

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF HENDERSON-UNION RURAL )  
ELECTRIC COOPERATIVE CORPORATION )  
THAT ON AUGUST 1, 1988, OR AT SUCH )  
TIME AS BIG RIVERS ELECTRIC )  
CORPORATION'S RATE INCREASE BECOMES )  
EFFECTIVE IT WILL ADJUST AND ) CASE NO. 10276  
INCREASE ITS RATES TO FLOW THROUGH )  
THE INCREASED WHOLESALE CHARGES OF )  
BIG RIVERS ELECTRIC CORPORATION )  
SOUGHT IN PUBLIC SERVICE COMMISSION )  
CASE NO. 10265 )

O R D E R

IT IS ORDERED that Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. 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. 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. 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. When applicable, the information requested herein should

be provided for total company operations and jurisdictional operations separately. The information requested herein is due no later than August 29, 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 a motion will be considered by the Commission.

Information Request No. 1

1. Provide an updated version of Exhibit B, Long Term Debt, as of May 31, 1988. Include the interest rates in effect as of May 31, 1988. For any draw downs of unadvanced loan funds which occurred between test-year-end and May 31, 1988, provide the same information as shown in Exhibit B, but list the draw down separate from the other long term debt.

Questions 2 through 11 relate to information identified as Exhibit K.

2. With reference to the labor adjustment, page 5 of 33, provide the following information.

a. The actual regular hours worked by each employee during the test year.

b. The actual overtime hours worked by each employee during the test year.

c. The test year-end wage rate for each employee and date of last increase.

d. The January 1, 1988 wage rate for each employee.

e. A calculation of the percent of increase granted during the test year for each employee.

f. The total actual overtime hours worked for each year during the period 1982 through 1986.

3. With reference to the overtime wages shown on page 6 of 33, indicate whether the \$237,698 in overtime wages were included in the total salaries and wages of \$2,114,500. If the overtime wages were included, explain why the payroll adjustment should include a four percent increase in overtime wages.

4. With reference to the depreciation adjustment, page 8 of 33, indicate whether the existing depreciation rates were in effect for the entire test year. For any depreciation rate which did change, provide the previous rate in effect and why the rate changed.

5. With reference to the property tax adjustment, page 12 of 33, provide the following information:

a. The 1988 and 1987 tax year assessments, as determined by the Kentucky Revenue Cabinet which are based upon the plant in service as of December 31, 1987 and December 31, 1986, respectively. Include a copy of the Notice of Assessment for each year.

b. The 1987 and 1988 Certification of Public Service Company Property Assessment (Form 61A-200J) for each county.

c. The 1987 and 1988 Real Estate and Tangible Personal Property tax rates for each taxing district.

d. The actual tax bills which equal the test year amount of \$156,366.

e. An explanation of why this adjustment should not be calculated by applying the 1988 tax rate to the 1988 certified

assessment and comparing that to the results of a similar calculation using the 1987 tax rate and the 1987 certified assessment.

f. An explanation of why this adjustment has been calculated using the utility's book balance and a composite tax rate derived from the test year tax bills.

6. With reference to the general insurance adjustment, pages 13 through 15 of 33, provide copies of the insurance premium billings for the period July 1, 1986-87 and July 1, 1987-88. Explain the coverage provided under each policy and the fluctuation in the cost for each policy. Also, explain the methodology used to make the cost allocation to construction work in progress, including supporting calculations.

7. With reference to the general insurance adjustment, provide the following information:

a. Indicate if either the 1986-87 or 1987-88 policies were secured through competitive bidding.

b. Indicate if the various coverages were bid as a total package or separately.

c. Indicate how many companies or carriers submitted bids for Henderson-Union's insurance coverage.

d. Provide copies of any bid tabulations or written evaluation of the submitted bids.

8. With reference to the allowance for uncollectible accounts adjustment, page 19 of 33, provide the following information:

a. Reconcile the net test year write-off of \$54,990 to the amount in the 1987 Annual Report in Account 904, Uncollectible Accounts.

b. Explain why the allowance for uncollectible accounts would increase proportionately with the amount of increase in residential rates charged.

c. Provide the methodology currently used in calculating the allowance for uncollectible accounts.

9. With reference to the public service company assessment adjustment, page 21 of 33, provide a copy of the test year actual assessment for \$51,637. Also, explain how the rate of .001214 was calculated.

10. With reference to the cooperative usage adjustment, page 22 of 33, provide the following information:

a. Provide the calculations which support the proposed power cost of \$16,922,280.

b. Identify the industrial customers excluded from the KWH purchases.

c. Provide the actual cooperative usage for 1985 and 1986. Identify and explain the reasons for changes between 1985-86 and 1986-87.

11. With reference to the normalization of purchase power, page 29 of 33, provide the following information:

a. Provide a copy of the February 15, 1988 out-of-court settlement agreement.

b. Indicate the status of the \$2,962,500 escrowed amount.

12. Provide an analysis of Account 930, Miscellaneous General Expenses, for the test period. This should include a complete breakdown of this account as shown in attached Format 1, and also provide all detailed workpapers supporting this analysis. At minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and a brief description of each expenditure. Detailed analysis is not required for amounts of less than \$100 provided the items are grouped by classes as shown in Format 1 attached.

13. Provide a detailed analysis of contributions for charitable and political purposes (in cash or services). This analysis should indicate the amount of the expenditure, the recipient of the contribution, and the specific account charged.

14. Provide a detailed analysis of advertising expenditures during the test period. This analysis should include a breakdown of Account No. 913, Advertising Expenses, as shown in Format 2 attached, and should also show any advertising expenditures included in other expense accounts. This analysis should be specific as to the purpose and expected benefit of each expenditure.

