

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) CASE NO. 10277
THROUGH A WHOLESALE RATE INCREASE)
FILED BEFORE THE KENTUCKY PUBLIC)
SERVICE COMMISSION BY BIG RIVERS)
ELECTRIC CORPORATION, DOCKET NO.)
10265)

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. 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 juris-

dictional 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 motion will be considered by the Commission.

Information Request No. 2

1. With reference to the postage expense adjustment, Exhibit 6, page 3 of the application, provide the following information:

a. The calculations for the number of items mailed for each type of mailing.

b. Identify what correspondence is included in each type of mailing listed.

c. For each type of mailing, indicate how often a mailing is done.

2. With reference to the NRECA and KAEC dues adjustment, Exhibit 6, page 3 of the application, provide the actual invoices for the test year and 1988 dues payments. Provide any other documents necessary to arrive at the test year and 1988 expense.

3. With reference to the insurance adjustment, Exhibit 6, page 4 of the application, provide the following information:

a. For each type of coverage listed, indicate when the last competitive bids were taken for the policy, how many companies or carriers submitted bids, and provide copies of any bid tabulations or written evaluations of the submitted bids.

b. Copies of the insurance premium billings for the period June 1, 1986-87 and June 1, 1987-88.

c. Explain the coverage provided under each policy.

d. Explain the fluctuations in the cost for each policy.

e. Explain the methodology, along with supporting calculations, used to make the cost allocations to Workers' Compensation and transportation.

4. With reference to the payroll adjustments, Exhibit 6, pages 4 and 5 of the application, provide the following information:

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

b. The actual overtime hours 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. Indicate the amount of overtime wages included in the \$840,250 and \$1,059,327 payrolls used to calculate the adjustments. If the overtime wages were included, explain why the payroll adjustment should include a percentage increase in overtime wages.

g. The calculations used to arrive at the figure of \$2,010,460 for total payroll subject to FICA, as shown on page 5.

5. Provide the interest rates in effect for each month of 1988 for the Louisville Bank of Cooperatives and National Rural Utilities Cooperative Finance Corporation notes listed in Exhibit 3, page 2 of the application.

6. With reference to the Commission's First Information Request, Item No. 2, page 4 of 27, provide the following information:

a. Explain the nature of the \$1,500 industrial development contribution and what Jackson Purchase proposes as the appropriate rate-making treatment for this transaction.

b. Explain why membership dues were paid to the Carlisle County Chamber of Commerce twice in the test year.

7. With reference to the Commission's First Information Request, Item No. 2, pages 6 through 15 of 27, provide the following information:

a. A copy of the policies of the cooperative specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

b. An explanation of the categories "On System" and "Off System" meetings, including why such categories are used, who decides a director's classification as "On" or "Off", and the effect the classification has on fees and other compensations.

c. A breakdown of the payments listed as "Board Fees" and "Board Expenses" on pages 6 through 15 into the categories of

Regular Board Meetings, Special Board Meetings, and Committee Meetings.

d. Explain the nature of the payments classified as "Other Meeting Fees" and how the amounts are determined.

e. Indicate when John Myers was appointed to the Board and why there were no test-year Board Fees or Board Expenses paid to him.

f. Any basis for the large increase in this cost in the past 3 years.

8. With reference to the Commission's First Information Request, Item No. 2, pages 17 through 19 of 27, provide the following information:

a. Explain the nature of the \$1,000 contribution for economic development to Action, Inc. and what Jackson Purchase proposes as the appropriate rate-making treatment for this transaction.

b. Explain the nature of the charges of KAEC of \$5,560.81 contained in annual meeting expenses and what Jackson Purchase proposes as the appropriate rate-making treatment for this transaction.

9. With reference to the Commission's First Information Request, Item No. 2, page 21 of 27, provide the following information:

a. Explain the purpose of the newsletter.

b. Identify the total test-year postage costs to mail the newsletter.

c. Indicate if this newsletter is the same item referred to in Exhibit 6, page 3 as employee newsletters.

d. Explain what Jackson Purchase proposes as the appropriate rate-making treatment for this transaction. In the response to Item No. 2, page 20 of 27, these expenses were classified as institutional advertising. Such advertising is disallowed for rate-making purposes, as outlined in 807 KAR 5:076, Section 4,(1)(c).

10. With reference to the Commission's First Information Request, Item No. 2, page 23 of 27, provide the following information:

a. The completion date of the depreciation study.

b. The reason for the \$7,000 correcting entry to the accrued expense.

11. With reference to the Commission's First Information Request, Item No. 2, pages 24 and 26 of 27, explain why Jackson Purchase has not proposed to amortize these costs over a set period of time instead of expensing the total costs in the test year.

12. With reference to the Commission's First Information Request, Item No. 4, page 4 of 17, explain why the temporary investments account balance showed an increase of \$2,553,834 at the end of the test year over the previous year.

13. With reference to the Commission's First Information Request, Item No. 5, page 1 through 3 of 3, provide the following information:

a. On page 1 of 3, indicate where the \$13,462.42 of payments to KAEC would be incorporated on that schedule.

b. Explain the nature of advertising provided by the payments to KAEC.

c. Explain why payments to KAEC should be included as advertising expenses and indicate the benefits derived from this advertising.

