

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR)	CASE NO. 97-124
ADJUSTMENT OF RATES)	

O R D E R

IT IS ORDERED that Taylor County Rural Electric Cooperative Corporation ("Taylor County") shall file no later than July 7, 1997 an original and 8 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 its legibility. 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.

1. Refer to Taylor County's Application, Exhibit H-1, page 2. Why is a Times Interest Earnings Ratio ("TIER") of 2.00 appropriate for Taylor County?
2. Refer to Taylor County's Application, Exhibit K, page 3.
 - a. Why did Taylor County's net margins decrease from \$1,010,901 in 1993 to \$35,205 in 1994?

b. Why did Taylor County's net margins increase from \$35,205 in 1994 to \$471,520 in 1995?

c. Why did Taylor County's net margins decrease from \$471,520 in 1995 to \$256,303 in 1996?

3. Refer to Taylor County's Application, Exhibit L. Show all calculations and provide all workpapers for the determination of working capital for the actual test year and the adjusted test year.

4. Refer to Taylor County's Application, Exhibit M, page 4.

a. Explain why Taylor County has two 401(k) plans.

b. Explain the difference between these plans.

c. What is the current status of the contribution moratorium on the National Rural Electric Cooperative Association ("NRECA") Retirement and Security Program? If the moratorium has been lifted, what is Taylor County's actual contribution for the test year?

5. Refer to Taylor County's Application, Exhibit M, page 4. Provide a breakdown of Donated Capital of \$48,288 and Capital Gains and Losses of \$8,560.

6. Refer to Taylor County's Application, Exhibit S, page 1. Provide a detailed schedule of deferred assets in the amount of \$44,676.

7. Refer to Taylor County's Application, Exhibit S, page 1. Explain the net change in assets of \$711,921.

8. Refer to Taylor County's Application, Exhibit S, page 2. Provide a detailed breakdown of other interest expense of \$88,822.

9. Refer to Taylor County's Application, Exhibit S, pages 2 and 22. Explain why total Property Taxes in the amount of \$216,718 on page 2 does not match total Property Taxes in the amount of \$196,482 on page 22.

10. Refer to Taylor County's Application, Exhibit S, pages 6 through 9.

a. Provide Taylor County's written policies on sick leave and vacation.

b. For each employee listed as terminated, state when Taylor County expects to hire a replacement and the replacement's expected salary level.

11. Provide all studies and analyses which Taylor County conducted or used to determine the level of wage and salary increases for non-union employees.

12. Refer to Taylor County's Application, Exhibit S, pages 8 and 9.

a. Explain why Taylor County did not use 2,080 hours for all employees to compute normalized regular wages.

b. Recompute normalized wages as shown on pages 8 and 9 based on 2,080 regular hours.

c. Justify the level of overtime hours for the test year. Provide the total overtime hours worked for the 3 years preceding the test year.

13. Refer to Taylor County's Application, Exhibit S, page 9. Is there an employee no. 169?

14. Refer to Taylor County's Application, Exhibit S, page 10. Do Taylor County's normalized FICA taxes reflect the impact of premiums for life insurance coverage that exceeds \$50,000 per employee? If no, compute Taylor County's FICA tax liability for the insurance coverage which exceeds \$50,000. Provide all supporting workpapers, calculations, and assumptions for the additional tax liability on a per employee basis.

15. Refer to Taylor County's Application, Exhibit S, pages 11 and 12. Recompute normalized payroll taxes as shown on pages 11 and 12 based upon each employee working 2,080 regular hours.

16. Refer to Taylor County's Application, Exhibit S, page 16.

a. Provide a schedule of Taylor County's total contribution to the 401(k) plan for the 3 years preceding the test year.

b. Recompute Taylor County's contribution as shown on page 16 based upon each employee working 2,080 regular hours.

17. Refer to Taylor County's Application, Exhibit S, page 16.

a. Describe Taylor County's employee retirement plan. This description shall address, at a minimum, employee eligibility, plan costs for both employee and Taylor County, the length during which the plan has been in effect, and the name of the plan administrator. Provide all official policy statements on the retirement plan and all literature concerning the retirement plan which is distributed to Taylor County employees.

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

18. Refer to Taylor County's Application, Exhibit S, pages 17 and 18.

a. Describe the health insurance coverage.

b. Describe all eligibility requirements for health insurance coverage.

c. Why have Taylor County's health insurance premiums increased 5.2 percent?

d. Is Taylor County providing health insurance coverage to any former members of its board of directors? If yes, what is the cost of providing this coverage?

e. Provide the latest premium statement(s) issued during the test year.

f. How does Taylor County procure its health insurance policies? 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 why not.

g. What were the monthly rates in effect during the test year?

h. Do retired Taylor County employees pay a monthly premium? If yes, provide the amount and applicable plan.

i. For current employees, provide the amount that employees pay on a single and/or family plan.

