

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF FLEMING- )  
MASON ENERGY COOPERATIVE ) CASE NO. 2001-00244  
CORPORATION )

THIRD DATA REQUEST OF COMMISSION STAFF  
TO FLEMING-MASON ENERGY COOPERATIVE CORPORATION

Fleming-Mason Energy Cooperative Corporation ( Fleming-Mason ), pursuant to Administrative Regulation 807 KAR 5:001, is to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 13, 2002. 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 person who will be responsible for responding to questions relating to the information provided. If several witnesses are responsible for the information, either indicate which witness is responsible for that portion of the response or identify which witness is the primary witness for the response. Careful attention should be given to copied material to ensure that it is legible. Where information 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.

1. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 3(b). Provide supporting documentation and further

explanation for the statement The use of 60% is an estimate since it requires more time to install the anchor than the guy portion of the anchor/guy unit.

2. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 4(a). Explain what the EKPC underbuild is, and why it should have been removed from the accumulated depreciation for distribution plant.

3. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 9. Explain how the net margin on sales resulted in an increase of \$690,000.

4. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 10.

a. Explain why the title Construction projects not financed with long-term debt was originally used.

b. Explain why the title Unlocated items is an appropriate description of the reconciling item.

c. What assets make up the \$47,975?

5. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(a)(1). Explain why Fleming-Mason believes a 3-year amortization of this cost is reasonable.

6. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(a)(3). Explain why Fleming-Mason was late in paying its power bill to East Kentucky Power Cooperative, Inc. ( East Kentucky ). Also, include the month this late payment situation occurred.

7. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(b). Prepare a schedule showing the monthly activity associated with the National Cooperative Services Corporation line of credit, starting with the date of its inception. The schedule should show the beginning outstanding balance, payments, draws on the line of credit, and the ending outstanding balance.

8. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(c). Describe the purpose or function of the following and Fleming-Mason's association with the entity:

- a. Consolidated Credit School Plan.
- b. Southeast Data.
- c. NRTC.
- d. Energy Coop. Inc.
- e. Kentucky Development.
- f. Nicholas County.
- g. Federated Insurance.

9. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(d). The information supplied does not seem to be related to the Federal Financing Bank ( FFB ). Provide copies of the actual note or lending document with FFB.

10. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(f)(1). Was a post-retirement plan evaluation conducted in 1999, 2000, or 2001? If so, provide the results of the evaluation. If one was not performed, explain in detail why not.

11. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(f)(2). Does Fleming-Mason's post-retirement plan provide coverage to its directors and attorney? If yes, identify the test-year cost and expense and explain why ratepayers should be providing the recovery of this benefit through rates.

12. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(i)(1). What action does Fleming-Mason plan to take to correct its oversight?

13. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(i)(3). Provide the agreements between Fleming-Mason and the counties for which it has agreed to provide debt service on industrial site development. If no agreements exist, explain how Fleming-Mason expects to recoup its investment.

14. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 11(i)(4). The requested information was not provided. Provide the information originally requested.

15. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 13(a).

a. Explain in detail why Fleming-Mason is proposing to recognize on its balance sheet the capitalized portion of various normalized costs.

b. Is Fleming-Mason proposing to recognize these capitalized costs in the determination of its pro forma rate base? Explain the response.

c. Has the Commission in previous electric cooperative rate cases recognized such an adjustment? If yes, provide citations to previous Orders noting this adjustment to the rate base used for rate-making purposes.

16. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 13(b). Explain what is included in the reconciling item, and why it is necessary to balance the balance sheet after the known adjustments are recorded.

17. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 14(m). Provide copies of all accounting entries made to record the payment from the Federal Emergency Management Agency. During the test year, were any revenue or expense accounts impacted by this payment? If so, provide a detailed schedule showing the affected revenue or expense account and the amount of payment.

18. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 15. Provide the citation to Fleming-Mason's approved tariff that covers the advances paid for security lights.

19. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 16(j).

a. Provide the 12-month expense for right-of-way clearing for the 12 months ending May 31, 1997; May 31, 1998; and May 31, 1999.

b. Explain any changes in the approaches or clearing cycles used by Fleming-Mason from May 1997 through May 2001.

c. Why does Fleming-Mason consider the test-year expense for this item to reflect a reasonable, ongoing level of expense?

20. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 16(e). Explain whether the test-year expense reflects a reasonable, ongoing level for this account, or if the account should be normalized in order to reflect only one employee salary. Provide the employee number of the retiree and of the new superintendent.

21. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 16(g). Explain whether the test-year expense reflects a reasonable, ongoing level for this account, or if the account should be normalized in order to reflect that the mapping implementation costs will be non-recurring.

22. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 16(p). Explain the reasoning behind the statement Uncollectible expense will increase as revenue increases.

23. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 18(a). Was Fleming-Mason aware that most regulated electric cooperatives have formal board policies for director compensation? Would Fleming-Mason agree that the adoption of formal policies would be a good business practice? If not, explain.

24. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 18(b). Explain why the directors are paid each month for the monthly meeting, but are not required to attend the monthly meeting to receive the payment.

25. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 19(c). Provide a copy of the Wage and Salary Plan study corresponding to the test-year. If the annual update was performed during the test-year, provide both Wage and Salary Plan studies.

26. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 19(d). As previously requested, describe the accounts included in the Benefits Matrix, and the allocation factors used. Specifically, include the account numbers, account names, and associated percentages.

27. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 22(b). How difficult would it be to establish and then maintain Fleming-Mason's accumulated depreciation balances at the plant account level? Would Fleming-Mason agree that the Rural Utilities Service's (RUS) USoA does not prohibit maintaining the balances at the plant account level? Given the Commission's adopted approach in determining cable attachment rates, would Fleming-Mason agree that it would be desirable to move to the plant account level of record keeping? Explain the response.

28. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 23(a). Provide the information originally requested concerning the potential of converting fixed long-term debt to variable.

29. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 24. Provide the information originally requested.

30. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 25. Explain why this adjustment needs to be changed.

31. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 27. Has Fleming-Mason reviewed KRS 278.300 to determine whether Commission approval of this arrangement is necessary? What was the result of that review?

32. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 28(e). Explain why Fleming-Mason believes directors, who are elected representatives of the member-consumers of Fleming-Mason and are not employees, should be provided post-retirement benefits.

33. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 29(e). Provide the requested documentation concerning the cost of the *Kentucky Living* insert, as previously requested.

34. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 30(a). Provide the supporting documentation for the rate case costs incurred to date, as previously requested.

35. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 31(a).

a. Provide copies of analyses, studies, or other documentation that were used by Fleming-Mason or its subsidiary to determine that broadband service would be a good business venture for the cooperative.

b. Provide copies of the Fleming-Mason Services (Services) business plan.

c. What has Services done since it bought the licenses in 1998 and 1999 to develop a market and the accessibility needed to sell broadband service?



d. Explain whether the licenses can be sold to other companies, or if they expire after a certain period of time.

e. If there has been no activity in trying to sell broadband, has Fleming-Mason considered getting out of this business and selling the licenses? Explain the response.

36. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 31(c)(2). Explain why the employees are not keeping records of the actual time that they spend working on Services activities.

37. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 31(e). Explain each item that is included in the account titled Miscellaneous.

38. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 31(b). As the board members of Fleming-Mason and Services are the same, have any board members fees and expenses been assigned to Services? If yes, explain how. If no, explain why not.

39. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 32(b)(3). Explain what is so unique about Fleming-Mason's pension plan that it required the services of Merrill Lynch rather than National Rural Electric Cooperatives Association ( NRECA ). How long has this arrangement been in place?

40. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 33(b). Explain how the settlement agreement in Case

No. 90-081<sup>1</sup> prevented Fleming-Mason from reviewing and updating its equity management plan.

41. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 34(a). Fleming-Mason was requested to provide the accounts, not the amounts, included in the expense matrix. Even if the reference should be to the benefit matrix, provide the originally requested information.

42. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 34(c). Provide an allocation of this cost and expense per month for the months of 2000 included in the test year.

43. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 35.

a. Provide a hard copy printout of the Web site as of the date of this data request.

b. Identify the company that designed Fleming-Mason's Web site.

c. Identify Fleming-Mason's Internet provider.

d. How much did Fleming-Mason pay for its Internet access from February through May 2001?

e. Provide a quantification of the employee labor costs related to maintaining and updating the Web site.

f. Explain how Fleming-Mason concluded that there will be no ongoing costs associated with the maintenance of its Web site.

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<sup>1</sup> Case No. 90-081, Adjustment of Rates of the Fleming-Mason Rural Electric Cooperative Corporation, Flemingsburg, Kentucky.

44. Refer to the response to the Commission Staff's Second Data Request dated December 21, 2001, Item 36.

a. Does Alan Zumstein, CPA, have any formal training in preparing depreciation studies?

b. Has Mr. Zumstein taken any classes specifically relating to depreciation or performing depreciation studies?

c. Did Mr. Zumstein use any special computer software to develop the depreciation study? If yes, identify the software and vendor.

d. Is Mr. Zumstein a sole-practitioner? If no, indicate how many individuals are employed and supervised by him.

e. Describe the process Fleming-Mason used to select a vendor to perform a new depreciation study. If competitive bidding was used, provide a schedule showing what firms filed proposals and the estimated costs from each potential vendor. If competitive bidding was not used, explain in detail why this process was not used.

f. Has Fleming-Mason filed a letter with RUS seeking approval of the new depreciation rates? Provide all correspondence with RUS concerning the new rates.

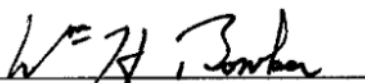
45. Refer to the Service Life and Salvage Study and Recommended Depreciation Accrual Rates as of December 31, 2000.

a. Refer to Section 3, page 1 of 3 entitled Calculated Annual Accrual Rates. Explain how the values under the column Net Salvage Percent were derived. Provide all supporting calculations and documentation.

b. What would the depreciation rates be if a whole life rate were used instead of remaining life? Explain how rates were derived and provide all supporting documentation.

46. Refer to the response to the Attorney General's ( AG ) First Data Request dated December 19, 2001, Item 52. Provide an explanation of the following transactions and explain why the expense should be included for rate-making purposes:

- a. Progressive Business Publication, Annual Subscription, page 4 of 8.
- b. VISA, Air-fare Executive Assistant Conference, page 5 of 8.
- c. Marry Hopper, Expense to Executive Conference, page 5 of 8.
- d. NRECA, registration to Executive Assistant Conference, page 5 of 8.
- e. VISA, Motel for Executive Assistant Conference, page 5 of 8.
- f. Progressive Business Publication, Annual Subscription, page 7 of 8.

  
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DATED January 30, 2002

cc: All Parties