

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 February 16, 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. 4

1. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 3, page 1, please provide the following information:

a. State whether Berea considers it appropriate to include for rate-making purposes provisions to compensate Mr.

Bewley as both a consultant (i.e., amortization of rate case expense) and as an employee (i.e., salary and benefits). If so, explain why.

b. State the amount that test year salaries and benefits would have increased had Mr. Bewley been actively employed for the entire period.

c. State the amount by which total rate case consulting expense would be reduced if Mr. Bewley had been actively employed and thus available to perform his services as a paid in-house employee.

d. State the amount by which Berea's proposed wages and salaries adjustment would decrease if Mr. Bewley's salary were excluded.

2. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 9, please provide the following information:

a. Provide any evidence Berea deems appropriate that demonstrates that it is historically correct that inclusion of the nonrecurring costs associated with Case No. 9397, Berea College Electric Utility Department Metering Practices, serve to represent a part of the normal level of professional services that are required on an ongoing basis in the operation of the utility. Also provide the amounts of rate case expense charged to operations during the years 1982-1986.

b. State the total amount billed by Moody Investors to rate the \$6,000,000 Bond Issue. Of the amount billed, state the percent charged to electric operations and the basis for this.

Also, state why this amount was not charged to deferred debt finance expense.

3. With reference to the wages and salaries adjustment, please provide the following information:

a. With reference to the response to the Commission's Information Request No. 2, Item No. 1, page 2, explain and provide the workpapers showing how the \$4,800 amount for overtime was derived.

b. With reference to the response to the Commission's Information Request No. 2, Item No. 1, page 2, explain how the \$2,000 amount for student compensation was arrived at and elaborate on why this adjustment is necessary.

c. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 1(d), elaborate on the additions and subtractions to the work force occurring during the test year. Explain the effect on wages and salaries resulting from this. Also, explain how these additions and subtractions are reflected in the analysis provided on page 2 of the response to Item No. 1 of the Commission's Information Request No. 3.

d. With reference to the response to the Commission's Information Request No. 1, Item No. 6, state whether Berea considers the test year ratio of wages and salaries expensed to total wages and salaries ($\$143,029 \div \$192,857 = 74.16324\%$) to be within the normal range. If not, explain why and state the ratio Berea believes to be more normal.

e. With reference to the response to the Commission's Information Request No. 1, Item No. 6, state whether Berea considers the test year ratio of overtime wages and salaries to total wages and salaries excluding overtime ($\$5,846 \div [\$192,857 - \$5,846] = 3.126\%$) to be within the normal range. If not, explain why and state the ratio Berea believes to be more normal.

f. With reference to Notice, Exhibit 4, page 6, explain why a portion of the total increase in wages and salaries was not allocated to capitalized wages and salaries.

g. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 1(f), this analysis reflects total average compounded wage increases of 35.07 percent since July 1982. The CPI-U Index increased by only 16.63 percent during this same period (CPI-U, 7/82 = 292.2; CPI-U, 7/87 = 340.8). State whether Berea believes its level of wages and salaries increases during this period is appropriate relative to the CPI-U Index. If yes, explain why.

4. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 16, please provide the following information:

a. Provide the journal entries related to the distribution of the deferred taxes to the utility's capital account.

b. State and explain Berea's position regarding the appropriateness of flowing the deferred income taxes back to the ratepayers.

c. State and explain the potential ramifications if Berea were required to flow these deferred taxes back to its customers.

d. If Berea were required to flow back these deferred taxes, state the time period over which Berea believes this would be appropriate.

5. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 14, please provide the following information:

a. Provide a legible copy of page 7 of that response.

b. Explain why the allocation to the Electric Utility Department was subjectively reduced to 122 percent of the amount allocated to water.

c. State and provide the workpapers showing what the test year charge would have been if the subjective allocation had not been used; i.e., if the normal method of allocation had been used to determine the amount of expense to be allocated to electric operations.

6. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 15, please provide the following information:

a. State whether the period associated with the uncollectible expense amount of \$5,977 should actually be the 12-month period ending June 30, 1987.

b. Provide the uncollectible accounts expense expressed as a percentage of sales for the periods listed in this response.

c. As an alternative to using the unusually high test year amount of uncollectible accounts expense, state and show the calculation of what Berea believes would be a reasonable and appropriate average based upon the historical record reflected in that response.

7. In the same format shown in Exhibit 10, page 1 of 9, of the application, provide a customer bill analysis which flows through to customers the decrease of \$161,526 in wholesale power costs from Kentucky Utilities Company ("KU"), both before and after the requested increase of \$208,377.

8. a. In the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 26, pages 2-4, Berea explained its proposal for handling the rate reduction and refund necessitated by the wholesale rate reduction from KU. Why has Berea chosen a procedure that will require refund calculations for up to 6 months and does not reflect an actual reduction of rates until June 1988?

b. What consideration has Berea given to a procedure to reduce rates immediately based on its current wholesale power cost and make refunds only for the overcharges that have occurred from July 1987 to the present?

c. What consideration has been given to spreading any refund over a longer period of time, such as the 4-month time period specified in Article V, Section .06 of Berea's tariffs? In particular, has consideration been given to cash flow problems or customers' equity in cases where usage during the 1 month would be lower or higher than normal?

d. Provide clarification of whether Berea intends to include its wholesale power costs reduction as an issue in this case and whether it expects the final Order in this case to reflect its current wholesale power cost.

9. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 8(a) and (b), please give a brief description of the justification for constructing the three-phase 795 MCM primary circuit from substation number one to Prospect Street.

10. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 11, please give a brief description of the justification for the capital expenditures for construction projects noted here except for construction performed on work orders E85-302 and E86-076.

11. With reference to the response to the Commission's Information Request No. 3, dated January 11, 1988, Item No. 22, PCB Disposal, please explain why the contractor charged \$8,010 for 9 transformers on October 21, 1986, and only \$3,520 for 16 transformers on October 7, 1987.

Done at Frankfort, Kentucky, this 2nd day of February, 1988.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director