

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF THE RATES OF)
MEADE COUNTY RURAL ELECTRIC COOPERATIVE) CASE NO. 93-033
CORPORATION)

O R D E R

IT IS ORDERED that Meade County Rural Electric Cooperative Corporation ("Meade County") 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 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. The information requested herein is due no later than May 6, 1993.

1. Refer to Exhibit F of Meade County's Application, pages 18 and 19 of 25.

a. The amounts shown for Normalized Wages and Normalized Pay for the test period do not appear to equal the totals stated for those columns. For each employee, provide the

calculations necessary to arrive at the normalized wages and normalized pay for the test period normalizing for any and all wage and salary increases granted during the test year. This calculation should include separately the wage rate for regular hours and overtime hours and the regular and overtime hours used in the normalization.

b. State the number of hours used by Meade County for payroll normalization. Provide a detailed explanation for the approach selected.

c. State the basis for providing a 3 percent retirement benefit. State when Meade County began providing this level of retirement benefit and the prior level of retirement benefit. Provide all supporting documentation for the current level of benefit.

d. For each employee who received a wage or salary increase in excess of 2.5 percent during the test year, state the amount of the increase and the basis for the increase. State the criteria used to assess employee performance.

e. Refer to Employee No. 103. Explain why this employee's wages were included in the normalization of test-year expenses as this employee was added after the close of the test year.

2. Refer to Exhibit F of Meade County's application, page 20 of 25.

a. Provide the last invoice received by Meade County during the test year for the Blue Cross - Blue Shield insurance.

b. State the date that Meade County last sought and received bids for its medical insurance. Provide copies of all bids. Provide any analysis performed to evaluate these bids.

c. Provide a copy of each medical insurance policy available to Meade County's employees and management.

d. Provide the current monthly cost per covered employee for each type of available medical coverage.

e. State the portion of medical insurance premiums which Meade County pays for its retired employees. Provide a copy of the policy supporting this benefit. For each retiree covered, provide the type of coverage and the annual cost of this benefit based on the test year end level of cost.

(1) State whether Meade County has adopted Statement of Financial Accounting Standard No. 106 ("SFAS 106"), "Accounting for Post-Retirement Benefits Other Than Pensions." State the date of Meade County's adoption of SFAS 106.

(2) Provide a detailed narrative of the anticipated effect which the adoption of SFAS 106 will have or has had on Meade County's operations and costs.

(3) State whether Meade County has any plans to modify its benefits package in light of SFAS 106.

f. State whether directors' medical insurance premiums are included in the amounts shown on page 20 of 25 of Exhibit F. If directors' premiums are included, provide, for each director, the type of coverage, the monthly premiums, Meade County's

contributions and all supporting documentation for the payment of medical insurance premiums for directors.

3. Refer to Exhibit F, page 22 of 25, of Meade County's application. Provide the following:

a. A copy of the 1992 Notice of Assessment for property taxes.

b. Copies of the 1992 and 1993 tax year assessments (Revenue Cabinet Form K), which report the value of utility property as of December 31, 1991 and December 31, 1992, respectively. Provide Form K for each county served by Meade County.

c. A copy of the 1992 Certification of Public Service Company Property Assessment (Revenue Cabinet Form 61A-200J) for each county served by Meade County.

d. A schedule of idle services, by county, as of December 31, 1991 and December 31, 1992. If this information is not available by county, supply the total number of idle services as of December 31, 1991 and December 31, 1992.

e. For each taxing district, a copy of the 1992 tax year property tax bills received by Meade County.

f. A schedule of the booked and assessed values for all motor vehicles for the 1992 tax year.

g. A schedule of the booked and assessed values for all motor vehicles for the 1993 tax year.

4. Refer to Exhibit F, page 25 of 25 of the application. Provide a detailed explanation of the use of the proceeds of the

FFB loan totalling \$540,000. Identify the case in which the Commission authorized issuance of the loan.

5. Refer to Meade County's response to Item 13 of the Commission's March 1, 1993 Order. Provide a detailed narrative explanation for the level of compensation paid to directors for meeting attendance. This explanation should include a comparative analysis of the level of compensation of Meade County's Board of Directors with the level paid by similar jurisdictional rural electric corporations.

6. Refer to Meade County's response to Item 21 of the Commission's March 1, 1993 Order. For each voucher number listed below, provide copies of all print advertisements. For any radio, television or other advertisements included in the voucher numbers below, provide copies of the text.

