

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CLARK RURAL ELECTRIC)
COOPERATIVE CORPORATION TO ADJUST) CASE NO. 92-219
ELECTRIC RATES)

O R D E R

IT IS ORDERED that Clark Rural Electric Cooperative Corporation ("Clark") shall file an original and 12 copies of the following information with the 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 ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than August 26, 1992.

1. Exhibit D of the Application is a schedule of long-term debt as of test-year end. Included on page 2 of 2 of that exhibit is an amount for past service pension costs with the National Rural Electric Cooperative Association ("NRECA"). Provide the following information concerning this past service pension cost:

a. Describe the nature of this pension cost. Include an explanation of the circumstances which gave rise to this cost.

b. Explain in detail why Clark has classified this cost as long-term debt. Include the maturity date of this debt, the stated and effective interest rates for the debt, and the repayment schedule.

2. Exhibit M of the Application contains Clark's Equity Management Plan, which was adopted on April 24, 1992. Provide the following information concerning the equity management plan:

a. Supply a copy of the equity management plan in effect during the test year. If a plan did not exist prior to April 1992, explain why Clark had not adopted an equity management plan previously.

b. Indicate whether the Rural Electrification Administration ("REA") and the National Rural Utilities Cooperative Finance Corporation ("CFC") have approved or agreed to the equity management plan.

c. Explain in detail why Clark has chosen to retire capital credits using a hybrid first-in/first-out, last-in/last-out method of rotation on a 50-50 basis. Include with this explanation a description of Clark's research on retirement methods and copies of any studies or analyses performed by or for Clark which support the use of this methodology.

d. Explain in detail why Clark has chosen to make retirements to estates using a discounted basis. Include with this explanation a description of Clark's research on the retirements to

deceased members' estates and copies of any studies or analyses performed by or for Clark which support the use of this basis.

e. Explain in detail why, when defining Modified Cash TIER, Clark excluded both the generation and transmission capital credits and other associated organization capital credits.

f. Explain what "retirements actually received" in the calculation of the Modified Cash TIER refers to.

g. Explain how Clark intends to handle the situation where a member has a past-due balance with the cooperative, but is due a retirement of capital credits.

3. Provide the following information concerning member and associated organization capital credits:

a. The outstanding balance of capital credits assigned to Clark by associated organizations as of test-year end, showing each organization separately. Include the amount of capital credits assigned from each organization for the last five calendar years.

b. The amount of capital credits paid in cash by associated organizations to Clark during the test year and the four previous calendar years. Show each organization separately.

c. The balance of member capital credits as of test-year end. Indicate the date of the last general retirement of member capital credits.

d. The amount of member capital credits paid to deceased members' estates during the test year.

4. Concerning Clark's equity management plan, provide the following information:

a. Explain in detail why the plan does not specify or adopt a "target" or "optimum" equity level.

b. Explain in detail why the plan does not establish a planning horizon to be used to achieve the desired equity level.

5. Exhibit N of the Application deals with Clark's proposal for TIER indexing. Provide the following information concerning Clark's proposal:

a. Indicate whether Clark intends to prefile testimony, in addition to the material contained in Exhibit N, in support of the proposal for TIER indexing. If Clark plans to prefile such testimony, it should be filed by the response date of this Order.

b. Identify the witness(es) who are sponsoring Exhibit N.

c. Question 3 in Exhibit N states how Clark proposes to define TIER. Indicate whether this is the same definition used for "Modified Cash TIER" as stated in Exhibit M.

6. Included in the discussion in Exhibit N are references to a "Michigan plan". Provide the following information concerning the "Michigan plan":

a. Submit copies of the complete plan. If not available, prepare a detailed explanation of this plan.

b. Indicate whether the Michigan plan represents a regulatory policy, an administrative regulation, or a Michigan statute.

c. Describe the circumstances which lead to the development and implementation of the Michigan plan. Include a discussion of any limits or restrictions on the application of the plan in Michigan currently.

d. Supply copies of any studies or analyses performed for or by Clark which lead Clark to propose TIER indexing in this proceeding.

e. On page 2 of 3 in Exhibit N, Clark states that "[i]t does appear that there are possible flaws in the method being used" in the Michigan plan. Explain in detail what the perceived flaws are and why they are a concern.

f. Explain in detail why Clark believes it is necessary to multiply the revenue increase needed to achieve the specified TIER level by the growth in four specific expense accounts.

g. Explain in detail why each of the four expense accounts was selected to be part of the adjustment factor: Depreciation and Amortization Expense, Property Tax Expense, Interest on Long-Term Debt, and Other Interest Expense.

