

Meade County Rural Electric

Case No. 2013-00033

Commission Staff's Third Request for Information

Item 1. Refer to the response to Item 1.b. of Commission Staffs Second Information Request ("Staffs Second Request"). In its response to Item 1.b. Meade County refers to Exhibit A, pages 1 through 31. In exhibit A, refer to the letter dated March 19, 2013 addressed to "Mr. Gossett" from Debbie Bradley and to the Newspaper Affidavit signed by Jowanna Bandy. Confirm that the notice in the Ohio County Times-News was published on only two occasions - February 13, 2013 and February 27, 2013.

**Response:** On March 19, 2013 Meade County was notified by The Ohio County Times-News that the notice was posted only two times. Attached as pages 2 and 3 of this schedule is Meade's request for the notice to be posted 3 times and the papers acceptance of that request.

Witness: Burns Mercer

## Karen Brown

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**From:** Tim Gossett  
**Sent:** Monday, April 29, 2013 9:18 AM  
**To:** Karen Brown  
**Subject:** FW: Revised Official notice of rate increase  
**Attachments:** 2012 official rate notice (3).docx; AFFIDAVIT.doc

**Importance:** High

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**From:** Tim Gossett  
**Sent:** Monday, February 11, 2013 11:42 AM  
**To:** 'advertisingthn@bbtel.com'; 'Betty Nall (News Enterprise)'; Hancockclarion@Bellsouth. Net (hancockclarion@bellsouth.net); 'Jim Mansfield'; Ohio County Times; Theresa Armstrong (Grayson County News Gazette)  
**Cc:** Kyle Heavrin  
**Subject:** Revised Official notice of rate increase  
**Importance:** High

Thank you for your patience and understanding. I think/hope we have it correct now. Please run the revised notice of rate increase as per the instructions below.

Tim

To: Publisher  
From: Tim Gossett—VP Member Services and Marketing  
Date: February 8, 2013  
Subject: Notice of Rate Increase

Please include this notice of proposed rate increase in the Public Notices section of your newspaper, one time per week for three consecutive weeks, beginning the week of February 11, 2013.

Please return the attached affidavit, along with each week's tear sheet of the notice by March 6, 2013.

Thank you for your immediate attention to this matter. If you have questions, you may call me at 270 422-2162 or my cell at 270 668-2676.

Tim Gossett, VP  
Member Services and Marketing  
Meade County RECC  
PO Box 489  
Brandenburg, KY 40108  
270 422-2162, ext. 3123

**Karen Brown**

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**From:** Tim Gossett  
**Sent:** Monday, April 29, 2013 9:41 AM  
**To:** Karen Brown  
**Subject:** FW: Revised Official notice of rate increase

**Importance:** High

This shows they received it.  
Tim

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**From:** Mail Delivery System [<mailto:MAILER-DAEMON@zmail.ocdirect.net>]  
**Sent:** Tuesday, February 12, 2013 9:05 AM  
**To:** Tim Gossett  
**Subject:** Expanded: Revised Official notice of rate increase  
**Importance:** High

**Your message has been delivered to the following groups:**

[ads@octimesnews.com](mailto:ads@octimesnews.com)

Subject: Revised Official notice of rate increase

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Item 2. Refer to Exhibit R of the application, Schedule 8, page 21 of 150.

a. In the Primary column, provide the supporting calculations for the amounts on lines 4, 18, 24, 25, 27, 34, 40, 41, and 42 and a narrative description of how they were calculated.

**Response:** The values shown on each row are ratios and each are based on subtotals of related plant or expense breakdowns derived from the Classification of Plant, labor, and Expenses worksheets contained in the COSS. The calculations of the ratios are shown in the file "DT\_JG\_DR3\_050313.xls" on Tab "2A". This spreadsheet references each source for the calculations from Exhibit R, Schedule 8.

b. With the exception of lines 7-11, provide the supporting calculations of the amounts in the Secondary and Services column and a narrative description of how they were calculated.

