

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S THIRD 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 by June 3, 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 Exhibit R of the application, page 32 of 56. Explain why only three of the functions listed are assigned to Gallatin Steel.
2. Refer to Exhibit 4 of the application.
 - a. Refer to page 1 of 6, line 23, Other Taxes in the amount of \$146,131. Provide a detailed analysis of the \$146,131, including how the amount was calculated.
 - b. Refer to page 6 of 6. Confirm the headings "Assessment for 2007 Taxes" and "Assessment for 2006 Taxes" are correct. If not correct, provide the corrected headings.
 - c. Provide a comparative schedule of property tax expense for each year of the period 2008 through 2012.
3. Refer to Exhibit 5, page 2 of 3.
 - a. Refer to Line 45, CFC loan 9031010. Since the date of maturity is August 2010, explain why the entire year of interest expense in the amount of \$63,408 is reflected in the Annualized Cost, column j.

b. Refer to Line 46, CFC loan 9031011. Since the date of maturity is August 2011, explain why the entire year of interest expense in the amount of \$65,846 is reflected in the Annualized Cost, column j.

c. Refer to Line 47, CFC loan 9031012. Since the date of maturity is August 2012, explain why the entire year of interest expense in the amount of \$68,895 is reflected in the Annualized Cost, column j.

4. Refer to Exhibit 9. Explain why director Kinman is not listed in the costs removed for rate-making purposes.

5. Refer to Exhibit 12. Confirm that none of the amounts listed are reflected in the actual test year amounts.

6. Refer to the response to Item 1 of Commission Staff's Second Request for Information ("Staff's Second Request").

a. Refer to Item 1.c.(2). The response states that the cost of service study ("COSS") supports an increase in the Lighting classes of 38.8 percent, but that Owen has chosen to hold the increase to less than 25 percent. Given these statements, explain why it is appropriate to increase the current Schedule III - One Pole Added rate from \$10.33 to \$16.09, or 56 percent, and the current Schedule III - One Pole, Transformer Required rate from \$11.03 to \$16.09, or 46 percent.

b. Refer to the response to Item 1.c.(3).

(1) The response states that the impact of the proposed increase on the customer with the largest number of outdoor lights is \$1,040.91 and is for 365 lights. Under what lighting schedule(s) is the customer currently being billed – Schedule I, Schedule II, or Schedule III?

(2) The response states that the impact of the proposed increase upon the residential customer with the largest number of lights is \$7.71 and is for three lights. Provide the specific type of each of the three lights and the current rate billed for each.

c. Refer to the revised tariff pages attached to the response. Explain why the rates under Section D, Monthly Rates, start with Rate 2 instead of Rate 1.

7. Refer to the response to Item 3.b. of Staff's Second Request.

a. State whether the kWh and kW amounts in the table include purchases of power to serve Gallatin Steel.

b. Provide the kWh and kW amounts from the EKPC power bills that were included in Owen's test year in Case No. 2010-00179.¹

8. Refer to Owen's response to Items 8 and 9 of Staff's Second Request. Confirm that the responses indicate that, although Owen believes that it under-recovered approximately \$1.1 million when EKPC rolled in a negative 6.39 mils per kWh to its base rates effective June 1, 2011, Owen acknowledges that it over-recovered approximately \$1.4 million when East Kentucky Power Cooperative, Inc. ("EKPC") rolled in 10.15 mils per kWh to its base rates in Case No. 2008-00519². If this cannot be confirmed, explain what the amount of \$1,384,848.66 represents on page 9 of 9 of the response to Item 9. If this can be confirmed, explain why Owen should be entitled to

¹ Case No. 2010-00179, *Owen Electric Cooperative, Inc. Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment* (Ky. PSC Jan. 14, 2011).

² 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, 2008).

recovery of the \$1.1 million. If Owen's position is that it is entitled to recovery of the \$1.1 million, explain why customers would not be entitled to a refund of \$1.4 million related to the roll-in of 10.15 mils per kWh by EKPC in Case No. 2008-00519.

9. Refer to the response to Item 9 of Staff's Second Request.

a. Refer to page 1 of 9, Item 9.a. The kWh amounts reported on the fuel adjustment clause ("FAC") monthly reports are shown as being less than the amounts reported on Schedule JRA2 by an amount of "Rate Revenue Class 6" outdoor light kWh usage. Explain why these outdoor lighting kWh were not included on the FAC monthly reports.

b. Refer to pages 4-5 of 9, Item 9.f. Explain why the "Total Revenue if at Old Rate" totals on these pages do not match the totals shown on Schedule JRA2.

