

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC	)	
COOPERATIVE, INC. FOR AN	)	CASE NO.
ADJUSTMENT OF RATES	)	2012-00448

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION  
TO OWEN ELECTRIC COOPERATIVE, INC.

Owen Electric Cooperative, Inc. ("Owen"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 6, 2013. 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.

Owen shall make timely amendment to any prior response 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 request to which Owen fails or refuses to furnish all or part of the requested information, Owen 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.

1. Refer to the revised Exhibit C, Sheet Nos. 11 and 35A, and the fifth page of revised Exhibit D, all filed on March 25, 2013. Owen is proposing to delete Sheet No. 11 (Schedule III – Outdoor Lights) and consolidate it with Schedule I – Outdoor Lighting Service on proposed Sheet No. 35A.

a. The fifth page of revised Exhibit D lists 10 items under Schedule III – Outdoor Lights. Explain how each of these items is included in the two line items that appear under Rate 2 on proposed Sheet No. 35A.

b. Refer to proposed Sheet No. 35A. The asterisk on this page is located next to a sentence that is being deleted; however, the note at the bottom of the page which explains the meaning of the asterisk is not being deleted. State whether the note which explains the meaning of the asterisk should remain, and if so, state where the asterisk should appear on the page.

c. The proposed increases to the 10 items that appear under Schedule III – Outdoor Lights in revised Exhibit D range from 15 to 56 percent.

(1) Explain how the proposed rates were determined.

(2) Explain how increases of this magnitude are reasonable and how they are in accordance with the principal of gradualism.

(3) Provide the impact of the proposed increases upon the customer with the largest number of lights.

2. Refer to page 4 of the Prepared Testimony of Mark A. Stallons. At the top of the page, Mr. Stallons states that “Owen is satisfied with its rate design and is simply requesting an increase in the energy charge...”

a. Confirm that Owen is proposing revenue neutral rate design changes to Schedule XI – Large Industrial Rate LPB1, Schedule XIII – Large Industrial Rate LPB2, and Schedule XIV – Large Industrial Rate LPB that will increase demand charges and decrease energy charges.

b. Explain why these rate design changes are being proposed.

3. Refer to Exhibit H-1.

a. State whether the headings 2010 and 2011 refer to calendar years 2010 and 2011.

b. By month, provide the kWh and kW that was billed by East Kentucky Power Cooperative, Inc. (“EKPC”) to Owen for the 2010 and 2011 periods referenced in the exhibit.

4. Refer to the Prepared Testimony of Michael Cobb (“Cobb Testimony”), page 2 of 6, at Answer 8. Mr. Cobb states that one of the reasons Owen is seeking an increase in rates is “to recover increase in general operating expenses since 2007 test year (Case No. 2008-00154), and to obtain a targeted time interest earned ratio (“TIER”) of 2.0.” Also refer to Exhibit S, page 2 of 4, line 49, column Proposed Test Year. In this schedule, the TIER reflected is 1.93. Provide the following:

a. Reasons for the two different TIER values.

b. Whether Owen is aware of any studies performed by the Rural Utilities Service ("RUS") or the National Rural Utilities Cooperative Finance Corporation ("CFC") on the subject of the appropriate TIER level for an electric distributive cooperative. If yes, identify and provide the studies along with the date the studies were performed.

5. Refer to the Cobb Testimony, page 2 of 6, at Answer 9, wherein it states that "[t]he actual increase in power cost to Owen Electric since 2011 has not been 5% as was anticipated, but has exceeded 9%. This difference between actual and anticipated results of the EKPC rate increase has caused Owen Electric's margins and key ratio to be reduced and has put a financial burden on the cooperative".

a. Provide the reasons why Owen Electric anticipated the power cost to increase by 5 percent, and the reasons why the actual cost increase exceeded 9 percent.

b. Refer to Exhibit V, page 1 of 3, line 11, Cost of Power. It appears the increase between 2011 and 2012 is approximately 4.7 percent. Reconcile the difference between the statement that the increase in the cost of power has exceeded 9 percent and the amount shown in Exhibit V of approximately 4.7 percent.

6. Refer to the Cobb Testimony, page 4 of 6, at Answer 10, wherein it states that "Owen proposes to collect this revenue by adding an additional \$.001 per kWh in the FAC calculation each month until such time as the full \$1.112 million has been fully recovered. Once this recovery occurs, Owen will cease collecting the additional amount." Provide the TIER and the Operating Times Interest Earned Ratio ("OTIER"),

as shown on Exhibit S, page 2 of 4, as if both the proposed increase of \$4,074,169 and the \$1.112 million of lost revenues are both recovered.

