-44	Fringe Benefits
U10-49	Equipment Operating Expense
U10-51	Repairs
U10-55	Sundry
U10-60	Consultant Service
U10-80	Administrative

14. With reference to Exhibit 4, page 12, of the application, provide the following information:

a. Explain the method used that resulted in the \$48,138 charged for administrative expense during the test year. Include the calculations, workpapers, etc., that support the derivation of this charge.

b. Explain why Berea believes the ratio of administrative expenses to total expenses should be expected to be the same for the Electric Department as for the College.

c. Explain the changes in facts and circumstances that corroborates the position that administrative and general expense allocable to Berea should increase by 77 percent above the level recorded in the test year.

d. Provide any evidence Berea deems appropriate that 14.2 percent ($\$86,210/\$606,347$) of the shared administrative expenses are expenses that relate to the Electric Department.

e. Define "Shared Administrative Expenses" as used by Berea. Explain the criteria used to classify expenses, as such, and state the amount of total administrative expenses incurred by the College.

f. Identify all departments/entities among which the shared administrative expenses are shared and provide the percentage allocated to each.

g. Provide the calculations showing the derivation of the allocation rate, based on operations for 1983-1987.

15. With reference to the response to the Commission's Information Request No. 2, Item No. 2(a), page 1, Account No. 904, Uncollectible Accounts, explain the facts and circumstances which resulted in the increase from \$3,623 to \$15,453 in uncollectible accounts expense.

16. With reference to the response to the Commission's Information Request No. 2, Item No. 2(b), page 1, explain the facts and circumstances that resulted in the elimination of all deferred income taxes during the test year.

17. Provide the following information related to any mutual resources and expenses shared by Berea and Berea College Water Utility Department:

a. Identify all employees (by employee number) that perform duties for both electric and water operations. Also, state how these employees' wages and salaries are allocated between the two departments.

b. Identify all assets benefiting both electric and water departments. Also, explain how depreciation, maintenance, etc., expenses are allocated between the two departments.

c. Identify all other expenses that are allocated exclusively between the water and electric departments. Also, explain how each expense is allocated between the two departments.

18. Furnish a copy of the "Utility Standard Rules and Regulations" which is referred to in the tariffs.

19. There is no provision for invoking a penalty for Low Power Factor in any of the tariffs. Is there some reason for this? If so, please elaborate on it.

20. Regarding Exhibit 2B, page 8, of the application, why is this tariff limited to customers with usage of 25,000 kilowatts (kilowatt-hours) per month?

21. Should not "kilowatts" be "kilowatt-hours" in the availability of service?

22. With reference to the response to the Commission's Information Request No. 1, Item No. 11, page 2, please explain the increase in expenses for PCB transformer disposal which went from

\$27 to \$9,457 during the test year. Furnish detailed information such as:

- a. Number of transformers serviced.
- b. Methods used to service the transformers.
- c. Use of in-house or contractor labor, etc.
- d. Provide a description of Berea's previous activity in PCB transformer disposal.
- e. Furnish any existing formal plans for PCB transformer disposal. If no such formal plans exist, state Berea's intended plans.

23. With reference to Exhibit 4, page 9, of the application, are there any changes in the depreciation rates shown here from previously used rates?

24. Has the 25 percent depreciation rate for transportation equipment been supported by experience?

25. On a month-by-month basis, provide Berea's purchased power expense showing billing units, energy and demand rates and any adjustments reflected in the test year expense of \$3,250,018.

26. a. Provide the current (reduced) rates of Kentucky Utilities Company ("KU") reflecting the impact of the Tax Reform Act of 1986 along with a calculation of Berea's normalized purchased power expense based on the reduced rates.

b. Provide copies of the rate reduction notice received from KU and a detailed description of how Berea plans to implement the rate reduction for its customers.

c. Provide specific proposals regarding treatment of this issue within the context of this case.

27. For proposed rate classes 3, 4 and 5, explain the insertion of the word "qualifying" in the (a) paragraphs which identify the customers for which the tariff is applicable.

28. a. In the testimony of Mr. Donald Bewley, in the response to Question No. 17, the rationale is given for the proposed residential rate design. Although a continuation of the current declining block rate structure is proposed, explain why the spread between rate blocks is being reduced.

b. Explain why, for the first and second residential rate blocks (first 200 KWH and next 300 KWH), a reduction in rates is proposed.

29. Explain the reason for allocating the full increase in proposed rate classes 3, 4 and 5 to the KWH energy charge.

30. In the testimony of Mr. Bewley, in the response to Question No. 23, reference is made to the Order in Case No. 9397² in connection with the 5 and 2 percent discounts reflected in the proposed class 4 and class 5 rates. Provide the date of the referenced Order and cite the specific language dealing with these discounts.

31. a. For the test year, provide the amount of revenue generated through late payment penalties.

b. Provide an estimate of the effect that the proposed increase would have on the amount of revenue generated through late payment penalties. Include supporting calculations.

² Ibid.

Done at Frankfort, Kentucky, this 11th day of January, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Heman, Jr.
For the Commission

ATTEST:

Executive Director