**Response:** Example calculations reflecting the same rows identified in 2(a) are shown in the file "DT\_JGIT2\_DR3\_050313.xls" on Tab "2B". This spreadsheet references each Schedule 8 source for the example calculations. Due to the large amount of detail that would be necessary to show the calculation of every ratio in Secondary and Services column, this response does not include all of the ratios. However, for the ratios not included as an example, the procedure is identical except that source data is different. For example, the ratio on line 19 of page 21 of Schedule 8 is calculated the way the ratio shown on line 18 is calculated except that Account 366 from pages 29 and 37 is used instead of Account 364.

It should be noted that the 0.5075 consumer ratio for Account 369, shown on Pg. 21, line 8 of Schedule 8, was input incorrectly in the original COSS as filed. The correct consumer ratio is 0.5476 and the calculation of this ratio is shown the "Secondary & Services" tab in the file "DT\_JGIT2\_DR3\_050313.xls". Correcting this ratio has no material effect on the results of the COSS.

Witness: Jack Gaines

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Item 3. Refer to the response to Item 7 of Staffs Second Request. The response states that "the 'minimum-size' methodology generally produces a more reasonable result for Account 364 although in this instance, both methodologies produce very similar results." Explain what is meant by a "more reasonable result."

**Response:** Continuing property records ("CPR") often do not provide the level of detail necessary for a reliable regression analysis. This is because poles of different sizes are usually aggregated into groups and the number of each size pole cannot be determined. Therefore, we believe using the "minimum size" method for account 364 generally provides a more reasonable result.

Although Meade's CPR does provide account 364 in more detail, we used our standard methodology to calculate the classification ratio for Account 364.

Witness: Jack Gaines

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Item 4. Refer to the response to Item 11 of Staffs Second Request. The response to part a. states that the customer with the most lights under Schedule 5 would experience an increase of \$327.70 per month under Meade County's proposed rates. The response to part b. states that Schedule 5 is for light service to individual customers usually in conjunction with residential or commercial service. Identify the customer with the most lights under Schedule 5.

**Response:** Doe Valley Association, Brandenburg, KY 40108

Witness: Karen Brown, Jack Gaines

Exhibit 4

Page 1 of 1

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Item 5. Refer to the response to Item 14 of Staffs Second Request in which Meade County lists exhibits that were revised and filed with the response.

a. The version of Exhibit R, Schedules 1, 2, 3, and 4 filed in Excel spreadsheet format are the original versions of these schedules and not the revised versions. Provide the revised versions of these schedules in Excel spreadsheet format.

**Response:** Provided as file "DT\_JGIT5\_DR3\_050313.xls"

b. Revised Exhibit R, Schedule 8, was not provided. Provide revised Schedule 8 (the cost of service study) in Excel spreadsheet format.

**Response:** Provided as file "DT\_JGIT5b\_DR3\_050313" zipped file.

c. Refer to revised Exhibit R, Schedule 4, the Consumption Analysis Data and Revenue Proof. Confirm that column b of this schedule, the Test Year Units, includes the billed sales for the 12 months ending November 30, 2012.

**Response:** Yes, the test year units in column (b) of Exhibit R, Schedule 4 reflect billed sales for the test year ending November 30, 2012.

Witness: Jack Gaines

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Item 6. Refer to the response to Item 15 of Staffs Second Request.

a. The response states that the attached pages were filed electronically. The pages were not filed in Excel spreadsheet format. Provide pages 2-4 of this response in Excel spreadsheet format.

**Response:** Provided as file "DT\_JGIT6\_DR3\_050313.xls"

b. Refer to page 3 of 4. Explain how the 1.007264819 that appears on line 84 was calculated.