7. Refer to the Prepared Testimony of James R. Adkins (“Adkins Testimony”) at page 10 of 16. At the top of the page, Mr. Adkins states that the optional rate classes based on the two Schedule 1 classes of Farm and Home and Small Commercial will have their rates adjusted in a manner as originally designed. State whether Owen proposes to accomplish this by increasing the energy charges for the optional residential classes by the same amount per kWh as the Farm and Home energy charge increase and increasing the energy charge for the small commercial optional rate by the same amount per kWh as the Small Commercial energy charge increase. If no, explain.

8. Refer to page 11 of the Adkins Testimony. At the middle of the page, Mr. Adkins discusses Owen’s proposal to add 1 mil to its fuel adjustment clause (“FAC”) factor until it recovers \$1,112,399. Mr. Adkins states that the under-recovery occurred because of the two month lag in the recovery of the wholesale charge or credit to Owen. Mr. Adkins goes on to state that “[t]he amount was measured by comparing revenue collected using the old FAC rates with the actual revenue collect by using the actual FAC rates.” Confirm that Owen believes the under-recovery occurred because, when EKPC rolled in a negative 6.39 mils per kWh to its base rates effective June 1, 2011 in Case No. 2010-00491<sup>1</sup> and Owen’s rates decreased simultaneously, Owen was required to charge the lower base rates (as a result of the negative roll-in) for two

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<sup>1</sup> Case No. 2010-00491, An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2008 through October 31, 2010 (Ky. PSC May 31, 2011).

months, but the FAC factor charged by Owen to its customers was based on the FAC factor from EKPC that was calculated using the higher rates that existed prior to the negative roll-in. If not, explain fully how the under-recovery occurred and would not be captured by the FAC under/over recovery mechanism. If so, confirm that when EKPC rolled in 10.15 mils per kWh to its base rates in Case No. 2008-00519,<sup>2</sup> Owen was required to charge the higher base rates (as a result of the roll-in) for two months but the FAC factor charged by Owen to its customers was based on the FAC factor from EKPC that was calculated using the lower rates that existed prior to the roll-in.

9. Refer to Exhibit H-4, page 15 of 16.

a. Explain why the “kWh Billed” amounts shown for June and July 2011 do not reconcile with the amounts shown on the FAC filing made with the Commission for each of those months.

b. Provide the June and July “kWh Billed” amounts by rate class.

c. Confirm that the revenue amounts on this schedule are total revenues and not solely FAC revenues.

d. For the line item “Difference in kWh from April and June,” provide the kWh amounts separately for April and June.

e. For the line item “Difference in kWh from May and July,” provide the kWh amounts separately for May and July.

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<sup>2</sup> Case No. 2008-00519, An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2006 through October 31, 2008 (Ky. PSC Jul. 15, 2009).

f. Provide the supporting calculations for each amount in the “Revenue” and “Revenue at old rate” columns.

g. Given the change that occurred in base rates and the FAC calculation when EKPC rolled-in 10.15 mils per kWh in Case No. 2008-00519, prepare this same schedule for August and September 2009.

10. Refer to Exhibit I of the application. The percentage increase per kWh usage appears to be calculated by dividing the Increase Amount by the Proposed Rate rather than by the Existing Rate. Provide a corrected Exhibit I showing the increase calculated as a percentage of the Existing Rate.

11. Refer to Exhibit J of the application

a. Refer to page 1 of 19. Owen has a number of rate schedules included in its tariff that are not listed on this page. Confirm that there are no customers on the rate schedules not listed.

b. Refer to page 3 of 19. Explain why the Off-peak Marketing Rate under the normalized column is shown as \$.05127 rather than \$.05286 shown as the present rate in revised Exhibit D and in Owen’s currently approved tariff on file with the Commission.

12. Provide an electronic copy in spreadsheet format of Exhibits J, R, S, and 9 with all formulas intact and unprotected and with all columns and rows accessible. If it is necessary to update either exhibit in response to questions contained in this information request, provide the updated version instead of the original version in both paper copy and electronically.

13. Refer to Exhibit R of the application, page 5 of 56. Provide the basis for the allocation of payroll expense to the expense accounts listed.