7. Concerning the proposed TIER indexing plan, provide a detailed explanation of the incentives included in the proposal to control or contain the growth of operation and maintenance expenses.

8. On page 3 of 3 of Exhibit N, Clark discusses the benefits of TIER indexing. Provide copies of any studies or analyses which support the conclusion that these benefits would result from the

adoption of TIER indexing. Also, provide the following information concerning these benefits:

a. Explain in detail how less frequent filings of rate cases would result in lower operating costs.

b. Explain in detail why Clark would be less reluctant to take advantage of variable interest rates on long-term debt under TIER indexing.

c. Explain whether Clark has been reluctant to take advantage of variable interest rates on its long-term debt. Include the reason(s) for such reluctance by Clark.

d. Explain in detail how the adoption of TIER indexing would result in attracting supplemental borrowing at reasonable cost.

e. In the answer to Question 9, part (d), it is stated that the adoption of TIER indexing would result in better management of equity capitalization ratios. Explain in detail why TIER indexing would result in better managed equity capitalization ratios. Include a discussion of why this could not also be achieved under the current TIER approach.

f. Explain in detail how TIER indexing results in lower electric rates or improved member relations. Include a discussion of how these benefits would result, if the total revenue requirements of Clark were annually increasing because of TIER indexing.

9. Clark has proposed to refund member capital credits when its modified TIER is in excess of 2.0. Provide the following information concerning the refunding of member capital credits:

a. Explain whether Clark would be agreeable to a refunding of member capital credits if the Commission does not adopt the TIER indexing proposal.

b. Explain whether Clark would be agreeable to a refunding of member capital credits if the Commission does not adopt the Modified Cash TIER proposed in Clark's equity management plan.

10. Provide a detailed explanation of the compliance and reporting system envisioned by Clark under TIER indexing.

11. Refer to the Application, Exhibit 2 and Exhibit 6, page 1 of 2. In comparing the above schedules, there appears to be a difference of \$80 in the actual test year operating revenue base rates and a difference of \$105 in the normalized base rate revenue. Provide an explanation of these differences and submit revised schedules if necessary.

12. Exhibit 3 of the Application, pages 2 through 6 of 49, concerns Clark's proposed adjustment to salaries and wages. Provide the following information concerning the proposed adjustment:

a. Clark has indicated that during the test year, its employees received wage increases of 4 percent and 1.5 percent. Explain in detail why two wage increases were granted during the test year. Include copies of any studies or analyses performed by

NRECA, Clark, or for Clark by other organizations which support the decision to authorize these wage increases.

b. Explain why the wages for new employees and those coming off disability were normalized using 2,080 hours instead of the test-year actual hours.

c. Explain how the normalization of overtime wages was performed on pages 3 and 4 of 49.

d. Explain how the normalized wages for part-time employees were calculated. Include supporting workpapers and calculations.

13. Exhibit 3, pages 5 and 6 of 49 contain an analysis of salary changes during the test year. The analysis shows that several employees experienced more than two changes in their respective wage rates during the test year. For each employee who had a change in his wage rate on a date other than July 1, 1991 and/or January 1, 1992, provide a detailed explanation of the reason(s) for the additional wage rate change. Also, provide copies of page 6 of 49 which show the employee numbers.