**Response:** 1.007264819 (i.e., 1 + 0.7264819%) is the overall increase ratio in test year base rate revenue due to normalizing base rate revenue for the final rates approved in the January 29, 2012 Order in Case No. 2011-00038. The calculation excludes customer growth so that the ratio reflects a rate to rate comparison. The calculation is shown on row 134 of the "Sch. 4" tabs of both the original and revised Excel versions of Exhibit R, Schedules 1 – 7. That calculation is:

Sum of base rate revenue @ final order rates (Cell H134)		\$38,336,915
Less: Sum of base rate revenue at test rates (Cell E134)	÷	\$38,060,413
Ratio	=	1.007264819

Applying the ratio to unbilled revenue adjusts unbilled revenue for the final rates approved in Case No. 2011-00038.

Witness: Jack Gaines



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Item 7. Refer to the response to Item 20.j. of Staffs Second Request. The response to Item 20.j.(2) was not provided. Provide the response to subpart (2).

**Response:** Meade has automatic meters ("AMI") deployed for all but about 280 commercial customers. Test year meter reading expense is for a contractor who currently reads any meters missed by AMI, reads all meters annually as required by the PSC, and reads approximately 280 commercial accounts that have not been converted to AMR. The cooperative is in the process of converting the commercial meters to AMI. Therefore, going-forward all accounts will be AMI and meter reading expense should be no different between customer classes. Therefore, a meter reading weighting factor of "1" is assigned. The billing process uses the data from the AMI readings and there is no appreciable difference in the amount of time spent generating a bill for a residential or commercial customer. Therefore, a meter reading weighting factor of "1" is assigned.

Witness: Jack Gaines

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Item 8. Refer to the response to Item 23 of Staffs Second Request which states that the calculation of the Public Service Commission assessment adjustment is provided in Exhibit 14, page 15 of 15. Provide the location in Exhibit 14, page 15 of 15 where the calculation is found.

**Response:** The revenue increase for each class is shown in Exhibit R, pg. 107, line 19. The application of the PSC assessment to the additional revenue is shown on line 20.

Witness: Jack Gaines

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Item 9. Refer to the response to Item 24 of Staffs Second Request.

a. Account 154.000, Plant Material and Operating Supplies, decreased by \$381,571, from \$1,340,494 to \$958,923, from 2011 to the 2012 test period. Provided a detailed explanation for why this account decreased by this magnitude.

**Response:** Completion of several jobs related to the six year (6) copper wire replacement project was recorded in the 2012 test year. The material for this project was purchased in 2009 therefore the inventory balance will reduce as a result.

b. Account 173.000, Accrued Utility Revenue, increased by \$463,820, from \$0 to \$463,820, from 2011 to the 2012 test period. Provide a detailed explanation for why this account increased by this magnitude.

**Response:** At the start of the test year, account 173.000 had a beginning balance of \$0 because record of accrued utility revenue did not begin until December 2011. At the end of the test year, the ending balance of \$463,820 was due to an accrual entry recorded in November 2012 that would be reversed in December 2012.

c. Account 232.100, Accounts Payable - General, increased by \$615,788, from \$1,628,867 to \$2,244,655, from 2011 to the 2012 test period. Provide a detailed explanation for why this account increased by this magnitude.

**Response:** The majority of the balance in account 232.100 is composed of invoices distributed to the current month with a liability to pay in the following month. At the end of the test period, dollars to be distributed in the current month but paid in the next totaled \$2,297,113. This is approximately \$430,000 higher than the total of outstanding payables at the beginning of the test year. There were several factors in November 2012 that contributed to the difference of \$430,000. An installment on a radio system for \$23,412 was paid and charged to WIP. Contractors were paid for work charged to CWIP which totaled \$185,888, approximately \$150,000 higher than the

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previous year. The power bill for \$1,798,341 was approximately \$276,000 higher than the previous year. \$24,857 was paid to a contractor and charged to account 232.700 for spraying substation line sections. Each of these differences are recognized as contributing factors to the increase in balance, as well as other variable expenses and minor adjustments.