14. Refer to Exhibit R of the application, page 7 of 56.

a. Renewable Resource Energy expense is shown as \$61,498. Provide the name of the supplier of these purchases and the kWh purchased during the test year.

b. Explain why, for Account 580 – Operations Supervision and Engineering, the Adjusted Test Year total on the left side of the page is shown as \$460,401 and the Total shown on the right side is \$397,693.

c. An amount of \$13,866 is shown as Maintenance Distribution Plant on the left side of the page but is shown on the same row as Maintenance of Security Lights on the right side of the page. State which is the correct account classification.

15. Refer to Exhibit R of the application, page 8 of 56.

a. Account 935, Maintenance of General Plant, is shown as having been allocated using the General Plant percentages from the Rate Base Schedule. However, the allocation appears to be based on Rate Base percentages from the Rate Base Schedule. Confirm whether the Rate Base percentages were incorrectly used to allocate this account.

b. The basis for allocating Total Miscellaneous Expense of \$146,131 is shown as Total Plant. However, it appears that Total Miscellaneous Expense is allocated based on the Rate Base percentages. State which allocation basis Owen intended to use for this account.

16. Refer to Exhibit R of the application, page 9 of 56.

a. Under Footnote 1, the Poles and Conductor total of \$159,272,590 includes Accounts 364, 365, 367, and 368 from page 11 of 56. Explain why Account 368, Transformers, should be included with Poles and Conductor when using Plant Investment to allocate expenses between Lines and Services.

b. Under Footnote 2, confirm that the fifth item listed on the left side of the page should be shown as "Services" rather than "Street Lights".

17. Refer to Exhibit R of the application, page 10 of 56. Explain why the Total Customer Services of \$476,128 differs from the total of \$668,538 shown on page 7 of 56.

18. Refer to Exhibit R of the application, page 30 of 56.

a. Provide the basis for the allocation of the Purchased Power Demand total of \$23,227,684 to the customer rate classes.

b. Explain why Purchased Power Meter and Substations, Stations Demand, and Lines Demand are allocated to the rate classes based on the non-coincident peak amounts found on pages 35 and 39 of 56 rather than the coincident peak amounts found on pages 34 and 38 of 56.

c. State whether EKPC bills on a coincident or non-coincident peak basis.

19. Refer to Exhibit R of the application, pages 34 and 38 of 56.

a. Explain where in the Cost of Service Study ("COSS") the allocation percentages calculated on these pages were used.

b. Explain why the amounts for Gallatin Steel are not included in the percentage calculations.

20. Refer to Exhibit R of the application, pages 35 and 39 of 56. Explain why the amounts for Gallatin Steel are not included in the percentage calculations.

21. Refer to Exhibit R of the application, pages 41 and 42 of 56. Explain why the number of Residential ETS customers is shown as zero in the two tables on page 41 but as eight in the two tables on page 42.

22. Refer to Exhibit R of the application, page 43 of 56. State what the Lighting Total amount of 11,336 represents and why it differs from the Lighting customer number shown on pages 41 and 42 of 56.

23. Refer to Exhibit R of the application, page 44 of 56. This schedule does not include all of the rate classes.

a. Provide the missing page(s) of this schedule.

b. Reconcile the "Revenue from Rates" line item for each class with the amounts shown in the "Normalized Case No. 2010-00507" column from Exhibit J, page 1 of 19.

24. Refer to Exhibit R of the application, pages 51 and 52 of 56.

a. Provide the basis for the allocation of "Other Revenue" to the rate classes.

b. Page 51 shows that the COSS justifies a \$135,017 increase in the Small Commercial class. Owen is proposing an increase of \$248,238. Explain why Owen is proposing an increase that is 84 percent above that justified by the COSS.

c. Explain why Owen is proposing no increase to the Large Power Primary and the LPB2 classes when the COSS justifies an increase of \$31,208 and \$30,632, respectively.

25. Refer to Exhibit R of the application, page 52 of 56. Confirm that the Revised Increase Amount should be shown as \$6 for the LPB class and (\$69) for the LPB2 class.

26. Refer to Exhibit R of the application, page 53. This page shows a proposed on-peak energy rate of \$.10466 for Schedule 1-B3. Owen's notice to customers shows the proposed energy rate to be \$.10488. Explain the reason for the difference and state whether the proposed rate should be \$.10466 rather than \$.10488.

27. Refer to Exhibit R of the application, page 54 of 56. The bottom half of the page shows possible rate design changes for Schedule 2 – Large Power. Confirm that Owen is not proposing any changes to the rates of this class and, if so, explain why no changes are being proposed.

