

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION TO) CASE NO. 93-088
ADJUST ELECTRIC RATES)

O R D E R

IT IS ORDERED that Jackson County Rural Electric Cooperative Corporation ("Jackson 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 June 25, 1993.

1. Explain why Jackson County changed six of its rate schedules to flat rates while retaining a two-step declining block rate structure for the residential class. Provide a detailed discussion and any supporting documentation which justifies the continued use of a declining block rate for residential customers.

2. Refer to Exhibit D, Schedule 3, page 2 of 3, of the Application.

a. State whether Jackson County proposed an adjustment to its interest income to reflect the REA drawdown of \$2,884,000.

b. If Jackson County were to calculate an adjustment to interest income to reflect the REA drawdown of \$2,884,000, indicate the estimated impact on interest income.

3. Refer to Exhibit D, Schedule 3, page 2 of 3, of the Application.

a. Provide the journal entries for the REA loan drawdown of \$2,884,000. List each obligation which was reduced or satisfied by this drawdown and the amount of the drawdown applied to it.

b. (1) Explain how the remainder of the drawdown will be used.

(2) State when the full amount is expected to be used.

(3) Provide supporting documentation for each response.

4. Refer to Exhibit D, Schedule 3, page 3 of 3, of the Application.

a. For each loan with the National Rural Utilities Cooperative Finance Corporation ("CFC"), state the interest rate option (fixed or variable) used.

b. For CFC Notes 9001, 9003, 9004, 9010, and 9012, state when these notes were repriced.

5. Refer to Exhibit D, Schedule 3, page 3 of 3, of the Application. Explain the long-term debt associated with the National Rural Electric Cooperative Association ("NRECA"). Describe the \$309,710 debt and the applicable terms and conditions of the NRECA loan. Also, explain why the interest expense should be included in any adjustment for interest on long-term debt.

6. Exhibit D, Schedule 5, of the Application contains Jackson County's proposed adjustment to property tax expense. Provide the following information:

- a. A copy of the 1992 Notice of Assessment.
- b. A copy of the 1992 and 1993 tax year assessments (Revenue Cabinet Form K), which reports the value of utility property as of December 31, 1991 and December 31, 1992, respectively.
- c. A copy of the 1992 Certification of Public Service Company Property Assessment (Revenue Cabinet Form 61A-200J) for each county served by Jackson County.
- d. A schedule of idle services, by county, as of December 31, 1992. If not available by county, supply the total number of idle services as of December 31, 1992.
- e. A schedule of the booked and assessed values for all motor vehicles for the 1991 tax year.
- 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, if available.

h. Copies of the property tax bills for the 1992 tax year, including any 1992 tax year bills paid in the 1993 calendar year.

7. A comparison of the employees listed in Exhibit D, Schedule 6, of the Application with those listed in the response to Item 16 of the April 2, 1993 Order shows that two employees, Employee Nos. 15 and 29, were not included on Schedule 6. Explain why these employees are not included.

8. Refer to Exhibit D, Schedule 6, of the Application. State when Jackson County filled the two empty positions and the wage rate of each position.

9. Refer to Exhibit D, Schedule 6, of the Application. Provide the following information:

a. Copies of the material which Jackson County supplies to its employees concerning the savings plan.

b. If savings plan contributions equal 5% of regular salary with a maximum payment of \$750, explain why the savings plan costs for Employee Nos. 108, 178, 190, 211, and 212 are shown as \$750 rather than 5% of the normalized regular earnings.

10. Provide union labor contracts in effect during the test year.

11. Exhibit D, Schedule 7, of the Application contains Jackson County's proposed adjustment to employee benefits. Provide the following information:

a. For each NRECA benefit, describe the coverage provided under each policy.

b. For the medical insurance, describe the level of coverage provided, including the amounts of employee deductibles and copayments.

c. Supply copies of all materials which Jackson County provides to its employees concerning the 401K plan. State whether all employees participate in the 401K plan.

12. Refer to Exhibit D, Schedule 7, of the Application. For NRECA benefits and medical insurance, provide the following information:

a. Describe the eligibility requirements an employee must meet to qualify for coverage.

b. A schedule of the single and family monthly rates for the plans for calendar year 1992. State the amount of any premium which employees must pay.

c. Describe in detail all changes made in the plans since January 1, 1992. State the reason(s) for such changes.

d. Describe how Jackson County procures these types of coverage. If competitive bidding is used, state when the last bids were taken, identify the bidders, the respective bids, and the reason(s) for the selection of the successful bidder. If coverage is not procured through competitive bidding, explain in detail why not.

e. Supply copies of the premium notices for the month of December 1992.