14. With reference to the Commission's First Information Request, Item No. 5, pages 2 and 3 of 3, provide the following information:

a. An example of a safety advertisement with the West Kentucky Home Builders published during the test year.

b. The text of a representative example of a safety advertisement, an informational advertisement, and a conservation advertisement which was aired on radio and/or television during the test year.

c. For each type of advertising purchased during the test year, describe the benefits derived from the advertising.

15. With reference to the Commission's First Information Request, Item No. 6, page 1 of 8, indicate what actions were authorized or taken concerning the review of the high and low flags identified in the Borrower Statistical Profile.

16. With reference to the Commission's First Information Request, Item No. 7, page 2 of 2, provide the following information:

a. Indicate if the total overtime pay on line 14 is included in the total salaries and wages on line 11.

b. Explain why overtime pay increased 22 percent in the test year over 1986.

c. The actual overtime hours for each year shown on page 2 of 2 and the percent change in hours.

17. With reference to the Commission's First Information Request, Item No. 11, page 2 of 3, provide the following information:

a. Explain the nature of the services provided by Goheen, Garrett and McCann which have been identified as "Legal General."

b. Identify any unusual or special situations which would have caused the "Legal General" expenses to total \$12,576.66.

c. Identify the nature of the services provided by Central Associated Engineers which have been identified as "Long Range Plan."

18. With reference to the Commission's First Information Request, Item No. 13, page 1 of 1, explain why the balance in Account No. 373, Leased Property on Customer's Premises, increased by \$18,081 during the test year.

19. With reference to the Commission's First Information Request, Item No. 16, pages 1 through 12 of 12, explain the reasons for the increases or decreases in account totals for the following accounts:

a. Page 1 of 12, Account 580.000, Operation Supervision and Engineering.

- b. Page 1 of 12, Account 581.000, Load Dispatching Expense.
- c. Page 1 of 12, Account 583.100, Overhead Line Expense - PCB Test and Inspect.
- d. Page 2 of 12, Account 586.100, Meter Expense - Routine Connect and Disconnect.
- e. Page 3 of 12, Account 588.100, Miscellaneous Distribution Expenses - Office Supplies.
- f. Page 3 of 12, Account 590.000, Maintenance Supervision and Engineering.
- g. Page 4 of 12, Account 593.300, Maintenance of Overhead Lines - Tree Trimming.
- h. Page 4 of 12, Account 594.000, Maintenance of Underground Lines.
- i. Page 4 of 12, Account 598.000, Maintenance of Miscellaneous Distribution Plant.
- j. Page 6 of 12, Account 904.000, Uncollectible Accounts Expense.
- k. Page 8 of 12, Account 921.000, Office Supplies and Expenses.
- l. Page 8 of 12, Account 925.000, Injuries and Damages.
- m. Page 11 of 12, Account 932.000, Maintenance of General Plant.
- n. Page 11 of 12, Account 932.400, Maintenance of General Plant - Office and Grounds.

20. With reference to the Commission's First Information Request, Item No. 21, provide the following information:

a. An explanation of why the sick leave average annual cost per employee is \$498 higher than the test-year actual average cost per employee.

b. Explain what happened to cause a moratorium on the payment to NRECA for retirement benefits. Describe all circumstances as Jackson Purchase understands the situation.

c. Describe how Jackson Purchase accounted for payments for the NRECA retirement benefit before the moratorium went in effect.

d. Explain how FASB No. 87 has affected Jackson Purchase's accounting of retirement benefits.

e. Explain how Jackson Purchase is accounting for NRECA retirement benefit payments during the moratorium.

f. Indicate what will happen to retirement payments when the moratorium is ended. Include any estimate of when the moratorium will be ending.

g. Explain why Jackson Purchase has proposed a \$34,178 adjustment to the test year for 6 months of payments not booked due to the moratorium. (See Exhibit 6, page 5, of the application.)

21. With reference to the Commission's First Information Request, Item No. 16, page 10 of 12 and Item No. 22, page 1 of 2, concerning rate case costs, provide the following information:

a. The analysis of Account No. 930.257, Wholesale Flow-Thru Rate Case - 9614, included in Item No. 16 shows \$26,448

was spent in 1986 and \$16,342 was spent in the test year, for a total of \$42,790. Explain why the cost of the flow-through case was at this level.

b. Explain why the analysis in Item No. 16 does not include an account for expenses associated with Case No. 9975, An Investigation of Jackson Purchase Electric Cooperative Corporation's Rates for Distribution Electric Service, the most recent flow-through case.

c. Indicate what analysis or assumptions were used to arrive at the total costs of the current rate case.

22. Provide an explanation of Jackson Purchase's policy on rotation of patronage capital. Include the following areas in the discussion:

a. Use of an equity management plan in determining revenue requirements in this case.

b. Payouts to deceased patrons.

c. Last date of general retirements.

d. Prospective date of future general retirements.

e. The reason special and general retirements have not been made in recent years.

Done at Frankfort, Kentucky, this 16th day of August, 1988.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director