14. Exhibit 3 of the Application, page 7 of 49, contains an analysis of salaries and wages for calendar years 1989 through 1991 and the test year. Provide the following information concerning historic salaries and wages:

a. Line 12 shows the total salaries and wages for Clark. Explain in detail why the total salaries and wages have increased approximately 15.5 percent from calendar 1989 to test-year end.

b. Line 15 shows overtime wages for Clark. Explain in detail why the total overtime wages have increased approximately 71.3 percent from calendar 1989 to test-year end. Include a schedule of total overtime hours worked for calendar years 1989 through 1991.

c. Submit copies of any studies or analyses performed between calendar 1989 and test-year end, prepared by NRECA, Clark, or for Clark by other organizations, dealing with the salaries or wage rates paid to Clark employees.

15. Exhibit 3 of the Application, pages 8 through 10 of 49, contain Clark's proposed adjustment to FICA taxes. Provide the following information concerning the FICA taxes:

a. Clark has indicated that the FICA wage limit increased in 1992 from \$53,400 to \$55,500. Explain in detail why the calculation of the proposed adjustment, shown on pages 9 and 10 of 49, used the \$53,400 wage limit.

b. Prepare a recalculation of pages 9 and 10 of 49 using the \$55,500 wage limit.

16. Clark has indicated that FICA and medicare wages include life insurance over \$50,000 and vehicle compensation, but these items are not included in the proposed adjustment. Provide the following information concerning this compensation:

a. Using employee numbers, identify each employee of Clark which has life insurance over \$50,000 and/or receives vehicle compensation. Include for each employee the amount of life insurance as of test-year end and the amount of vehicle

compensation paid in the test year. Also include the cost to Clark of the life insurance coverage for its employees.

b. Submit copies of Clark's policies concerning life insurance coverage and employee vehicle compensation. Include the vehicle compensation rate in effect at the beginning and end of the test year.

17. Exhibit 3 of the Application, page 15 of 49, contains a schedule of changes in the reserve for depreciation. For each category of utility plant shown on the schedule, provide a detailed explanation of the circumstances which resulted in total Net Losses of \$902,559 during the test year.

18. Exhibit 3 of the Application, pages 16 through 30 of 49, contain Clark's proposed adjustment to property tax expense. Provide the following information concerning property taxes:

a. A copy of the 1991 Notice of Assessment.

b. A copy of the 1991 and 1992 tax year assessments (Revenue Cabinet Form K), which reports the value of utility property as of December 31, 1990 and December 31, 1991, respectively.

c. A copy of the 1991 Certification of Public Service Company Property Assessment (Revenue Cabinet Form 61A-200J) for each county served by Clark.

d. A schedule of idle services, by county, as of December 31, 1991. If not available by county, supply the total number of idle services as of December 31, 1991.

e. A schedule of the booked and assessed values for all motor vehicles for the 1990 tax year.

f. A schedule of the booked and assessed values for all motor vehicles for the 1991 tax year.

g. A schedule of the booked and assessed values for all motor vehicles for the 1992 tax year, if available.

19. Exhibit 3 of the Application, page 31 of 49, contains Clark's proposed adjustment to normalize interest on long-term debt. For each loan with CFC, indicate whether the loan has a fixed or variable interest rate.

20. Exhibit 3 of the Application, page 32 of 49, contains Clark's proposed adjustment to the accrual for uncollectible accounts. Provide the following information concerning uncollectible accounts and write-offs:

a. Explain in detail how the accrual amount for uncollectible accounts is calculated. Include supporting workpapers and calculations used to arrive at the test year accrual.

b. Clark has stated its calculation of average write-offs is an estimated amount only. Explain in detail why actual annual write-offs have not been used in determining the proposed adjustment.

c. Prepare a schedule showing the actual amount of write-offs for calendar years 1987 through 1991 and the test year.

d. Explain in detail the circumstances which resulted in the overaccrual of uncollectible accounts in previous years.

Also, explain why current practices seems to have resulted in a significant underaccrual.

21. Exhibit 3 of the Application, page 36 of 49, contains Clark's proposed adjustment for right of way clearing. Provide an explanation of why it is appropriate to base this adjustment on five months of test year work which included winter months.