13. Refer to Exhibit D, Schedule 7, of the Application. Explain why Jackson County includes 46 retirees in its medical

plan. State whether the retirees are required to pay any portion of their premium.

14. Refer to Exhibit D, Schedule 7, pages 3 and 4 of 12, of the Application. Provide all calculations and workpapers which support the amounts identified as normalized costs.

15. Refer to Exhibit D, Schedule 7, page 6 of 12, of the Application. Provide a detailed explanation of the circumstances that have produced the surplus for medical insurance. Include all calculations and workpapers which support all figures shown on pages 6 and 7 of 12.

16. Exhibit D, Schedule 9, of the Application contains Jackson County's proposed adjustment to insurance. Provide the following information:

a. State the number of employees who have coverage under each type of insurance listed.

b. Describe the coverage of each type of insurance listed.

c. Describe how Jackson County procures its 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 the coverage is not procured through competitive bidding, explain in detail why not.

d. Supply copies of the latest premium statement issued during the test year.

e. Supply all workpapers and calculations which support this adjustment.

17. Refer to Exhibit D, Schedule 10, of the Application. Provide a complete narrative explanation of the schedule. Include an explanation of the adjustment and the reason why it is required.

18. Refer to Exhibit D, Schedule 11, of the Application. For each rate, provide documentation to support the conversion fee.

19. At Exhibit I, page 2 of 3, of the Application, depreciation expense is stated as \$1,985,871, and at Exhibit D, page 1 of 2, of the Application, depreciation expense is stated as \$2,122,800. Explain the discrepancy.

20. Refer to Exhibit M, page 4, of the Application. Provide workpapers showing the calculation of the modified cash equity ratio and the modified cash TIER.

21. Refer to Exhibit M, page 6, of the Application. Explain in detail the levelization plan to which Mr. Leary refers.

22. Refer to Exhibit N, page 16, of the Application.

a. Provide a determination of the required rate of return using capitalization including the G & T Capital Credits.

b. Explain the justification for the proposed equity level of 40 percent exclusive of G & T Capital Credit Assignments.

c. Provide all workpapers and source references for each of the amounts contained in Section 3(b) of Annex D.

23. Refer to the response to Item 1 of the April 2, 1993 Order. Provide the following:

a. A detailed schedule identifying each lender and the corresponding amount outstanding at test- year end.

b. The interest rate and terms established for each note.

c. Explanation of the purpose of each borrowing.

24. The response to Item 6 of the April 2, 1993 Order 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. 107, in total, - Construction Work in Progress, page 2 of 24.

b. Account No. 143.00 - Other Accounts Receivable, page 6 of 24.

c. Account No. 143.01 - Other Accounts Receivable - Pole Rental, page 7 of 24.

d. Account No. 143.30 - Other Accounts Receivable - Employee Group Insurance, page 7 of 24.

e. Account No. 143.32 - Other Accounts Receivable - 401K Savings, page 7 of 24.

f. Account No. 143.40 - Other Accounts Receivable - School Appliances, page 7 of 24.

g. Account No. 163 - Stores Expense - Clearing, page 8 of 24.

h. Account No. 181.01 - Unamortized Debt Expense, page 9 of 24.

i. Account No. 223.00 - Advances from Associated Companies, page 12 of 24.

j. Account No. 231.00 - Notes Payable, page 13 of 24.

k. Account No. 232.10 - Accounts Payable, page 13 of 24.

l. Account No. 365.00 - Overhead Conductors and Devices, page 21 of 24.

m. Account No. 369.00 - Services, page 21 of 24.

n. Account No. 391.00 - Office Furniture and Equipment, page 23 of 24.

o. Account No. 391.01 - Office Furniture and Equipment - Computer, page 23 of 24.

25. Refer to the response to Item 6 of the April 2, 1993 Order Account Nos. 142.12 and 223.34. Provide the following information:

a. Explain in detail the purpose(s) of these loans. Identify the specific marketing activities associated with these loans.

b. Describe the terms and conditions of each loan.

c. Prepare an itemized list of the use(s) of the proceeds of these loans for the test year end. Identify the account charged for each item.