28. Refer to Exhibit R of the application, page 55 of 56.

a. Explain why the proposed rates shown on this page for Schedule III – Security Lights differ from those proposed in Owen's notice to customers.

b. Explain why the proposed rates shown for the first two lights listed under Schedule OLS – Outdoor Lighting Service differ from those proposed in Owen's notice to customers.

29. Refer to Exhibit S. Under Operating Revenues, explain the "Accounting Change" totaling (\$296,099) that was removed from the test year.

30. Refer to Exhibit S, page 3 of 4. Provide a reconciliation of the amounts shown in the Adjustment 2 Payroll Tax column and the amounts shown in the Application, Exhibit 2, page 1 of 4, lines 33 through 38.

31. Refer to Exhibit V. Provide the following:

a. On page 1 of 3, line 15, Consumer Service, the reasons for the \$95,705 or approximately 17 percent increase between 2011 and 2012.

b. On page 2 of 3, line 16, Investments, the reasons for the \$7,804,330 or approximately 25 percent increase between 2011 and 2012.

c. On page 2 of 3, line 20, Accounts Receivables, Net, the reasons for the \$5,987,320 or approximately 64 percent increase between 2011 and 2012.

d. On page 2 of 3, line 25, Regulatory Asset, the reasons for the \$1,025,733 increase between 2011 and 2012, along with any Commission authority establishing this regulatory asset.

e. On page 2 of 3, line 26, Deferred Debits, the reasons for the \$171,545 or approximately 52 percent increase between 2011 and 2012.

32. Refer to Exhibit X. Provide an explanation along with the reasons for the changes in the following:

a. Page 2 of 6, Account 590, Maintenance Super. & Engineer, increase of approximately 91.8 percent (\$45,000/\$49,000) from \$49,000 for the 12 months ending June 30, 2010 to \$94,000 for the 12 months ending June 30, 2012.

b. Page 3 of 6, Account 593.5, Maintenance O/H Line-pole Treat., increase of approximately 16.4 percent (\$10,000/\$61,000) from \$61,000 for the 12 months ending June 30, 2010 to \$71,000 for the 12 months ending June 30, 2012.

c. Page 4 of 6, Account 912, Demonstration & Selling, increase of approximately 76 percent (\$81,000/\$106,000) from \$106,000 for the 12 months ending June 30, 2010 to \$187,000 for the 12 months ending June 30, 2012.

d. Page 4 of 6, Account 920.10, Admin. Gen. Salaries IT., increase of approximately 19.7 percent (\$107,000/\$544,000) from \$544,000 for the 12 months ending June 30, 2010 to \$651,000 for the 12 months ending June 30, 2012.

e. Page 4 of 6, Account 925, Injuries & Damages, increase of approximately 13.3 percent (\$21,000/\$158,000) from \$158,000 for the 12 months ending June 30, 2010 to \$179,000 for the 12 months ending June 30, 2012. Also, for the five years prior to the test year, provide the amount recorded in this account for each year.

f. Page 4 of 6, Account 928, Regulatory, increase of approximately 185 percent (\$57,000/\$20,000) from \$20,000 for the 12 months ending June 30, 2010 to \$77,000 for the 12 months ending June 30, 2012. Also, for the five years prior to the test year, provide the amount recorded in this account for each year.

g. Page 5 of 6, Account 403.60, Distribution Depreciation, increase of approximately 5 percent (\$481,000/\$9,120,000) from \$9,120,000 for the 12 months ending June 30, 2010 to \$9,601,000 for the 12 months ending June 30, 2012.

h. Page 6 of 6, Owen's Net Margins, increase of approximately 15.6 percent (\$1,054,000/\$6,752,000) from \$6,752,000 for the 12 months ending June 30, 2011 to \$7,806,000 for the 12 months ending June 30, 2012.

33. Refer to Exhibit 9, page 10 of 13, line 243, Smith House Restaurant Board Meeting in the amount of \$2,708 in the meals column. Explain why the \$2,708 is not shown in the total column. If the \$2,708 should be shown in column 10, provide updated schedules showing the corrected amounts.

34. Refer to Exhibit 10, page 2 of 2.

a. For the 12 months ending June 30, 2010, 2011, and 2012, provide the total amounts paid for professional services from the vendor Crawford & Baxter PSC.

b. State whether any of the amounts paid to Crawford & Baxter PSC during the 12 months ending June 30, 2012 were associated with Case No. 2012-00448. If yes, provide the amounts.

c. For the vendor ICON, INC, explain the rational for excluding the amount paid on May 25, 2012 and not excluding the amount paid on May 26, 2012 for rate-making purposes.