22. Concerning Clark's right of way expenses, provide the following information:

a. A copy of Clark's right of way contract that was in effect as of test-year end.

b. Explain the process Clark used in awarding the right of way contract. Indicate when the current contract was awarded. If a competitive bidding process was used, include the name of all bidders in the last solicitation and the bids offered.

c. Explain in detail why another right of way crew was added by Clark. Include with this explanation a discussion of the approach Clark has adopted concerning the clearing of rights of way and indicate the right of way clearing cycle currently in use.

d. Indicate the total test-year expense for right of way contract work. Identify the account number(s) where the expense was recorded.

e. Prepare a schedule similar to the one shown on page 36 of 49, providing the test year information for each right of way crew utilized by Clark.

23. Exhibit 3 of the Application, page 39 of 49, contains Clark's proposed adjustment to medical benefits. Provide the following information concerning Clark's medical coverages:

a. Copies of the notice from NRECA which document the cost of the single and family dental plans as of test-year end.

b. Describe the coverage provided under the dental and medical plans.

c. Describe the eligibility requirements an employee must meet to qualify for dental and medical coverage.

d. Indicate whether retirees or directors are included in the number of employees shown in the schedules shown on page 39 of 49. If so, indicate for each month the number of retirees or directors included in the applicable schedule.

e. A schedule of the single and family monthly rates for dental and medical plans for calendar years 1989 through 1991.

f. Describe in detail any changes made in the dental or medical plans since January 1, 1989. Include the reason(s) for any changes.

g. Describe how Clark procures its medical and dental insurance coverage. If competitive bidding is used, indicate when the last bids were taken, identify the bidders, the respective bids, and the reason(s) for the selection of the successful bidder. If medical and dental insurance coverage is not procured through competitive bidding, explain in detail why the process is not used.

24. Exhibit 3 of the Application, page 43 of 49, contains Clark's proposed adjustment to directors fees and expenses.

Included in Exhibit 22 of the Application are computer printouts which detail the expenses summarized on page 43 of 49. The computer printout for Director Curry does not match the total fees and expenses reported on page 43 of 49. Provide a reconciliation of these two amounts, indicating the correct amount paid to Director Curry.

25. Exhibit 3 of the Application, page 45 of 49, contains Clark's proposed adjustment to miscellaneous charges. Provide the justification and/or workpapers for each of the following components of the non-recurring charges:

a. Hourly labor cost - Is this hourly rate based on 2,080 hours per year?

b. Direct wage expense - Clarify computations that result in the \$1.92 per hour used on page 45 and on Exhibit 3, page 46 of 49.

c. Other direct costs - Are cited amounts for individual or family health plans?

d. Mileage expense - Show how Clark arrived at a mileage rate of \$.67 per mile.

26. Refer to Exhibit 3 of the Application, page 46 of 49, line 37. Why isn't the total hours worked of 2,080 used in this calculation?

27. Refer to Exhibit 4 of the Application. Recent trends in the electric utility industry have moved toward a flat or one-step rate structure. Provide cost of service data or other

justification for each rate schedule to support your use of multiple step declining block electric rates.

28. Exhibit 6 of the Application contains Clark's revenue analysis. Clark is requesting an increase of revenues of \$1,423,766, an increase of approximately 9.06 percent. Clark has indicated that this increase will result in a TIER of 2.25. Provide the following information concerning the proposed increase in revenues:

a. Indicate whether the resulting TIER of 2.25 represents a calculation of TIER following the approach normally used by this Commission, or if it represents a calculation as described in Exhibits M and N of the Application.

b. Explain in detail how Clark determined that it should request a 2.25 TIER.

29. Refer to Exhibit 6 of the Application, page 2 of 2. Provide the following information concerning the allocation of the proposed revenue increase:

a. Supply cost of service or other financial data to support the increase for the minimum billing on Rate Schedules R and E.

b. Explain in detail how the cost structures and average rates of other East Kentucky Power Cooperative, Inc. cooperatives constitutes adequate justification for the proposed 9.06 percent increase.

c. Explain in detail the method used to determine that a minimum bill for Rate Schedules R and E of \$7.25 was acceptable,

rather than the \$7.59 amount which reflected a 9.06 percent increase.

d. Do residential customers under Rate Schedule R-TOD have any way of knowing when they are approaching the 600 KWH per month threshold, which triggers the higher service charge and lower rates? Include a detailed explanation with this response.