26. The response to Item 7 of the April 2, 1993 Order 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. 423.00 - G&T Capital Credits, page 4 of 13.
- b. Account No. 431.11 - Other Interest Expense - EKP, page 5 of 13.
- c. Account No. 431.20 - Other Interest Expense - CFC, page 5 of 13.
- d. Account No. 442.20 - Comm & Indust Sales - Large Comm, page 6 of 13.
- e. Account No. 456.00 - Other Electric Revenues, page 6 of 13.
- f. Account No. 583.00 - Overhead Line Expense, page 7 of 13.
- g. Account No. 584.00 - Underground Line Expense, page 7 of 13.
- h. Account No. 587.00 - Customer Installations Expense, page 7 of 13.
- i. Account No. 590.00 - Maintenance Supervision and Engineering, page 8 of 13.
- j. Account No. 593.01 - Maint. of Overhead Lines - Emergency, page 8 of 13.
- k. Account No. 594.01 - Maint. of Underground Lines - Emergency, page 8 of 13.

l. Account No. 598.00 - Maint. of Misc. Distribution Plant, page 9 of 13.

m. Account No. 902.00 - Meter Reading Expense, page 9 of 13.

n. Account No. 904.00 - Uncollectible Accounts, page 10 of 13.

o. Account No. 908.00 - Customer Assistance Expense, page 10 of 13.

p. Account No. 910.00 - Misc. Cust. Service & Informational, page 10 of 13.

q. Account No. 910.10 - Marketing Awareness Program Expense, page 11 of 13.

r. Account No. 920.00 - Administrative & General Salaries, page 11 of 13.

s. Account No. 921.00 - Office Supplies and Expenses, page 11 of 13.

t. Account No. 923.00 - Outside Services Employed, page 11 of 13.

u. Account No. 925.00 - Injuries and Damages, page 12 of 13.

v. Account No. 926.00 - Employee Pension and Benefits, page 12 of 13.

w. Account No. 932.00 - Maintenance of General Plant, page 13 of 13.

27. The response to Item 8 of the April 2, 1993 Order contains Jackson County's bylaws. State when these bylaws were

adopted and identify the date and the nature of any subsequent amendments.

28. Refer to the response to Item 9 of the April 2, 1993 Order. Provide the following information:

a. State when the equity management plan was adopted.

b. Was this plan in effect during the entire test-year? If not, provide a copy of the previous plan. If there was no previous plan, explain why Jackson County had not adopted a plan.

c. State whether the Rural Electrification Administration ("REA") and CFC have approved the equity management plan.

d. When a member has a past-due balance but is due a retirement of capital credits, describe the action which Jackson takes.

e. Explain the basis for establishing an annual TIER requirement of 2.0 to 2.75 when the REA mortgage requires the borrower to maintain an average TIER of 1.5.

f. State what Jackson County will do in when the criteria in Section II, Part B can be met with a TIER of less than 2.0.

29. Refer to the response to Item 9 of the April 2, 1993 Order. Explain in detail why Jackson County has chosen to retire capital credits using a combination of FIFO and LIFO methods of rotation. Describe Jackson County's research on retirement methods and provide copies of any studies or analyses performed by or for Jackson County which support the use of this methodology.

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

a. The outstanding balance of capital credits assigned to Jackson County by each associated organization as of test-year end. 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 each associated organization to Jackson County during the test year and the four previous calendar years.

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

31. The response to Item 10 of the April 2, 1993 Order contains a description of the compensation paid for professional services by Jackson County. Provide the following information concerning professional services:

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

b. State when Jackson County 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, state how the successful bidder was chosen.

32. Refer to the response to Item 11 of the April 2, 1993 Order. Provide the following information:

a. Explain in detail why an additional day's per diem each month is paid to the board officer who is performing official duties, as noted in Part II, Section D.

b. Explain in detail the rationale of providing health insurance coverage to the directors and their eligible dependents, as noted in Part II, Section E.

33. Refer to the response to Item 12, page 1 of 2, of the April 2, 1993 Order. Explain why the total cost for the annual meetings for 1992 increased 23.3% over the 1991 costs when fewer members attended and voted.

34. Refer to the response to Item 14 of the April 2, 1993 Order. For each expense category, provide the test-year capitalization rate.