10. Refer to the response to Item 12 of Staff's Second Request. Owen was requested to file revised versions of Exhibits J, R, S, and 9 in both paper copy and electronic spreadsheet format. The exhibits were filed in electronic spreadsheet format only. Provide paper copies of revised Exhibits J, R, S, and 9. The revised paper copy of these exhibits should be after all revisions are made, including any revisions made as a result of this information request.

11. Refer to the response to Item 16.a. and revised Exhibit R filed in electronic spreadsheet format in response to Item 12 of Staff's Second Request. The response to Item 16.a. states that, "Transformers should have not been included and Services should have been included." Confirm that in revised Exhibit R, Services has incorrectly been included twice in the calculation found in footnote 1 — once in the \$152,199,057 labeled as Poles and Conductor and once in the \$19,936,046 labeled as Services. If

this cannot be confirmed, provide a breakdown of the \$152,199.057 by plant account. If this can be confirmed, provide a revised Exhibit R in electronic spreadsheet format.

12. Refer to the response to Item 23.b. of Staff's Second Request. There appears to have been a misunderstanding as to the information requested. Refer to revised Exhibit R filed in electronic spreadsheet format in response to Item 12 of Staff's Second Request, tab "5 IncStmt," the "Revenue from Rates" row. Reconcile the amounts for each rate class in this row to the amounts for each rate class shown in revised Exhibit J filed in electronic spreadsheet format, the Summary tab, column f.

13. Refer to the response to Item 24 of Staff's Second Request.

a. Refer to Item 24.b. Explain the rationale for keeping the residential and small commercial rates close to the same rate.

b. Refer to Item 24.c. Confirm that the COSS-supported increase of \$31,208 to the Large Power Primary class would equate to a 2.3 percent increase and the COSS-supported increase of \$30,632 to the LPB2 class would equate to a .5 percent increase.

14. Refer to the response to Item 26 of Staff's Second Request. Explain in more detail why an increase of \$.00508 per kWh should be authorized to the Schedule 1-B3 class instead of an increase of \$.00486, which is the proposed increase to the Farm and Home class and which is shown as being the proposed increase to Schedule 1-B3 in the table at the top of page 53 of Exhibit R of the application.

15. Refer to the response to Item 29 of Staff's Second Request.

a. Provide the December 31, 2010, January 1, 2011, and December 31, 2011 accounting entries, including the account numbers, account names, and the dollar amounts, associated with the fuel revenue adjustment.

b. Provide the December 31, 2010, January 1, 2011, and December 31, 2011 accounting entries, including the account numbers, account names, and the dollar amounts, associated with the accounting change for the unbilled revenue adjustment.

c. Provide the December 31, 2010, January 1, 2011, and December 31, 2011 accounting entries, including the account numbers, account names and the dollar amounts, associated with accounting change for the Purchase Power adjustment.

16. Refer to the response to Item 30 of Staff's Second Request. Does Owen agree that using the information contained in Exhibit 2 reduces the requested increase by \$3,255 (\$5,494 - \$8,749)?

17. Refer to the response to Item 31. a. of Staff's Second Request.

a. Confirm that the response indicates that, for 2012, \$20,000 should be removed from the \$651,599 Consumer Service total and placed in the Consumer Accounts total of \$3,664,322 so that the 2011 and 2012 amounts for Consumer Services are comparable as it related to credit risk insurance for an adjusted amount of \$631,599. If that is not the case, explain.

b. Confirm that the response indicates that \$26,000 should be removed from the 2011 amount of \$555,894 so that the 2011 and 2012 amounts for Consumer Services are comparable as it relates to reimbursements from EKPC for retrofitting lighting for an adjusted amount of \$529,894.

18. Refer to the response to Item 31.c. of Staff's Second Request. Provide the following:

a. The January 1, 2012 accounting entries, including the account numbers, account names, and the dollar amounts, associated with the 2011 unbilled revenues which were received in 2012.

b. The June 30, 2012 accounting entries, including the account numbers, account names, and the dollar amounts, associated with the June 30, 2012 unbilled revenues which were received in July 2012.

19. Refer to the response to Item 31.d. of Staff's Second Request.

a. Owen states that the \$1,025,733 increase "is the amount referred to in Question 6 of this data request." Provide a reconciliation between the amount of \$1.112 million referenced in Question 6 and the \$1,025,733 referenced in this response.

b. Provide the supporting calculation for the \$1,025,733.

20. Refer to the response to Item 31.e. of Staff's Second Request. Provide the general plant activity which caused the Deferred Debits to increase by \$171,545, or approximately 52 percent, between 2011 and 2012.

21. Refer to the response to Item 32.c. of Staff's Second Request, wherein Owen was requested to provide the reasons for the \$81,000 increase in Account 912 from June 30, 2011 to June 30, 2012. The response refers to Item 31.a., where Owen addressed the reasons for a \$46,000 total change. Provide the reasons for the remaining \$35,000 increase.

