

Meade County Rural Electric Cooperative Corporation

Response to Post Hearing Request for Information

Case No. 2013-00033

**Item 1.** Exhibit 13 - When was the workers compensation self-insured fund liquidated?

**Response:** December 31, 2003

**Item 2.** 2<sup>nd</sup> Data Request # 26 - Submit a readable copy of "Compensation Model Benchmark"

**Response:** Attached as Exhibit 1 of this response is a copy of the study as submitted to the Cooperative. The section on page 5 of the study is blank in the original version and that information is not available.

**Item 3.** 2<sup>nd</sup> Data Request #33d – KAEC annual meeting – provide dates, location, and agenda.

**Response:** Attached as Exhibit 2 of this response is a copy of the agenda for the KAEC annual meeting held November 21-22, 2011 at the Marriott Hotel Downtown in Louisville, KY.

**Item 4.** 2<sup>nd</sup> Data Request #27a-Provide depreciation adjustment.

**Response:** The depreciation adjustment is \$104,412. Attached as Exhibit 3 of this response is a copy of the revised exhibit.

**Item 5.** 2<sup>nd</sup> Data Request #29 a & b – confirm \$98,321 reduction in test year interest expense.

**Response:** Yes, test year interest expense is a reduction in the amount of \$98,321.

**Item 6.** 3<sup>rd</sup> Data Request #16– Update Case expenses.

**Response:** Attached as Exhibit 4 of this response is an updated exhibit which represents the total expenses in this case.

**Item 7.** 2<sup>nd</sup> Data Request #20 G2, Item 2b – provide a corrected copy of Cost of Service.

**Response:** A corrected copy is included in this filing as: POSTHEARING\_Q20(g)\_DR3Q2(b).pdf

**Item 8.** Exhibit 1 – Provide revised copy with Excel spreadsheet updated with 2012-00535 Big Rivers rates.

**Response:** Refer to Excel file: PostHearing\_ITEM8\_EX1.XLS included in this filing.



**Cooperative Benefits  
& Financial Services, LLC**

www.TeamCBFS.com

September 14, 2010

Mr. Burns Mercer  
Meade County RECC  
P.O. Box 489  
Brandenburg, KY 40108

Dear Burns:

Pursuant to our earlier discussions I have updated the compensation plan for the 2011 plan year and have attached the results.

Internal Equity

Job evaluations remain consistent to our original configuration except for the addition of new and/or adjusted positions (presented in exhibit section). We generally recommend a comprehensive review of the compensation plan every 3-5 years. Considering the number of changes that have occurred perhaps next year might be a good time to review the internal values of all positions and take a fresh look at the competitive posture of the overall plan.

Job evaluations remain consistent with last year's update except with the insertion of the Supervisor of Accounting, Accountant Payroll and Accountant Accounts Payable positions. (See evaluation details in Exhibit section)

New/Modified Position Recommendation

GR.		KNOWLEDGE		SUPERVISION		RESPONSIBILITY		COMPLEXITY		CONTACTS		TOTAL
		DEG.	PTS.	DEG.	PTS.	DEG.	PTS.	DEG.	PTS.	DEG.	PTS.	PTS.
8	Accountant-Payroll	11	220	2	54	9	184	9	184	8	166	808
8	Accountant-Accounts Payable	11	220	2	54	9	184	9	184	8	166	808
12	Supervisor Accounting	14	274	8	138	14	274	14	274	11	220	1180

### Compensation Model/Benchmark Positions

In order to maintain consistency in our view of external market value, all salary data came from the same source as the original compensation model (NRECA's National Compensation Survey) last updated in 2008.

Produced annually by NRECA, this survey provides information for approximately 80 positions from cooperative distribution systems located throughout the United States. It is the best source of electric cooperative data available. Over 800 systems contribute to this non-voluntary survey (values are used for calculating group benefit premiums), which reports actual incumbent salaries. Salary survey data is available on a national, regional and statewide level.