Witness: Karen Brown

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Item 10. Refer to the response to Item 25 of Staffs Second Request.

a. Refer to the response to Item 25.b. Fully describe the Wildblue operations and explain why they were transferred to Bowie-Cass Electric Cooperative.

**Response:** Wildblue was a value added service to our members for broad band internet service. Meade County was out sourcing all installations. Bowie-Cass was able and willing to provide this service to our members.

b. Refer to the response to Item 25.e. Provide an analysis of the activity of Account 421.10, Gain on Disposition of Property, for the years 2006 through 2010.

**Response:**

421.100 Analysis of Account Activity

4 30 10 sale of misc equipment	26.51	2 28 07 returned misc equipment	(100.00)
6 30 10 sale of misc equipment	81.20	6 30 07 sale of misc equipment	120.25
12 31 10 Hwy relocation state ROW	2,500.00	7 31 07 sale of misc equipment	20.00
12 31 10 Hwy relocation state ROW	114,567.91	7 31 07 loss on removal of fence	(7,764.34)
Total	\$ 117,175.62	8 31 07 sale of misc equipment	245.00
2 28 09 sale of misc equipment	100.00	10 31 07 sale of misc equipment	5.00
3 31 09 sale of misc equipment	1,714.99	Total	\$ (7,474.09)
4 30 09 sale of misc equipment	3,620.00	5 31 06 returned misc equipment	(127.20)
Total	\$ 5,434.99	10 31 06 sale of misc equipment	215.00
2 29 08 sale of misc equipment	1,550.50	Total	\$ 87.80
3 31 08 returned misc equipment	(138.37)		
6 30 08 sale of misc equipment	200.00		
Total	\$ 1,612.13		

c. Refer to the response to Item 25.i. Describe the accrual journal entry for \$29,000 that was made in December 2012, and explain how it accounts for the change in Account 454.00, Rent from Electric Property, since the entry was made after the test year.

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**Response:** Below is a recap of activity in account 454.00 for the test year and the prior year. The difference in joint use pole fees for the test year is \$38,940 less than the prior year due to a cable company removing their equipment from Meade County poles.

	Test Year	Prior Year
Joint use pole fees	227,362.25	266,302.74
Fordsville bldg rent	15,000.00	18,000.00
Total	242,362.25	284,302.74

d. Refer to the response to Item 25.p. Provide a detailed description of Meade County's right-of-way tree trimming program and the factors that specifically contributed to the increase in costs.

**Response:** Each year Meade County RECC solicits bids for right-of-way vegetation management. The bids received are for hourly service order related work (usually smaller trimming and clearing jobs), substation trimming, and spraying. The service order related bids are usually similar to the previous year's quote with a percentage increase to cover the general cost of living. The exception to that would be any particular increases in fuel, insurance, or other costs that would dramatically have a substantial role in the cost of doing business.

The bids received for trimming the circuits associated with specific substations during the year are usually based on the density of vegetation and consumers, the line mileage of the circuits, and the economic factors previously described in the preceding statement. The bids for 2011 equated to \$809,666 for trimming 484 miles of distribution line and spraying 485 miles whereas 2012 yielded a total bid of \$985,397 for trimming 436 miles and spraying 484 miles. The bids received for the year 2012 work equated to more than \$170,000 than the previous year's. As a reference, the bid for 2011 yielded a cost of \$1482/mile whereas 2012's cost was \$2057/mile for trimming. The spraying bids work in the manner as the substation cuts.

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e. Refer to the response to Item 25.x. Identify the prior year rate case that Meade County refers to in its response. Were the costs incurred during the test year for this proceeding or for the prior case?

**Response:** The case number is 2010-00222, Application to Adjust Rates. As stated in the exhibit, the costs were recorded in December 2010 not the December 2011 test year.

Witness: Karen Brown

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Item 11. Refer to the response to Item 26 of Staffs Second Request.

a. Refer to the response to 26.b.(3). Describe the nature of the \$2,000 bonus and state whether any other employee received a similar bonus. Explain why Meade County considers this to be a recurring expense.

