

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FLEMING-MASON	)	CASE NO.
ENERGY COOPERATIVE, INC. FOR AN	)	2007-00022
ADJUSTMENT OF RATES	)	

THIRD DATA REQUEST OF COMMISSION STAFF TO  
FLEMING-MASON ENERGY COOPERATIVE, INC.

Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 11, 2007. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Fleming-Mason shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which Fleming-Mason fails or refuses to furnish all or part of the requested information,

Fleming-Mason shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Second Data Request of Commission Staff dated July 24, 2007 (“Staff’s Second Request”), Item 1.

a. Is the net salvage allowance factored into Fleming-Mason’s analysis of where it is on the depreciation guideline curves?

b. Is Fleming-Mason proposing to continue utilizing the net salvage allowance approach approved in the previous rate case? Explain the response.

2. Did Fleming-Mason seek Rural Utilities Service (“RUS”) approval of the depreciation rates approved in the previous case?<sup>1</sup>

a. If yes, were the rates approved? Provide copies of any related correspondence.

b. If no, explain why Fleming-Mason did not seek RUS approval of the depreciation rates.

3. Refer to the Response to Staff’s Second Request, Item 2. Provide copies of the equity management plan once approved by the board of directors (“Board”).

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<sup>1</sup> Case No. 2001-00244, Adjustment of Rates of Fleming-Mason Energy Cooperative Corporation, August 7, 2002 Order at 23.

4. Refer to the Response to Staff's Second Request, Item 3. Provide copies of the capital credit rotation program once approved by the Board.

5. In the August 7, 2002 Order in Case No. 2001-00244, page 49, ordering paragraph number 16, the Commission ordered Fleming-Mason to report on the status and financial condition of Fleming-Mason Service Corporation ("Service Corp."). On page 45 of the August 7, 2002 Order, the Commission stated:

Second, in subsequent annual reports to its membership, Fleming-Mason should be required to report on the status and financial condition of Service Corp. and Kentucky Wireless. This report should include:

- A discussion of Service Corp.'s and Kentucky Wireless's activities since the previous report;
- The outstanding balance on any line of credit owed by Service Corp. and Kentucky Wireless that has been guaranteed by Fleming-Mason;
- The amounts owed by Service Corp. and Kentucky Wireless to Fleming-Mason; and
- The amount of any net income or net loss from Service Corp. and Kentucky Wireless recorded on Fleming-Mason's books.

In its response to Staff's Second Request, Item 5, Fleming-Mason states that, in its opinion, it has met the requirement of the previous Order. Provide specific references to indicate where Fleming-Mason has included the required information in its annual reports to its membership.

6. In Case No. 2002-00291,<sup>2</sup> Fleming-Mason provided a revolving line of credit agreement between Service Corp. and the National Cooperative Services Corporation ("NCSC") dated July 1, 1999 that included a term of 60 months. In the

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<sup>2</sup> Case No. 2002-00291, Authorization Under KRS278.300 of Fleming-Mason Energy Cooperative Corporation of Approval of Guarantee of Revolving Line of Credit for Fleming-Mason Service Corporation, final Order dated January 21, 2004.

August 7, 2002 Order in Case No. 2001-00244, page 48, ordering paragraph 13, the Commission ordered: "Fleming-Mason shall not extend or renew any existing debt service loans nor commit to any new debt service loans without prior approval by the Commission." In its response to Staff's Second Request, Item 6, Fleming-Mason states that it has not guaranteed any additional loans or advances since the Order was issued.

a. In the Application, Exhibit N, page 17 of 25, Fleming-Mason's audited financial statements disclose the continuing guarantee of the line of credit. State whether Fleming-Mason extended its guarantee of the line of credit and if so, explain why Fleming-Mason extended the guarantee and the manner in which the guarantee was extended.

b. Provide copies of the current line of credit agreement between Service Corp. and NCSC.

c. Provide copies of the Board meeting minutes that include any discussion of renewal of the existing line of credit.

d. Provide the outstanding balance on the line of credit.

e. Has Fleming-Mason made NCSC aware that it does not have the required regulatory approval to guarantee the line of credit for Service Corp.? Provide copies of any correspondence with NCSC concerning the guarantee.

f. Has NCSC responded to Fleming-Mason's letter dated August 10, 2007? If yes, provide copies of the response. If no, provide copies when it is received.

7. Refer to the Response to Staff's Second Request, Item 11.

a. Provide copies of the records for the actual labor expense charged to Service Corp. during the test year.

- b. Provide copies of the actual monthly expenses charged to Service Corp. during the test year.
  - c. Explain what Fleming-Mason provided to Service Corp. for the \$50 per month rental charge.
8. Refer to the Response to Staff's Second Request, Item 21.
- a. Explain why Fleming-Mason does not have a policy regarding its Board's expenses.
  - b. Given Fleming-Mason's deteriorating financial condition, explain why Fleming-Mason has increased the monthly per diem per director by 6.9 percent to 10.5 percent from 2002 to 2006.
9. Provide copies of any Board meeting minutes that include discussions of the Commission's August 7, 2002 final Order in Case No. 2001-00244.
10. Provide copies of any Board meeting minutes that include a discussion of the Commission's January 21, 2004 final Order in Case No. 2002-00291.



Beth O'Donnell  
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Dated: August 28, 2007  
cc: All Parties