35. Refer to Exhibit 11, page 2 of 6, line 24, the payment to First Gear Inc. in the amount of \$2,087.99 for employee shirts. Provide the rational for including these Annual Meeting Expenses for rate-making purposes.

36. Refer to Exhibit 11, page 3 of 6, line 69. Confirm that the employees' labor and benefits in the amount of \$5,876.09 is not reflected elsewhere in Owen's cost of service.

37. Refer to Exhibit 11, pages 4 through 6. There appears to be approximately \$16,000 associated with OEC shirts and hats included in the Miscellaneous General Advertising Account. Provide the rational for including these Miscellaneous General Advertising expenses for rate-making purposes, considering that OEC shirt giveaways, on line 37, are excluded for rate-making purposes.

38. Refer to Exhibit 13, page 1 of 1.

a. Provide a detailed description of how the Self-Insured Worker's Compensation Fund was originally funded, along with the journal entries used to record the funding of the program.

b. Provide the journal entries used to record the receipt of the \$197,168.

39. Refer to Exhibit 15 of the application, page 1 of 3. For the "Normalized using rate effective" row, explain how the Metering Point total of \$46,656 and Substation 7500 total of \$671,568 were calculated.

40. Refer to Exhibit 17. Under the "Sch II Large Power" column, explain why the "Total billings" of 2,900 does not reconcile with the 3,005 shown on page 6 of 19 of Exhibit J. If a correction is necessary, provide a revised Exhibit 17.

41. In Case No. 2010-00507,<sup>3</sup> the Commission approved new rates for Owen for service on and after June 1, 2011.

a. Provide the number of billing cycles employed by Owen in June 2011 and the start and end dates for each billing cycle.

b. Explain in detail how Owen prorated bills when the new rates went into effect for service on and after June 1, 2011.

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<sup>3</sup> Case No. 2010-00507, An Examination of the Application of the Fuel Adjustment Clause of Owen Electric Cooperative, Inc. from November 1, 2008 through October 31, 2010 (Ky. PSC May 31, 2011).

42. Refer to Exhibit 21 of the application, page 27, and the cost justification filed in Case No. 2012-00468<sup>4</sup> for the \$30 manual meter reading charge for customers who refuse an automated metering infrastructure meter.

a. A labor rate of \$24.03 was included in the cost justification for the manual meter reading charge. According to Exhibit 21, page 27, this salary rate is for a Meter Technician 2<sup>nd</sup> Class. Explain why this rate was used instead of one of the Meter Reader classes.

b. Recalculate the manual meter reading charge using the lowest Meter Reading class labor rate.

c. Recalculate the manual meter reading charge using the highest Meter Reading class labor rate.

d. Recalculate the manual meter reading charge using an average of the Meter Reading class labor rates.

43. State whether Owen has considered giving customers who refuse an AMI meter the option of having their meters estimated every other month in order to reduce the cost to Owen and the customer.

44. State the number of customers on Owen's system who are refusing an AMI meter.

45. Refer to the Company's response to Commission Staff's First Request for Information, Exhibit 40, which states that "Owen does not engage in lobbying activities."

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<sup>4</sup> Case No. 2012-00468, Application of Owen Electric Cooperative Corporation for Revisions to Its Meter Reading Tariff to Accommodate Manual Meter Reading Charges in Instances Where its Advanced Metering Infrastructure is Prohibited from Being Utilized for Its Intended Purpose (filed Oct. 15, 2012).

a. Does Owen have any employees registered as a lobbyist with the Commonwealth? If so, provide their names.

b. Is Owen a member of the Kentucky Association of Electric Cooperatives ("KAEC")?

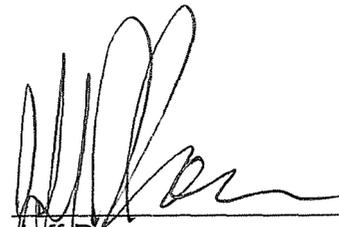
c. If the answer to part "b" above is yes, provide the account number in which the cost of membership is recorded along with the total amount reflected in Owen's cost of service.

d. What portion of KAEC's activities is associated with lobbying activities?

e. Is Owen a member of the National Rural Electric Cooperative Association ("NRECA")?

f. If the answer to part "e" above is yes, provide the account number in which the cost of membership is recorded along with the total amount reflected in Owen's cost of service.

g. What portion of NRECA's activities is associated with lobbying activities?



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DATED APR 22 2013

cc: Parties of Record

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