**Response:** This employee was promoted to a higher grade on 4/1/2011 but did not receive a pay increase at that time. The bonus was granted at a later date to compensate for the promotion. No other employee received a similar bonus.

b. Refer to the response to Item 26.b.(5). Explain why a performance bonus was not granted in 2009. Is this an indication that the granting of performance bonuses is not guaranteed?

**Response:** Please refer to page 5 of 14 of the response to Item 26.b. referenced above. Employees must meet goals in three areas to qualify for an incentive. These goals were not met in 2009 therefore no incentive was earned.

c. Provide the total amount of the incentive plan payments for the years 2000 through 2006.

**Response:** The first year for payout was 2001.

2001	\$ 1,700.00
2002	\$ 1,500.00
2003	\$ 2,400.00
2004	\$ 1,500.00
2005	\$ 1,000.00
2006	\$ 900.00

Witness: Burns Mercer



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Item 12. Refer to the response to Item 27.c. of Staffs Second Request. Provide a breakdown of the project costs to date by account number.

**Response:** Copper wire replacement costs:

	Acct. No.	Amount
Poles	364.000	\$ 3,605,057.66
Wire	365.000	\$ 6,695,107.08
		<u>\$ 10,300,164.74</u>

Witness: Karen Brown

Commission Staff's Third Request for Information

Item 13. Refer to the response to Item 29 of Staff's Second Request.

a. Confirm that Meade County's adjustment to long-term debt interest expense is now (\$98,321) per the revised Exhibit 5 attached as page 2 of 2 of the response.

**Response:** Yes, the adjustment to interest expense should be \$98,321.

b. Meade County's response to Item 29.a. indicates that only interest rates on Rural Utilities Service ("RUS") loans 295 and 314 will change. The revised Exhibit 5 shows that interest rates on the following loans also changed: RUS loans B324, B325, B326; FFB loans H010, F035, F040, F045; and CFC loans 9009, 9011, 9015, 9016 and 9021. Explain this discrepancy.

**Response:** Loans 295 and 314 are the only loans that are up for repricing during the time period of the rate case.

B324, B325, and B326: decimal keyed incorrectly on original exhibit

H010: interest rate keyed incorrectly on original entry

F035: was left off original exhibit

F040: incorrect interest rate on original exhibit; pulled incorrect rate

F045: no difference on interest rate on original exhibit v revised exhibit; both at 2.762%

9009-9015: combined into one line item on original exhibit but was listed separately on revised exhibit

9016: original exhibit had incorrect interest rate; had old rate

9021: was left off original exhibit (on the original exhibit added loans 9017-9021 to come up with the total listed)

Witness: Karen Brown

Commission Staff's Third Request for Information

Item 14. Refer to the response to Item 32.c. of Staffs Second Request.

a. How long has Meade County had a website?

**Response:** Meade County's Web site went online around 1999.

b. Since the inception of Meade County's website, provide each time it has undergone redesign, who performed the task, and the cost.

**Response:** Big Rivers Electric personnel initially developed the Meade County RECC website with input from Meade County RECC and made periodic information changes as per request. Meade County's web site was last redesigned in 2006, the work was performed by Big Rivers personnel and Apogee Interactive web services company. Cost was covered by Big Rivers.

A redesign and upgrade was completed in February 2013. Contract cost for the 2013 upgrade was \$6900 which included design work and content management tool.

c. Explain Meade County's decision to outsource this task rather than have it performed by Meade County personnel.

**Response:** Apogee Interactive is the hosting company of our website. They provide many Energy Suites devoted to residential and commercial energy efficiency as well as electrical, safety and energy efficiency education for children. Meade County has not had qualified personnel to perform the necessary artistic and technical skills to perform this function. Since Apogee hosts the web site, they created the templates and functionality of the web site. Upgrades, changes and improvements will be made in the future via a content management package provided by Apogee and used by Meade County RECC communications coordinator.