e. Explain the methodology used to determine that the demand charges in Rate Schedule R-TOD would be increased by 9.06 percent, while those in Rate Schedule R are increased by a lower percentage.

f. Given that Clark has not been able to sign up any customers to date for Rate Schedule R-TOD, what preliminary conclusions can be drawn from this experiment? Are there problems in the experiment design or are customers generally not interested in variable prices?

g. Explain why the rate increase in Schedule D is not 9.06 percent. Also, what is the source of the 40 percent discount used to compute this rate?

h. What is the basis for the conclusion that the demand charges for Schedules H, G, and M should not be changed?

i. Does the apparent 9.06 percent increase across all customer rate categories have any basis or tie to the costs generated by each customer category? Explain the response to this question.

j. It appears that Clark is attempting to discourage residential customers from opting for time-of-day rates. Explain

the method for determining that the demand charges for Schedules H, G, and M are high enough and those for Rate Schedule R-TOD are insufficient, even though there are no subscribers for any of these categories.

30. Exhibit 12 of the Application contains an analysis of changes in balance sheet accounts between the test year and the previous year. For each of the accounts listed below, provide a detailed explanation concerning the reason(s) for the change in the account between the two time periods.

- a. Account No. 365 - Overhead Cond. & Devices, page 1 of 15.
- b. Account No. 366 - Underground Conduit, page 1 of 15.
- c. Account No. 368 - Line Transformers, page 1 of 15.
- d. Account No. 390G - Meter Shop/Garage, page 2 of 15.
- e. Account No. 390H - New Warehouse, page 2 of 15.
- f. Account No. 391 - Office Furniture/Equip., page 2 of 15.
- g. Account No. 392 - Transportation Equipment, page 3 of 15.
- h. Account No. 394 - Tools/Shop/Garage Equip., page 3 of 15.
- i. Account No. 397 - Communications Equipment, page 3 of 15.
- j. Account No. 107.2ME - Construction WIP/ME, page 3 of 15.

- k. Account No. 107.2RR - Construction WIP/RR, page 4 of 15.
- l. Account No. 107.2SI - Construction WIP/SI, page 4 of 15.
- m. Account No. 108.7A.1 - Accum. Depre. Computers, page 4 of 15.
- n. Account No. 108.8SI - Retirement WIP/SI, page 6 of 15.
- o. Account No. 128 - Special Funds, page 7 of 15.
- p. Account No. 131.1, subaccounts A through D, page 7 of 15.
- q. Account No. 143 - Other Accounts Receivable, page 8 of 15.
- r. Account No. 144.1 - Accum. Uncollectible Accts., page 8 of 15.
- s. Account No. 171 - Int/Dividends Receivable, page 9 of 15.
- t. Account No. 181 - Unamortized Debt Expense, page 9 of 15.
- u. Account No. 186.1 - Defer. Debits Comp. Software, page 9 of 15.
- v. Account No. 231 - Notes Payable, page 12 of 15.

31. Exhibit 13 of the Application contains an analysis of income and expense account balances for the test year and the previous year. For each of the accounts listed below, provide a

detailed explanation concerning the reason(s) for the change in the account between the two time periods.

- a. Account No. 442.2 - Comm. & Ind. Sales/Large, page 1 of 11.
- b. Account No. 583 - Overhead Line Expense, page 2 of 11.
- c. Account No. 588 - Misc. Distribution Exp., page 3 of 11.
- d. Account No. 593 - Maint. Overhead Lines, page 3 of 11.
- e. Account No. 594 - Maint. Underground Lines, page 3 of 11.
- f. Account No. 596 - Maint. Str. Lights/Signal, page 4 of 11.
- g. Account No. 902 - Meter Reading Expense, page 4 of 11.
- h. Account No. 903 - Cust. Record/Collect Exp., page 4 of 11.
- i. Account No. 904 - Uncollectible Accounts, page 4 of 11.
- j. Account No. 908 - Customer Assistance Exp., page 5 of 11.
- k. Account No. 910 - Misc. Cust/Svc. Info. Exp., page 5 of 11.
- l. Account No. 912 - Demonstrating/Selling, page 5 of 11.