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|----------|----------|----------|
| a. 30100 | g. 32344 | m. 31521 |
| b. 30127 | h. 32352 | n. 32618 |
| c. 31395 | i. 30324 | o. 32390 |
| d. 31399 | j. 30958 | p. 32635 |
| e. 32051 | k. 36361 | |
| f. 36361 | l. 30014 | |

7. Refer to Meade County's response to Item 21 of the Commission's March 1, 1993 Order. Explain the allocation of "State Dues" totalling \$10,284 to account number 909.

8. Refer to Meade County's response to Item 22, page 4 of 14 of the Commission's March 1, 1993 Order. Provide a breakdown of the Industry Association Dues totalling \$34,778. This breakdown

should list each organization to which dues were paid and the amount paid.

9. Refer to Meade County's response to Item 22, pages 5 through 7 of 14 of the Commission's March 1, 1993 Order. For each of the following invoices, state the purpose of the expense. Furthermore, state whether the expense is recurring and explain why this type of expense is an allowable expense for rate-making purposes.

a. 29857	i. 30915	q. 31983
b. 29873	j. 31344	r. 32115
c. 29879	k. 31378	s. 32268
d. 30281	l. 31533	t. 32402
e. 30325	m. 31558	u. 32437
f. 30540	n. 31563	v. 32530
g. 30562	o. 31673	w. 32540
h. 30662	p. 31807	x. 32668

10. Refer to Meade County's response to Item 22, page 8 through 12 of 14 of the Commission's March 1, 1993 Order. Provide a breakdown of the expenses supporting each of the following vouchers. Furthermore, state why this type of expense should be included in the level of expense found reasonable for rate-making purposes.

a. 29656	e. 31286	i. 31932
b. 29786	f. 31328	j. 93092
c. 29791	g. 31502	k. 32349
d. 22992	h. 31889	l. 32402

11. Refer to Meade County's response to Item 22, pages 13 and 14 of 14 of the Commission's March 1, 1993 Order.

a. Describe how members of the nominating committee are appointed to serve on the committee.

b. State the amount of the fee paid to nominating committee members and the purpose for such a fee. Explain why such a fee and other expenses of this committee should be included in the level of expense found reasonable for ratemaking purposes.

12. Refer to Item 25, page 2 of 4, of Meade County's response to the Commission's March 1, 1993 Order. Provide the cost of the annual audit for each of the last 5 calendar years.

13. Refer to Item 25, page 3 of 4, of Meade County's response to the Commission's March 1, 1993 Order. For each of the following vouchers, provide a copy of the voucher and a detailed narrative explanation of the purpose of the expense. Furthermore, state whether the expense is recurring and explain why it should be included for rate-making purposes.

a. 29786	d. je19	g. 31865
b. 29791	e. 31250	h. 32349
c. 30160	f. 31678	i. 32567

14. Provide a copy of Meade County's capital management plan in effect during the test year. State when this plan was adopted. If Meade County did not adopt a capital management plan prior to the test year, explain the lack of such plan.

a. State whether the Rural Electrification Administration ("REA") and the National Rural Utilities Cooperative

Finance Corporation ("CFC") have formally approved or agreed to Meade County's capital management plan. If yes, provide any written proof of REA's and CFC's approval.

b. Describe the methodology which Meade County proposes to use to retire capital credits. Explain the basis for choosing this methodology. Include with this explanation a description of Meade County's research on retirement methods and copies of any studies or analyses performed by or for Meade County which support the use of the methodology.

c. Explain in detail why, when defining Modified Equity Times Interest Earned Ratio ("TIER"), Meade County excluded both the generation and transmission capital credits and other associated organization capital credits.

d. Refer to page 9 of 53 of Exhibit B of the application. Explain in detail what restrictions apply to the rotation of capital credits before a 40 percent modified equity level is reached. Provide copies of the sections of the REA mortgage containing these provisions.

e. Refer to page 10 of 53 of Exhibit B of the application. Provide a copy of the terms of the mortgage agreement wherein CFC can limit capital credit refunds to 25 percent of the previous year's margin.

f. Provide copies of any restrictions or other criteria CFC and REA have established with regard to the capital credits of Meade County.

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

a. The outstanding balance of capital credits assigned to Meade County 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 Meade County 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.

16. Meade County has proposed to refund member capital credits when its modified TIER is in excess of 2.0. Explain whether Meade County would be agreeable to a refunding of member capital credits if the Commission does not adopt the Modified Equity TIER proposed in Meade County's capital management plan.

