

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF)
JACKSON PURCHASE ELECTRIC)
COOPERATIVE CORPORATION FOR)
PERMISSION TO FLOW THROUGH A)
PORTION OF THE GENERAL RATE) CASE NO. 97-224
DECREASE FILED BEFORE THE)
KENTUCKY PUBLIC SERVICE)
COMMISSION BY BIG RIVERS)
ELECTRIC CORPORATION, CASE NO.)
97-204

O R D E R

IT IS ORDERED that Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase") shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than November 21, 1997. Jackson Purchase shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. Refer to Jackson Purchase's Response to the Commission's Order of May 7, 1997, Item 32. Describe the type of insurance that Jackson Purchase records in Account No. 931.21 for each director.

2. Refer to Jackson Purchase's Response to the Commission's Order of May 7, 1997, Item 32. For each expense listed below, describe the expense and explain why the Commission should consider the expense as a reasonable operating expense for rate-making purposes.

- a. Entertainment.
- b. Executive Committee.
- c. KTI Meeting.
- d. Budget Retreat.
- e. Budget Workshop.
- f. Operations Committee.
- g. NRECA Mgmt Service.
- h. Policy Committee.
- i. PR Meeting.
- j. NRECA Awards Banquet.

3. Refer to Jackson Purchase's Response to the Commission's Order of May 7, 1997, Item 32. Explain why the per diem for the work of the Special Committees should be allowed for rate-making purposes.

4. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4. Provide the workpapers that show how Jackson Purchase calculated the proposed adjustments.

5. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4(d). Explain the proposed adjustment.

6. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4(e). Provide Jackson Purchase's tree trimming expense for each of the 3 years preceding the test period.

7. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4(f).

- a. Explain the proposed adjustment to pensions.
- b. Explain why, in light of Jackson Purchase's reported test period capitalization rate of 37 percent, is Jackson Purchase expensing 67.68 percent of the total amount.

8. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4(g).

- a. For what type(s) of insurance is Jackson Purchase proposing an adjustment?
- b. Explain why each proposed adjustment is necessary.

9. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4(i).

- a. Why was it necessary to retire the old telephone system?
- b. Provide an analysis showing the cost/benefit of leasing a telephone system instead of owning the system.

10. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 4(j). Provide the formula for the adjustment of (\$1,495) to "Other Taxes."

11. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 7. As previously requested, provide a schedule, by account number, that reflects the amount of depreciation expense accrued, capitalized and expensed for the test period.

12. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 13.

- a. How much revenue did Jackson Purchase receive from KTI in 1996?
- b. What level of expenses associated with the operation of KTI in 1996

was allocated to Jackson Purchase?

- c. (1) What was KTI's net loss in 1996?
- (2) How much of this loss was allocated to Jackson Purchase?

13. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 18.

- a. What was the test period capitalization rate for payroll taxes?
- b. What was the test period capitalization rate for payroll?

14. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 19, page 2.

a. Why does Employee No. 169 have a normalized overtime wage when no other salaried employee does?

b. Does Jackson Purchase's written policies on employee salaries permit salaried employees to earn overtime? If yes, provide a copy of this policy.

c. Why is Jackson Purchase proposing to normalize overtime wages for a salaried employee?

15. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 19.

a. For each of the following employees, state whether his or her salary or wage should be annualized to reflect a full year of employment: 248, 246, 247 and 245. Explain your response.

b. (1) Identify which, if any, of the employees shown in the analysis are considered part-time employees.

(2) Of these employees, which, if any, will be considered full-time employees in the future.

c. (1) Explain why Jackson Purchase's level of overtime hours for the test period reflects normal operations.

(2) Provide, for each of the 3 years preceding the test period, the total overtime hours worked.

16. a. (1) Identify each employee who worked more than 200 hours of overtime during the test period.

(2) For each employee identified,

(a) state why these levels of overtime hours were incurred.

(b) state whether he or she experienced similar levels of overtime hours during each of the 3 years prior to the test period?

b. Describe the benefits and costs of paying overtime as opposed to hiring additional employees.

c. Did Jackson Purchase have any temporary employees during the test year? If yes, provide the test year wages and associated taxes for the employees.

d. (1) Did Jackson Purchase employ any temporary employees during the test year?

(2) If yes, provide the test year wages and associated taxes for these employees.

17. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 19. Provide the expensed and capitalized portions of payroll for the test period.

18. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 23. For each expense listed in Jackson Purchase's Response, explain why the Commission should considered the expense as a reasonable expense for rate-making purposes.

19. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 27.

a. State whether Jackson Purchase expects the number of Special Board Meetings to continue at the same level as experienced during the test period.

b. If yes, explain why and state the expected subject matter of these meetings.

20. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 29. Explain the benefit of the NRECA ("National Rural Electric Cooperatives Association") training and update meetings and explain why they should be considered as a reasonable operating expense in determining Jackson Purchase's revenue requirements for rate-making purposes.

21. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 29. For each expense below, identify the benefit which Jackson Purchase receives and explain why the expense should be considered as a reasonable operating expense for rate-making purposes.

a. Special Workshop.

- b. Personnel/By-Laws/Audit Mtgs.
- c. Marketing and Public Relations Meetings.
- d. Wage and Salary Review.
- e. GREAC Meeting Rep.
- f. Meeting with Manager.
- g. Meeting with Mrs. Combs.
- h. Annual Review of General Manager's Performance.

22. Refer to Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 34 and Item 4. Reconcile Jackson Purchase's Response to Item 34 with the proposed adjustment shown in Item 4(f).

23. Refer to Jackson Purchase's Response to Kevin Cherry Request No.1, Item 11(c).

a. Does Jackson Purchase intend to fill the positions previously held by employees 046 and 168?

b. If yes, at what salary level will each position be filled?

24. Refer to Jackson Purchase's Response to Kevin Cherry Request No. 1, Item 11(c). Which employee numbers are the former General Manager, Interim Manager, and new General Manager?

25. Refer to Jackson Purchase's Response to Kevin Cherry's Request No. 1, Item 11(c) and Jackson Purchase's Response to the Commission's Order of September 19, 1997, Item 19. Explain why the list of terminations as of December 31, 1996 contained in Jackson Purchase's Response to Item 11(c) does not match the list contained in Jackson Purchase's Response to Item 19.

26. Refer to Jackson Purchase's Response to Kevin Cherry Request No. 1, Item 13.

a. Explain why promotional and institutional advertising should be considered as reasonable operating expenses for rate-making purposes.

b. Reconcile page 1 with page 2 of Jackson Purchase's Response to Item 13.

27. Refer to Jackson Purchase's Response to Kevin Cherry Request No. 1, Item 19(a). Reconcile Directors insurance of \$11,961 with that shown at Item 32, pages 2-20 of Jackson Purchase's Response to the Commission's Order of May 7, 1997.

28. Refer to Jackson Purchase's Response to Kevin Cherry Request No. 1, Item 23. Provide a breakdown of the expenses incurred by Jackson Purchase in association with KTI activities in the amount of \$22,175.40.

Done at Frankfort, Kentucky, this 7th day of November, 1997.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director