- m. Account No. 921 - Office Supplies/Expense, page 6 of 11.
- n. Account No. 923 - Outside Serv. Employed, page 6 of 11.
- o. Account No. 930.1 - Misc. Gen. Ad. Expense, page 6 of 11.
- p. Account No. 930.2 - Misc. General Expense, page 6 of 11.
- q. Account No. 431 - Other Interest Expense, page 10 of 11.

32. Exhibit 15 of the Application contains Clark's bylaws. Provide the effective date of bylaws.

33. Exhibit 16 of the Application contains a description of the compensation paid for professional services by Clark. Provide the following information concerning professional services:

- a. Explain in detail how Clark selected the providers of its legal, engineering, accounting, auditing, and other professional services.

- b. Indicate when Clark retained its current providers of legal, engineering, accounting, auditing, and other professional services. Also indicate how frequently the use of these providers is reviewed.

- c. If competitive bidding procedures were used to secure these professional services, indicate when the last competitive bidding was performed. Include a listing of all bidders and the bid amounts submitted. If the successful bidder

was not the lowest bidder, explain why the successful bidder was chosen.

34. Referring to Exhibit 16 of the Application, provide an explanation of why Clark pays its attorney a \$400 per meeting retainer fee and \$85 per hour for legal work performed.

35. Concerning the auditing and accounting fees referred to in Exhibit 16 of the Application, provide the following information:

a. Indicate the cost of the three previous annual audits and what firm performed the audit.

b. Identify the provider(s) of general accounting services for calendar years 1989 through 1991. Include the fee schedule for these time periods.

36. Exhibit 18 of the Application contains information concerning Clark's annual meetings. Provide the following information:

a. Explain in detail the reason(s) for the fluctuations in the annual meeting costs over the last six years.

b. Explain why the 1992 annual meeting was held in May, while the previous year's meeting was held in July. Indicate whether holding the annual meeting in May was in conformity with Article III, Section 3.01 of Clark's bylaws.

37. Exhibit 20 of the Application contains an analysis of employee benefits. Provide the following information concerning the benefits:

a. Explain why no costs were listed for the employee retirement plan.

b. Indicate whether the listed benefits are available to all employees, or only full-time employees.

c. Explain in detail the justification for paying employees a Christmas bonus. Include any analyses or studies performed by or for Clark which support this practice. Also explain why this benefit should be included for rate-making purposes.

38. Exhibit 21 of the Application contains information concerning Clark's advertising expenses. Provide the following information concerning advertising expenses:

a. On page 1 of 6, Clark indicates that the test-year expense for Account No. 909 was \$509.98. However, Exhibit 13, page 5 of 11 shows the test-year-end balance for Account No. 909 to be \$440. Explain the difference between these two amounts. Include an itemized reconciliation of the two amounts, and indicate the correct balance.

b. On page 4 of 6, reference is made to expenses for a member education dinner. Explain in detail the purpose of this meeting, what the benefit is to Clark and its members, and why the expenses should be included for rate-making purposes.

c. On page 5 of 6, Clark indicates that the test-year expense for Account No. 930.1 was \$1,518.00. However, Clark in Exhibit 3, page 42 of 49, has proposed to remove \$1,943 from Account No. 930.1. Explain the difference between these two

amounts. Include an itemized reconciliation of the two amounts, and indicate the correct amount for the proposed adjustment.

39. Exhibit 22 of the Application contains an analysis of expenses recorded in Account No. 930.2. For each of the expense descriptions listed below, provide a detailed explanation of the purpose of the activity, the benefit to Clark and its members, whether the activity is of a recurring nature, and why the expense should be included for rate-making purposes.

- a. Washington Youth Tour, Account No. 930.2.
- b. Flowers, Account No. 930.2.
- c. Employee Picnic, Account No. 930.2.
- d. Cake and Candy, Account No. 930.2.
- e. EKP Anniversary Lunch, Account No. 930.2.
- f. Staff Dinner, Account No. 930.2.
- g. Nominating Committee Fees, Account No. 930.2A.M.