22. Refer to the response to Item 32.f. of Staff's Second Request. The response states, "Costs for Case No. 2011-00037 carried over from the prior year to the test year." Provide the following:

a. The cost associated with Case No. 2011-00037 that carried over from the prior year to the test year.

b. The ratemaking rational why the carryover amount in the response to part a. above is not used as an adjustment to reduce the rate case expense of \$30,000 in Adjustment 12 in Exhibit S of the application or an adjustment to remove the carryover amount from the test year cost of service.

23. Refer to the response to Item 32.h. of Staff's Second Request. Between June 30, 2011 and June 30, 2012, it appears that Owen's Operating Revenues increased by \$2,343,498, or approximately 1 percent. During the same time period, it appears that the Power Cost increased \$5,949,900, or approximately 5 percent. Everything else remaining the same, one would expect Gross Margin to decrease by 4 percent. Provide the rational and/or reasons that Gross Margin decreased by 11 percent.

24. Refer to the response to Item 33 of Staff's Second Request. The response states, "The amount should have been included in the total column, the difference should reduce the amount on line 246."

a. Refer to page 2 of 2. Explain why extending the \$2,708 board meeting meal charge into the total column on line 243 reduces the health insurance amount on line 246 by \$2,708, rather than increasing the amount of the total column from \$241,930 to \$244,638.

b. Explain the relationship between the board meeting charge and the health insurance expense.

25. Refer to the response to Item 37 of Staff's Second Request,.

a. Does Owen agree that in Exhibit 11, pages 4-6 of 6, the line items with a description of OEC shirts or OEC cap and with a legend of "I" or no legend total \$16,171.46?

b. Are the amounts with the legend of "I" or no legend included in the proposed cost of service?

26. Refer to the response to Item 38 of Staff's Second Request. The response to subpart a. states, "The self-insurance fund was funded with annual worker's compensation premiums," and "Workers' compensation premiums are paid on an annual basis and are amortized each month based on the labor distribution."

a. Confirm that the annual worker's compensation premiums paid in prior years were reflected in the cost of service in prior rate cases and thus reflected in Owen's rates.

b. Confirm that, in prior test years, there was a level of Workers' Compensation premiums reflected in the cost of service used in the development of Owen's rates.

c. Explain why, for ratemaking purposes, it would not be appropriate to spread the \$197,168 over some period of time, three years for example, and include a credit of \$65,723 ($\$197,168 / 3$) to the cost of service so that the members who supported the costs associated with the workers' compensation fund payments in the past receive the benefit of the worker compensation fund refund.

d. Confirm that the adjustment discussed in c. above would result in reducing Owen's proposed rate increase by \$131,446 ($\$65,723 \times 2$).

27. Refer to the response to Item 42. Provide the supporting calculation for the labor overhead rate of 73.1 percent.

28. Refer to the response to Item 45.d. of Staff's Second Request, which states that, "Owen is not provided a breakdown of the dues and is unaware of what portion of the dues, if any, is associated with lobbying activities."

a. Does Owen believe that KAEC engages in lobbying activities on behalf of Owen and other Kentucky electric cooperatives?

b. If the answer to a. is yes, provide any documentation that Owen has to demonstrate that KAEC's lobbying activities are funded from sources other than Owen's dues.

c. Has Owen ever requested from KAEC the amount of its dues that is associated with KAEC's lobbying activities? If yes, provide the amount or percentage amount.

d. Does Owen periodically receive KAEC's financial statements?

e. If the answer to d. is yes, do those financial statements indicate sources of funds and uses of funds?

29. Refer to the response to Item 45.g. of Staff's Second Request, which states that, "Owen is not provided a breakdown of the dues and is unaware of what portion of the dues, if any, is associated with lobbying activities."

a. Does Owen believe that NRECA engages in lobbying activities on behalf of Owen and other electric cooperatives?

b. If the answer to a. is yes, provide any documentation that Owen has to demonstrate that NRECA's lobbying activities are funded from sources other than Owen's dues.

c. Has Owen ever requested from NRECA the amount of its dues that is associated with NRECA's lobbying activities? If yes, provide the amount or percentage amount.

d. Does Owen periodically receive NRECA's financial statements?

e. If the answer to d. is yes, do those financial statements indicate sources of funds and uses of funds?

30. Refer to the response to Item 33 of the Attorney General's Initial Information Request. State whether the response indicates that Owen does not intend for its proposed 1 mill per kWh FAC adder to apply to Gallatin Steel. If yes, explain why it would not apply.



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cc: Parties of Record

Case No. 2012-00448

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