Witness: Karen Brown

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Item 15. Refer to the response to Item 33.d. of Staffs Second Request. The response shows payments identified as "KAEC ANNUAL MTG" for which Meade County had removed \$4,056.16 for rate-making purposes.

a. Confirm that the remaining expenses for directors Barr, Rhodes, Sipes, Wilson and Williams are for the KAEC director training described in Meade County's response to Item 33.a.

**Response:** The expenses reflected in the above item are for KAEC director training as described in the response to Item 33.a.

b. Explain the payment to each of the above-named directors for Meeting Fees of \$250.00.

**Response:** The fee should have been listed in the "per diem" column rather than the "Meeting Fees" column. Refer to Ex. 10 page 9 of 11 of the application for the Board Policy:

Section II C states: Directors will be paid a per diem amount of \$250.00 per day for attendance at KAEC and NRECA annual meetings.....

Witness: Burns Mercer

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Item 16. Refer to the response to Item 35 of Staffs Second Request. Provide the current estimate of total rate case expense for this proceeding.

**Response:** In addition to the \$29,621 already incurred for case preparation expenses we estimate an additional \$25,000 for a total of \$54,621.

Witness: Karen Brown

Exhibit 16

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Item 17. Refer to the response to Item 36 of Staff's Second Request.

a. Refer to the response to Item 36.c. Provide the number of participants by Demand Side Management ("DSM") program.

**Response:**

NUMBER OF REBATES PAID THRU 2013 1ST QTR ENDED				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	
CLOTHES WASHER	60	196	64	<b>320</b>
REFRIGERATOR	42	110	38	<b>190</b>
AIR SOURCE/HEAT PUMP	11	12	12	<b>35</b>
DUAL FUEL	3	8	4	<b>15</b>
GEOHERMAL	4	1		<b>5</b>
LIGHTING	1	3	2	<b>6</b>
TUNEUP		19	6	<b>25</b>
NEW HOME		2		<b>2</b>
	<u>121</u>	<u>351</u>	<u>126</u>	<b>598</b>

b. Refer to the response to Item 36.d. Provide a breakdown of the budgeted amount of \$260,000 by DSM program.

**Response:**

DSM Program Summary	Annual Target
Residential Lighting Program (CFL Bulbs)	\$32,500
Residential Efficient Appliances (Energy Star)	
Refrigerator (Units Replaced & Recycled)	\$10,000
Washing Machine (Units Replaced)	\$10,000
Energy Star Heating, Ventilation and AC (HVAC) Program (Units)	\$16,250
Residential Weatherization Program (Homes Weatherized)	\$75,000
Residential Touchstone Energy New Construction (Homes Constructed)	\$25,000
HVAC Tune-Up Program (Units Tuned Up)	\$12,500
Commercial/Industrial Efficient Lighting Program (KW Reduction)	\$48,750
General Commercial/Industrial Efficiency Program (KW Reduction)	\$10,000
Commercial/Industrial HVAC (Tons)	\$10,001
High Efficiency Outdoor Lighting (Fixture)	\$10,002
Total	\$260,003

Witness: Burns Mercer

VERIFICATION

I verify, state, and affirm that I prepared or supervised the preparation of the responses to data requests filed with this verification and for which I am listed as a witness; and, that those responses are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.



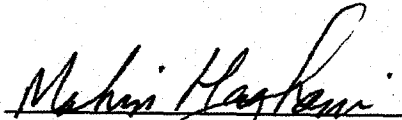
Jack D. Gaines, JDG Consulting, LLC

STATE OF GEORGIA

COUNTY OF: Fulton

The foregoing was signed, acknowledged and sworn to before me by Jack D. Gaines, this 1<sup>st</sup> day of May, 2013.

My commission expires 7/17/2016

  
Notary Public

(seal)