35. Refer to the response to Item 19 of the April 2, 1993 Order. For each advertisement below, provide a copy of the advertisement, explain its purpose and explain why it is appropriate for rate-making purposes.

a. Estill Co. Agr. Fair Inc, September 10, Geothermal, page 2 of 6.

b. Jackson County Fair Board, June 18, General Ad, page 3 of 6.

c. Jackson County High School, November 18, General Ad, page 3 of 6.

d. Jackson County Middle School, May 14, General Ad, page 3 of 6.

e. Jackson County Sun, May 7, Marketing Adv., page 3 of 6.

f. Kentucky Sports History, May 19, Serving the Counties Needs, page 3 of 6.

g. Manchester Enterprise, June 11, Geothermal, page 4 of 6.

h. Park Newspapers of Kentucky, October 14, Homebuilders Page, page 5 of 6.

i. Park Newspapers of Kentucky, December 29, Homebuilders Page, page 5 of 6.

j. Sandgap School Yearbook, February 27, Company Name & Picture, page 5 of 6.

36. Refer to the response to Item 19 of the April 2, 1993 Order. Explain the reason for the test-year level of advertisements related to employment. State whether this level of employment advertising reflects a reasonable on-going level of expenses.

37. Refer to the response to Item 20 of the April 2, 1993 Order.

a. Explain the nature and purpose of the transaction paid by Check No. 00154907, dated December 21, 1992, as shown on page 728 of the general ledger summary.

b. Explain why payments to the Jackson County Water Association and the allocation of electric bills have been recorded in Account No. 930.23, as shown on pages 733-735 of the general ledger summary.

c. Explain the nature and the purpose of the transactions referred to as "Farm Supplies," "Farm Supplies and Labor," and "Work at the RECC Farm" as detailed on pages 733 and 734.

38. Refer to the response to Item 22 of the April 2, 1993 Order.

a. Explain the nature and purpose of the twelve \$100 payments recorded as "Meeting Expense NRECA" as shown on page 2 of 4 of the supporting schedule.

b. Explain the nature and purpose of all amounts recorded as "Meeting Expense Coop."

39. Refer to the response to Item 23 of the April 2, 1993 Order. Explain the nature and purpose of each of the following transactions, state whether it is of a recurring nature, and explain why it is appropriate for rate-making purposes.

a. Ledger Reference 15 - Medical Insurance Premium.

b. Check No. 88106425, dated April 16, 1992.

c. Check No. 88106921, dated July 30, 1992.

d. Check No. 88107202, dated September 24, 1992.

40. Refer to the response to Item 24(b) of the April 2, 1993 Order. Explain why payroll has been included in the estimated rate case expenses.

41. State whether Jackson County has adopted Statement of Financial Accounting Standard No. 106 ("SFAS 106"), "Accounting for Post-Retirement Benefits Other Than Pensions." If yes, state the date of adoption.

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

43. State whether Jackson County has any plans to modify its benefits package in light of SFAS 106.

44. Refer to Exhibit J, Schedule A, page 3 of 13, of the Application.

a. Explain why the proportions from footnote (b) are used for lines 9-11 instead of those found in footnote (a).

b. Explain how the percentages found in footnote (a) are derived. Provide all studies and survey data used to derive the percentages.

45. Refer to Exhibit J, page 7 of 13, footnotes (c)-(e), of the Application.

a. Explain the derivation of each of the consumer components. Provide the data necessary to reproduce these components.

b. Provide a comparison to regression results derived from the zero-intercept method.

c. Explain why the zero-intercept method is not used.

46. Refer to Exhibit J, page 9 of 13, of the Application. Explain how the purchased power demand allocation percentages (column 11) are derived.

47. Refer to Exhibit J, page 10 of 13, footnote (d), of the Application.

a. Explain why two different types of transformers are used.

b. Explain the differences between CSP and KVA transformers.

c. State whether it is correct to interpret line 4 as meaning that three separate 100 KVA transformers are used. Explain.

d. State whether it is correct to interpret line 7 as meaning that three separate 2500 KVA, two separate 2000 KVA and a 500 KVA transformers are used. Explain.

48. Refer to Exhibit J, page 11 of 13, footnote (g), of the Application. Explain how the weighting factors are derived.

49. Refer to Exhibit J, page 13 of 13, of the Application. Describe in detail how East Kentucky's load research data is adapted for use in Jackson County's cost of service study.

Done at Frankfort, Kentucky, this 11th day of June, 1993.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director