Per our discussion we shifted the competitive target of the modeling from the third quartile to the average of the NCS was used to reflect the competitive nature of MCRECC's recruiting environment (see shaded positions in following chart). Utilizing the national report provides a more stable market reference than regional or statewide values due to the larger number of respondents.

For the electrical engineering benchmark positions we continue to utilize the Economic Research Institute's Salary Assessor database for national average trends at 2 and 6 years of experience.

Salary data was indexed by a factor of 2% to account for market changes that have occurred since the NCS data was collected November, 2009.

### Compensation Model Benchmark Positions

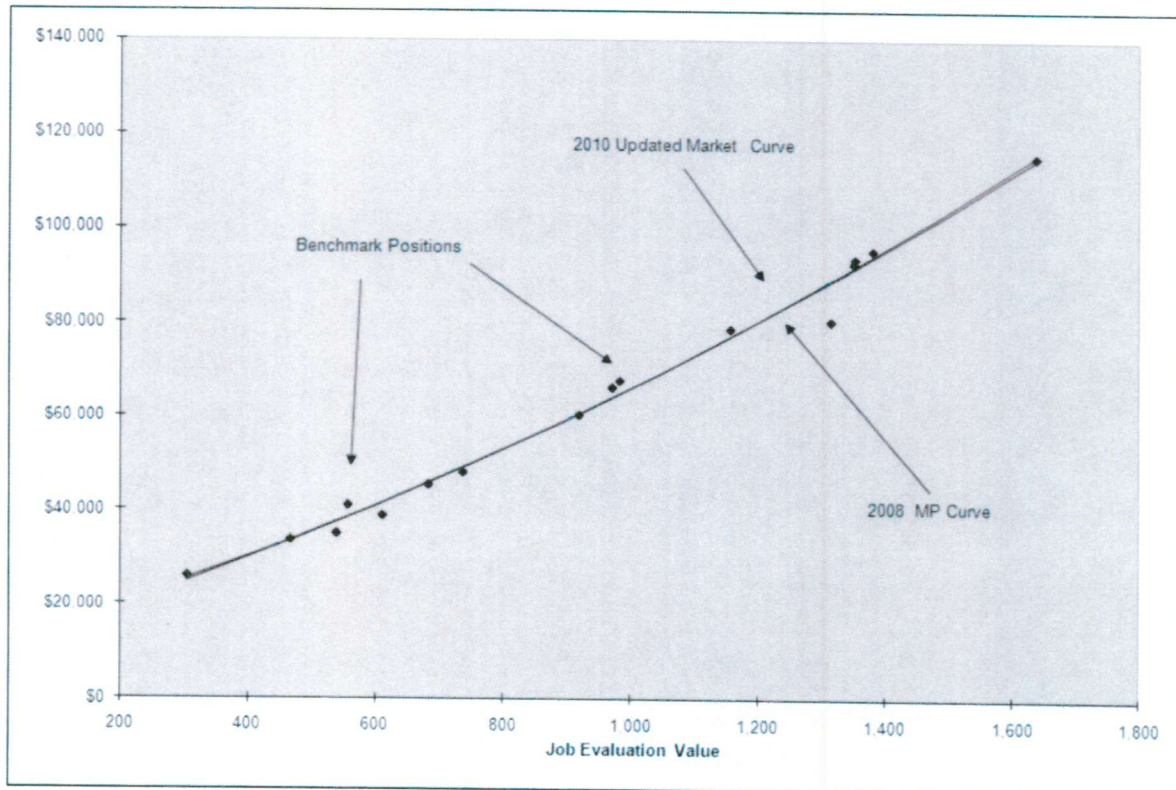
GR.	TOTAL PTS.	Job Code	2010 Nat'l Average	Nat'l Thrd Qtl	Region III Avg	Region III Thrd Qtl	KY State Avg	KY State Thrd Qtl	Model B ERI 2	Model Option Average	Index 2%
2	304	Janitor	Local rate							\$25,480	\$25,990
4	466	Resource Clerk	17x	\$32,989	\$39,686	\$34,216	\$39,936	\$35,547	\$40,872	\$32,989	\$33,649
5	538	Account Rep./Cashier	17g	\$34,320	\$38,958	\$34,216	\$38,730	\$33,717	\$37,960	\$34,320	\$35,006