19. Refer to Taylor County's Application, Exhibit S, page 18. Identify each member of Taylor County's Board of Directors receiving health insurance coverage from Taylor County and describe the insurance plan under which he is covered.

20. Refer to Taylor County's Application, Exhibit S, pages 19 through 22. Provide supporting workpapers for the column entitled "reported value" for the tax year 1997.

21. Refer to Taylor County's Application, Exhibit S, page 45.

a. Why is medical or health insurance provided to the members of Taylor County's Board of Directors?

b. For each member of the Board of Directors, list his occupation.

c. Describe the health insurance coverage which Taylor County offers to the members of its Board of Directors.

d. For each member of Taylor County's Board of Directors, state whether that member is covered under a health or medical insurance plan from a provider other than Taylor County. If yes, identify the provider.

e. Why should the cost of medical insurance coverage for members of Taylor County's Board of Directors be considered for rate-making purposes as a reasonable operating expense?

22. Refer to Taylor County's Application, Exhibit S, pages 46 through 48. For each item listed below, describe the expense and state why it should be considered for rate-making purposes as a reasonable operating expense.

- a. Galt House, Rooms, Check No. 25680.
- b. KAEC, Takeover Prevention Program, Check No. 25744.
- c. VISA, Training Program, Check No. 25943.
- d. Marion Smith, Nominate Comm, Check No. 26246.
- e. James Keltner, Nominate Comm, Check No. 26241.
- f. JR Haggard, Nominate Comm, Check No. 26240.
- g. Robert Hall, Nominate Comm, Check No. 26248.
- h. Charles Noe, Nominate Comm, Check No. 26256.
- i. Joe Rucker, Nominate Comm, Check No. 26242.
- j. Tammy Minor, Nominate Comm, Check No. 26250.
- k. Country Loft, KAEC Auction, Check No. 26585.
- l. Union Pen & Pencil, Pens Annual Meet, Check No. 26667.
- m. Morris Advertising, Registration gifts Ann Mtg, Check No. 26714.
- n. Use Tax, Pens, JE 9405.

- o. New Editions, Ann Mtg entertainment, Check No. 26859.
- p. Judy Cole, Election Commissioner, Check No. 26865.
- q. Pat Phillips, Election Commissioner, Check No. 26864.
- r. Betty Arnold, Election Commissioner, Check No. 26863.
- s. Caulk Hardware, Annual Meeting Prizes, Check No. 26983.
- t. VISA, Annual meet Prize, Check No. 27264.
- u. Columb-Adair Chamber Commerce, Dues, Check No. 27551.
- v. Pictures Directors, look up, Check No. 25456.
- w. Francis & Lusky Co., Calendars, Check No. 27694.
- x. William I. Wethington, Reimburse Pictures, Check No. 27752.
- y. Use Tax, Calendars, JE 9456.
- z. Gardner Photo, Director Picture, Check No. 28003.
- aa. Union Pen & Pencil, Annual Meet pens, Check No. 28181.
- bb. VISA, Board Christmas dinner, Check No. 28309.
- cc. Use Tax, Pens, JE 9472.
- dd. Yesterday Memories, Board Pictures, Check No. 28431.
- ee. Union Pen & Pencil, Check No. 28423.
- ff. Louise Flowers, Funeral Flowers, Check No. 28626.

23. Refer to Taylor County's Application, Exhibit S, pages 49 through 55. For each expense item which contained one of the explanations listed below, describe the expense and state why it should be considered for rate-making purposes as a reasonable operating expense.

- a. NRECA Training Program.

- b. Voucher comm.
- c. Special Board Meeting.
- d. Leadership Meeting.
- e. Nat Rural Elec Mag.
- f. Prevention Meeting.
- g. Sign Checks.
- h. Congressional Bkft.

24. Refer to Taylor County's Application, Exhibit S, pages 49 through 55.

Explain why the 10 expense columns do not agree with the "Total" column for the following directors:

- a. William Harris.
- b. William Janes, Jr.
- c. James Kessler.
- d. Donald Shuffett.
- e. Rolin Minor.
- f. William Wethington.

25. Refer to Taylor County's Application, Exhibit U, page 1 . Why did Other Current and Accrued Liabilities decrease from \$319,362 in 1996 to \$181,983 in 1997?

26. Refer to Taylor County's 1996 Annual Report, page 5. Explain the credit adjustment of \$16,142 to accounts receivable on the accumulated depreciation schedule.

27. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 9. For each of the accounts listed below, state the reason(s) for the differences in the test year account balance and the previous year's account balance.

- a. Account No. 367.00 - Underground Conductors & Devices, page 1.
- b. Account No. 369.00 - Services, page 1.
- c. Account No. 371.00 - Installation on Consumer Premises, page 1.
- d. Account No. 373.00 - Street Lighting & Signal System, page 1.
- e. Account No. 107.20 - Const Work in Progress, page 3.
- f. Account No. 108.80 - Retirement Work in Progress, page 3.
- g. Account No. 123.11 - Patronage Cap from United Utility, page 4.
- h. Account No. 142.10 - Consumer Acc Partial Payments, page 6.
- i. Account No. 143.00 - Other Accounts Receivable, page 6.
- j. Account No. 144.10 - Accum Prov for Uncoll Cons a/c, page 6.
- k. Account No. 154.00 - Plant Material & Oper Supplies, page 6.
- l. Account No. 154.b - Material & Supplies-Gas,Oil, page 6.
- m. Account No. 155.00 - Material & Supplies-Merchandise, page 6.
- n. Account No. 163.00 - Stores Expense-Undistributed, page 7.
- o. Account No. 183.00 - Preliminary Survey & Invest, page 7.
- p. Account No. 200.2 - Membership Subscribed-Unissued, page 7.
- q. Account No. 219.20 - Nonoperating Margins, page 8.
- r. Account No. 224.30 - Long Term Debt Const Note Exec, page 9.
- s. Account No. 224.40 - REA Notes Exec-Const Debit, page 9.
- t. Account No. 224.14 - Other Long Term Debt-LBC, page 9.
- u. Account No. 224.15 - Notes Executed Other-DR-LBC, page 9.
- v. Account No. 224.16 - Other Long Term Debt-Misc, page 9.
- w. Account No. 233.00 - Notes Payable to Assoc Co, page 9.

- x. Account No. 242.10 - Union Dues, page 11.
- y. Account No. 242.20 - Credit Union, page 12.

28. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 10. For each of the accounts listed below, state the reason(s) for the differences in the test year account balance and the previous year's account balance.

- a. Account No. 456.00 - Other Electric Revenue, page 1.
- b. Account No. 582.00 - Station Expense, page 2 .
- c. Account No. 583.00 - Overhead Line Expense, page 2.
- d. Account No. 586.00 - Meter Expense, page 2.
- e. Account No. 587.00 - Consumer Installation Expense, page 2 .
- f. Account No. 588.00 - Miscellaneous Distribution Exp, page 2 .
- g. Account No. 590.00 - Maint-Supervision, page 3.
- h. Account No. 593.00 - Maint of Overhead Lines, page 3.
- i. Account No. 595.00 - Maint of Line Transformers, page 3.
- j. Account No. 904.00 - Uncollectible Accounts, page 3.
- k. Account No. 908.00 - Customer Assistance Exp, page 4.
- l. Account No. 920.00 - Adm & General Salaries, page 4.
- m. Account No. 923.00 - Outside Services Employed, page 4.
- n. Account No. 925.00 - Injuries & Damages, page 4.
- o. Account No. 926.a - Director's Benefits, page 4.
- p. Account No. 930.1 - Director's Fees & Mileage, page 4.
- q. Account No. 930.20 - Dues Paid to Assoc Organizations, page 4.
- r. Account No. 408.10 - Tax Expense-Property, page 5.

- s. Account No. 408.40 - Taxes-State Soc Sec-Unemp, page 5.
- t. Account No. 408.70 - Taxes-Other, page 5.
- u. Account No. 427.10 - Interest on REA Const Loan, page 6.
- v. Account No. 431.00 - Other Interest Expense, page 6.
- w. Account No. 419.00 - Interest & Dividend Income, page 6.

29. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 15.

a. Has the Board of Directors considered implementing an equity management plan? If yes, when? What are Taylor County's current policies for achieving its desired equity and TIER levels and the rotation of capital credits?

b. Explain how Taylor County determined the amount to be paid for the years shown.

30. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 16.

a. How did Taylor County select the providers of its accounting, legal and engineering services?

b. State when Taylor County retained its current providers of accounting, legal and engineering services. How frequently is the use of these providers reviewed?

31. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 16.

a. Why has Taylor County retained the services of a labor attorney and a cooperative attorney?

b. Describe the services covered by the monthly retainer paid to the cooperative attorney.

c. Does Taylor County have in-house legal counsel?

32. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 18. Why have Taylor County's annual meeting costs increased approximately 65 percent in the past 5 years?

33. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 21 and Taylor County's Application, Exhibit S, page 17. Explain why Taylor County states in its response in Item 21 that 69.36 percent of health insurance is expensed but in Exhibit S, page 17, shows that 78.11 percent is actually expensed.

34. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 22(a).

a. Why did overtime wages decrease from 1994 to 1995?

b. Why did overtime wages increase from 1995 to 1996?

c. Why did total salaries and wages decrease from 1994 to 1995?

d. Why did total salaries and wages increase from 1995 to 1996?

35. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 29.

a. Explain why Taylor County produces its own cooperative newsletter instead of placing an insert in the Kentucky Living Magazine.

b. Provide supporting documentation for payroll.

c. Provide supporting documentation for "other."

36. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 29. What is the purpose of the NRTC? Why should membership dues to NRTC be considered for rate-making purposes as a reasonable operating expense?

37. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 29. Reconcile pages 2 through 7 with page 1.

38. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 33. Explain Check No. 26079 in the amount of \$67.80 for "conference/health ins."

39. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 34.

a. As previously requested, provide the date of each transaction, the vendor, and the account number in which the expenditure was recorded. Provide all invoices for these transactions.

b. Over what length of time should Taylor County's rate case expenses be amortized?

c. (1) State whether the payroll is related to the use of in-house labor in preparing this case.

(2) If yes, does "payroll" reflect labor costs that are solely regular work hours of employees? Are any employee overtime hours included in payroll?

d. Assuming the Commission allows recovery of Taylor County's rate case expenses, why should the Commission include in-house labor costs in rate case expenses if it accepts Taylor County's proposed adjustment for normalization of labor costs?

40. Refer to Taylor County's Response to the Commission's Order of April 22, 1997, Item 42, page 8. How did Taylor County derive its assumption of a health care trend rate of 7 percent per year? Provide all studies and analyses upon which this assumption is based. Why is the assumed health care trend constant?

41. Refer to Taylor County's Application, Exhibit S, page 58. What is the source of the monthly "Fuel Adjust Revenue"? Should these figures agree with line 11 of Taylor County's monthly fuel adjustment clause report? If yes, explain all differences.

42. Refer to Taylor County's Application, Exhibit S, page 60. What is the source of Line 18, "Administrative and General"?

43. Refer to Taylor County's Application, Exhibit S, page 61, Equations 1 and 2. Explain in detail the source of the following numbers:

- a. .85
- b. 12.50
- c. .1224
- d. .0759

44. At page 7, question 14, of his testimony, James R. Adkins refers to an increase in revenue from rates of \$835,900 ($\$13,600 + \$822,300$). Reconcile these amounts with Taylor County's Application, Exhibit S, page 3 which shows the proposed revenue from rates as \$848,931.

45. Refer to Taylor County's Application, Exhibit 4, page 2.

a. Provide the operating expenses for "Distribution-Operation" and "Distribution-Maintenance" for the years 1990 through 1995.

b. Explain why the "Distribution-Maintenance" expense increased from \$856,102 in 1996 to \$1,028,815 in 1997.

46. Provide the information contained in Taylor County's Application, Exhibit R, in Lotus format on a 3-1/2 inch computer diskette.

47. Refer to Taylor County's Application, Exhibit 2.

a. Why did Taylor County not prepare a depreciation study to accompany its application?

b. Provide the last depreciation study which Taylor County prepared or commissioned. When was this study prepared?

48. Refer to Taylor County's Application, Exhibit R, page 8. Explain how the entries "73650" and "6889" under Column 3 "NCP Demand KW" were derived.

49. Refer to Taylor County's Application, Exhibit R. Provide all workpapers, data and calculations, including all regression analyses, variables and equations, used to prepare this exhibit.

50. At page 5 of his testimony, James R. Adkins refers to "Attachment A to the cost-of-service study." Provide Attachment A.

51. Refer to Taylor County's Application, Exhibit H-3, page 7. Why does Taylor County's management feel that the rates in Schedule GP-Part 1 should be slightly higher than the rates in Schedule A?

52. Refer to Taylor County's Application, Exhibit H-3, page 8. How was the energy rate of 5.332¢ per kilowatt-hour for Schedule GP-Part 1 calculated?

53. Refer to Taylor County's Application, Exhibit H-3, page 8. How did Taylor County determine the consumer charges for proposed Rate Schedules B1, B2, B3, C1, C2, and C3?

54. Refer to Taylor County's Application, Exhibit H-3, page 9. How did Taylor County determine the energy adders for proposed Rate Schedules B1, B2, B3, C1, C2, and C3?

Done at Frankfort, Kentucky, this 23rd day of June, 1997.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director