40. Exhibit 24 of the Application contains an analysis of Clark's professional service expenses. Provide the following information:

- a. For legal services, explain the purpose for each transaction listed on lines 46 through 49, 58, and 59. Include with the explanations a description of the benefit to Clark and its members of the transaction, indicate whether the transaction is of a recurring nature, and explain why each transaction should be included for rate-making purposes.
- b. For the engineering services, explain the purpose of this transaction, indicate whether it is of an annual recurring

nature, and explain why the transaction should be included for rate-making purposes. Also, explain why this amount was expensed instead of capitalized.

c. For the annual meeting provost services, explain the purpose of this transaction, indicate whether it is of a recurring nature, and explain why the transaction should be included for rate-making purposes. Also explain what benefits are received by Clark and its members from this service.

d. For the remodeling services, explain the purpose of these transactions, indicate whether they are of an annual recurring nature, and explain why the transactions should be included for rate-making purposes. Also, explain why these amounts were expensed instead of capitalized.

e. For the consulting services, explain the nature of the meter reading and line extension cases, including the appropriate Commission case reference numbers. Indicate whether the meter reading and line extension cases represent recurring expenses for Clark. Also explain why these expenses should be included for rate-making purposes.

41. Concerning the response to Item 26 of the June 8, 1992 Order, Clark indicated that it would provide monthly updates of its actual rate case costs incurred. Clark was instructed to include copies of invoices received from vendors for these costs. The updated rate case costs filed with the Commission on July 20, 1992 did not include any documentation or invoices. Provide the documentation originally requested in Item 26. In future updates,

Clark should provide the information on rate case costs originally requested in Item 26, by the 20th of the month following the reporting month.

42. The Financial Accounting Standards Board ("FASB") has issued Opinion No. 106, concerning the accounting for other post-retirement benefits. Provide an explanation concerning whether Clark has reviewed FASB No. 106 and whether Clark has determined how FASB No. 106 will apply to its other post-retirement benefits.

43. Provide a schedule listing any extraordinary and/or non-recurring transactions which have been included in test-year operations. Include a description of the transaction and the account number(s) where the transaction was recorded.

44. Included in the Annual Reports filed by Clark is a listing of the principle employees, their job titles, and calendar year salaries. For each of the principle employees listed in the 1991 Annual Report, provide the following information:

a. A detailed description of the employee's job duties and responsibilities. Identify and explain any changes which have occurred in the job duties and responsibilities between calendar years 1987 and 1991.

b. Explain the reason(s) for changes in the employee's salaries between calendar years 1987 and 1991. Include any studies or analyses which document the need for the salary changes.

45. Provide a schedule listing all educational opportunities sponsored by Clark during the test year. The schedule should include the title of the opportunity (i.e. program, scholarship),

a description of the opportunity, the number of participants during the test year, the test-year expense of the opportunity, and an indication of how the expense was recorded on Clark's books. For each opportunity listed, explain in detail how this activity is related to the provision of electric service and why the expense should be included for rate-making purposes.

46. Provide Clark's policy concerning the settlement of customer billing disputes.

47. Concerning customer billing disputes, provide the following information:

a. List all customer billing disputes since January 1, 1990 involving Clark in which the amount in dispute exceeded \$250.

b. Explain how each dispute was resolved.

48. Provide a list of all customer complaints received by Clark during the test year. Include the name of the complainant, telephone number, date of complaint, nature of the complaint, the final resolution of the complaint, and the date the complaint was closed.

49. Provide a copy of the information supplied to the Commission pursuant to 807 KAR 5:006, Section 3(3) regarding the cut off of service for the non-payment of bills.

50. Provide the same customer information for involuntary disconnections for other reasons as requested in Item 49.

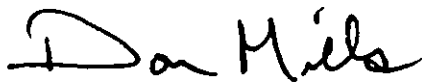
51. Provide the name(s) of the individual authorized to resolve customer complaints and negotiate partial payment plans pursuant to 807 KAR 5:006, Section 13(1)(b).

Done at Frankfort, Kentucky, this 12th day of August, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director