17. Refer to Meade County's response to Item 17 of the Commission's March 1, 1993 Order. Provide the following information concerning historic salaries and wages:

a. Line 11 shows the total salaries and wages for Meade County. Explain in detail why the total salaries and wages have

increased approximately 19.9 percent from calendar year 1989 to test-year end.

b. Provide a comparison of total overtime hours for each year from 1989 through the end of the test year. Provide a complete narrative explanation for any variances in excess of 10 percent from the prior year. Additionally, provide a complete narrative explanation for any variances in excess of 20 percent cumulatively, for the period 1989 through 1992.

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

18. Refer to Exhibit F, page 23 of 25 of the application. Provide the following information regarding payroll taxes:

a. Provide any corrections to this schedule that may be necessary in light of Meade County's response to Item 1 above.

b. State the base wage used to calculate normalized FICA taxes.

c. Provide the calculation necessary to arrive at an effective FICA rate of .062 percent.

19. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 3 of 36.

a. Explain why the minimum plant method, rather than the zero-intercept method is used to allocate distribution plant expenses.

b. Explain the derivation of the customer-related costs and the consumer allocation figures for the transformer allocation.

20. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 4 of 36. Explain the rationale and the derivation of the weighting scheme in each of the tables.

21. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, pages 5 and 6. NARUC's Electric Utility Cost Allocation Manual states, "Distribution substation costs (which include Accounts 360 - Land and Land Rights, 361 - Structures and Improvements, and 362 - Substation Equipment), are normally classified as demand related"... "Distribution plant accounts 364 through 370 involve demand and customer costs." Explain why account 360 is distributed across all rate classes and accounts 369 and 370 are distributed only to the consumer rate class.

22. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 11 of 36. Explain why the \$84,684 (Other Tax Expense) is omitted from the calculation.

23. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 13 of 36.

a. Explain why the least expensive service entrance cost is not used in the cost distribution.

b. State whether the service cost is C.P.R. or replacement cost.

24. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 14 of 36.

a. Since minimum plant methodologies have been used, explain why the least expensive motor cost is not used in the cost distribution.

b. Is the service cost C.P.R. or replacement cost?

25. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 15 of 36.

a. Explain the rationale and derivation of the distribution plant weighting scheme.

b. Describe the "other" service which installs security lights.

c. Explain why security lights should not be allocated any minimum plant distribution costs.

d. Explain the rationale for using Residential Customer KWH (as opposed to another customer class) for calculating the 0.14 weight assigned to street lights.

26. Refer to Meade County's application, Exhibit B, LBC Exhibit 9, page 16 of 36. Explain the rationale and derivation of the billing weighting scheme in the second table on the page.

27. Refer to Meade County's application, Exhibit B, LBC Exhibit, pages 24 - 27 of 36.

a. (1) If metered data is available for the Large Power and General Services 0-49 accounts, then explain why it is necessary to use monthly KW averages for the different rate classes.

(2) State whether Meade County has determined the specific coincident and noncoincident peaks by month for the

General Service and Large Power classes, as well as the month of the system coincident peak. Explain.

b. Explain how all rate class coincidence factors were determined and used.

c. If demand (capacity) is allocated using rate class noncoincident peak demands as stated in Exhibit B page 45, 66A, explain how this allocation is accomplished using rate class average monthly coincident peak demands. Meade County's response should include a discussion, since averaging is a smoothing technique, of how using average monthly KW demand satisfies the desire to build a system that will accommodate the sum of each rate class's noncoincident peak demand. State whether this methodology should be applied equally to distribution, as well as generating and transmission companies.

d. Refer to page 26 of 36. Explain why Meade County uses the average monthly demand of 47,359 KW rather than (at least) the system peak of 56,950 KW. Explain why an estimate of the classes' noncoincident peaks was not used.

e. Refer to page 26 of 36.

(1) Discuss the efficacy and reasonableness of using annual energy consumption numbers to estimate class average monthly coincident peak figures.

(2) State whether Meade County requested load research data from Big Rivers Electric Corporation which could have enhanced its rate class estimates.

(3) If no request was made, explain why not.

(4) If a request was made, describe Big Rivers' response. Describe how Meade County used any load data received from Big Rivers.

28. Meade County proposes to increase its meter test fee, serviceman's reading charge, and disconnect and reconnect fees. Meade County has shown that each of these services cost the utility approximately \$34.00 to provide that service. Meade County has proposed a charge of only \$25.00 for each of these services. Explain why Meade County proposes to assess charges which do not reflect the total cost of these services.

29. Identify the changes in rate design which Meade County considered. For each change considered, explain why it was rejected.

30. Explain why Meade County should be permitted to continue with the current rate design.

Done at Frankfort, Kentucky, this 22nd day of April, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director