15. Provide a copy of the most recent publication of the Borrower Statistical Profile for the utility published by the Rural Electrification Administration ("REA"). Include a detailed narrative explanation of any action taken by the utility's management, its Board of Directors or REA, based on the results of this data.

16. Provide a copy of the current by-laws.

17. Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in attached Format 4, and all detailed workpapers supporting the analysis. At minimum, the workpapers should show the payee, dollar amount, reference (i.e., voucher no., etc.), account charged, hourly rates and time charged to the utility according to each invoice, and a brief description of the service provided. Identify all rate case work by case number.

18. Provide the date and time of the most recent annual members' meeting. Provide the number of members in attendance, the number of members voting for new board members, the number of new board members elected, and general description of the meeting's activities.

19. Provide a schedule, showing a comparison of the balances in each operating expense account, for the test year to the preceding year for each account or subaccount in the utility's chart of accounts. If the comparison reveals an increase or decrease of 20 percent or more in an account, provide a schedule showing a comparison of the charges for each month of the test year to the same month of the preceding year for these accounts or subaccounts. See Format 5.

20. Provide the name and address of each member of the utility's Board of Directors, along with his or her personal mailing address. If, during the course of these proceedings, any changes occur in board membership, provide an update to this request.

21. Provide a detailed analysis of the total compensation paid to each member of the board of directors during the test period including all fees, fringe benefits, and expenses, with a description of the type of meetings, seminars, etc., attended by each member.

22. Provide a detailed analysis of all benefits provided to the utility's employees, including the itemized cost of each benefit and the average annual cost of benefits per employee.

23. On Exhibit L, Page 1, please provide detailed computation and explain the method used to arrive at the increases to the energy charge for Schedule A, Schedule B, and Schedule B-1.

24. Refer to Exhibit M. How is the proposed increase in revenue allocated to Schedule A, Schedule B, and Schedule B-1? Why is there no proposed increase to Schedule PSHL and Schedule D?

25. Does the energy charge added to Schedule A, Schedule B, and Schedule B-1 on Exhibit L, Page 1, take into account any consideration for line loss?

26. Refer to Exhibit K, Page 31. Provide detailed support or explanation of the source used to arrive at the normalized and proposed purchased power cost of \$108,576,888 and \$91,491,434, respectively. Provide the same for normalized revenue of \$108,844,550 and proposed revenue of \$91,759,096 on Exhibit N, Page 13.



Done at Frankfort, Kentucky, this 12th day of August, 1988.

PUBLIC SERVICE COMMISSION

*Richard D. Henning*  
For the Commission

ATTEST:

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Executive Director

HENDERSON-UNION RURAL ELECTRIC  
COOPERATIVE CORPORATION

Case No. 10276

ACCOUNT 930 - MISCELLANEOUS EXPENSES

For the 12 Months Ended December 31, 1987

| <u>Line<br/>No.</u> | <u>Item<br/>(a)</u>                   | <u>Amount<br/>(b)</u> |
|---------------------|---------------------------------------|-----------------------|
| 1.                  | Industry Association Dues             |                       |
| 2.                  | Institutional Advertising             |                       |
| 3.                  | Conservation Advertising              |                       |
| 4.                  | Rate Department Load Studies          |                       |
| 5.                  | Water, and Other Testing and Research |                       |
| 6.                  | Directors' Fees and Expenses          |                       |
| 7.                  | Dues and Subscriptions                |                       |
| 8.                  | Miscellaneous                         |                       |
| 9.                  | Total                                 |                       |

**HENDERSON-UNION RURAL ELECTRIC  
COOPERATIVE CORPORATION**

Case No. 10276

ACCOUNT 913 - ADVERTISING EXPENSE

For the 12 Months Ended December 31, 1987

(Total Company)

| <u>Line</u><br><u>No.</u> | <u>Item</u>                      | <u>Sales or</u><br><u>Promotional</u><br><u>Advertising</u> | <u>Institutional</u><br><u>Advertising</u> | <u>Conservation</u><br><u>Advertising</u> | <u>Rate</u><br><u>Case</u> | <u>Other</u> | <u>Total</u> |
|---------------------------|----------------------------------|---|--|---|----------------------------|--------------|--------------|
|                           | (a)                              | (b)   | (c)  | (d)                                       | (e)                        | (f)          | (g)          |
| 1.                        | Newspaper                        |   |  |   |                            |              |              |
| 2.                        | Magazines and Other              |   |  |   |                            |              |              |
| 3.                        | Television                       |   |  |   |                            |              |              |
| 4.                        | Radio                            |   |  |   |                            |              |              |
| 5.                        | Direct Mail                      |   |  |   |                            |              |              |
| 6.                        | Sales Aids                       |   |  |   |                            |              |              |
| 7.                        | Total                            |   |  |   |                            |              |              |
| 8.                        | Amount Assigned to<br>Ky. Retail |   |  |   |                            |              |              |

**HENDERSON-UNION RURAL ELECTRIC  
COOPERATIVE CORPORATION**

Case No. 10276

**Professional Service Expenses**

For the 12 Months Ended December 31, 1987

| <u>Line<br/>No.</u> | <u>Item</u> | <u>Rate Case</u> | <u>Annual Audit</u> | <u>Other</u> | <u>Total</u> |
|---------------------|-------------|------------------|---------------------|--------------|--------------|
| 1.                  | Legal       |                  |                     |              |              |
| 2.                  | Engineering |                  |                     |              |              |
| 3.                  | Accounting  |                  |                     |              |              |
| 4.                  | Other       |                  |                     |              |              |
| 5.                  | Total       |                  |                     |              |              |