5	556	Operations Clerk	20w	\$40,123	\$45,885	\$39,666	\$42,432	\$38,459	\$42,203	\$40,123	\$40,926
5	610	Account Rep./Applications	17t	\$38,002	\$42,474	\$36,816	\$40,706	\$37,710	\$41,454	\$38,002	\$38,762
6	682	Accounting Clerk	17n	\$44,450	\$48,755	\$42,058	\$45,136	\$43,035	\$46,800	\$44,450	\$45,339
7	736	Mapping Technician	16s	\$46,987	\$52,894	\$44,970	\$49,400	\$48,318	\$54,205	\$46,987	\$47,927
9	918	Journeyman Lineman	15n	\$59,010	\$64,438	\$55,118	\$59,966	\$56,035	\$59,030	\$59,010	\$60,190
10	970	Engineer I	2 yrs						\$64,816	\$64,816	\$66,112
10	982	Foreman	15e	\$66,206	\$71,531	\$63,336	\$66,498	\$62,566	\$67,558	\$66,206	\$67,531
12	1156	Engineer II	6 yrs						\$77,103	\$77,103	\$78,645
14	1314	Operations Superintendent	15a	\$78,752	\$86,072	\$74,990	\$82,114	\$77,251	\$81,483	\$78,752	\$80,327
15	1350	VP Admin. & Office Svcs.	11e	\$90,791	\$101,672	\$89,948	\$100,109	\$89,678	\$100,977	\$90,791	\$92,607
15	1352	VP Mbr. Svcs. & Mktng	7a	\$91,734	\$106,120	\$94,966	\$113,797	\$91,545	\$104,891	\$91,734	\$93,569
15	1380	VP Accounting & Finance	12c	\$93,495	\$108,664	\$86,479	\$96,804	\$90,157	\$99,253	\$93,495	\$95,365
18	1636	VP Eng'ng & Optns.	16a	\$113,054	\$126,500	\$109,797	\$111,426	\$109,747	\$112,504	\$113,054	\$115,315

### Updated Regression of Benchmark Positions

Over the past year (as tracked by the NCS) each model position moved a varying amount due to the market forces affecting each of the benchmark positions. Each of

these individual movements are aggregated or "combined" through the use of regression analysis, which compiles the individual changes into an overall salary curve/market movement.

### Regression Analysis of Benchmark Positions



### Regression Analysis Coefficients

Constant:	11196.636
1st Degree Coeff:	41.419733
2nd Degree Coeff:	0.01340456

The results of the regression analysis provide the equation coefficients from which the updated salary midpoint curve can be calculated. Inserting these values into the midpoint calculations resulted in an upward movement of the salary line curve from the current ranges. This movement shifted within a range of -5.50% to 3.24% per grade with an overall average change of 1.01%.

Ex 1  
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### Updated 2010 Salary Ranges

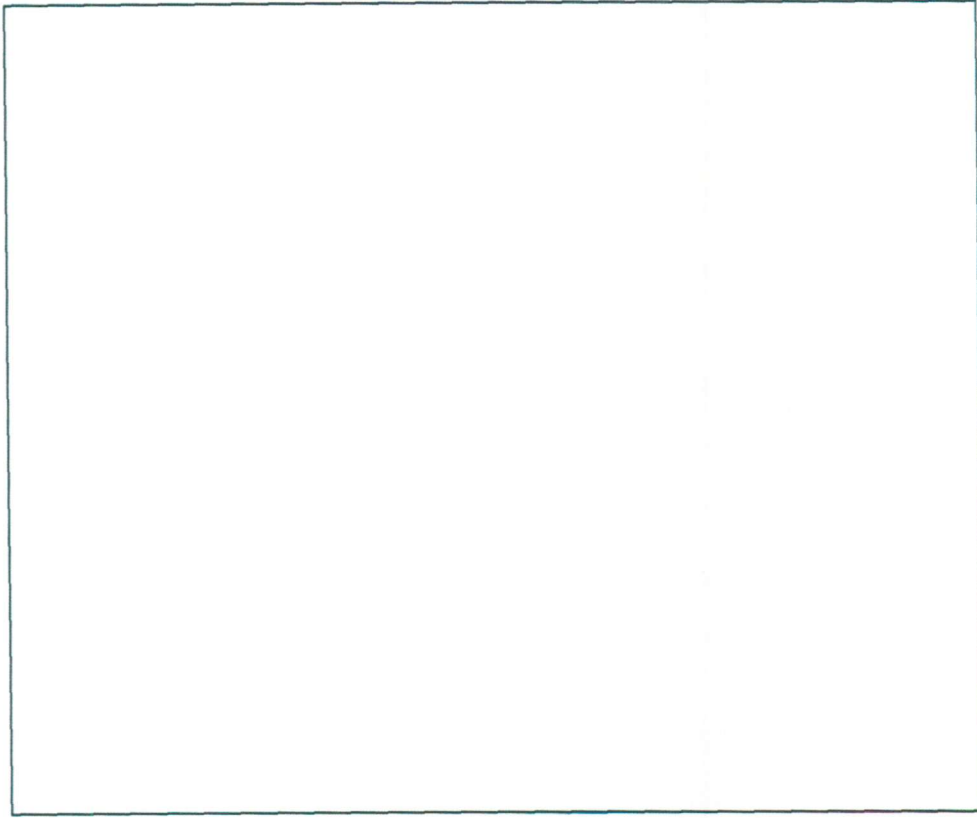
GRADE	POINT RANGE			MIN	LWR THD	MP	UPR THD	MAX	SPREAD MIN-MAX	2010 MP	Change
	MIN	MID	MAX								
1	200	241	282	\$18,284	\$20,733	\$21,957	\$23,182	\$25,631	40.18%	\$23,236	-5.50%
2	283	324	364	\$21,610	\$24,553	\$26,024	\$27,495	\$30,437	40.85%	\$26,617	-2.23%
3	365	406	446	\$25,027	\$28,491	\$30,223	\$31,954	\$35,418	41.52%	\$30,149	0.24%
4	447	488	528	\$28,574	\$32,592	\$34,602	\$36,611	\$40,629	42.19%	\$35,770	-3.27%
5	529	570	610	\$32,249	\$36,857	\$39,161	\$41,465	\$46,073	42.87%	\$39,844	-1.71%
6	611	652	692	\$36,051	\$41,284	\$43,901	\$46,517	\$51,750	43.55%	\$44,011	-0.25%
7	693	734	774	\$39,979	\$45,873	\$48,821	\$51,768	\$57,662	44.23%	\$48,998	-0.36%
8	775	816	856	\$44,032	\$50,624	\$53,921	\$57,217	\$63,810	44.92%	\$52,965	1.80%
9	857	898	938	\$48,207	\$55,537	\$59,201	\$62,866	\$70,195	45.61%	\$57,858	2.32%
10	939	980	1020	\$52,505	\$60,610	\$64,662	\$68,714	\$76,818	46.31%	\$62,950	2.72%
11	1021	1062	1102	\$56,924	\$65,843	\$70,303	\$74,762	\$83,681	47.01%	\$68,243	3.02%
12	1103	1144	1184	\$61,462	\$71,237	\$76,124	\$81,011	\$90,785	47.71%	\$73,736	3.24%
13	1185	1226	1266	\$66,119	\$76,790	\$82,125	\$87,461	\$98,132	48.42%	\$79,810	2.90%
14	1267	1308	1348	\$70,893	\$82,502	\$88,307	\$94,112	\$105,721	49.13%	\$85,731	3.00%
15	1349	1390	1430	\$75,783	\$88,374	\$94,669	\$100,965	\$113,555	49.84%	\$91,854	3.06%
16	1431	1472	1512	\$80,787	\$94,403	\$101,211	\$108,019	\$121,636	50.56%	\$98,178	3.09%
17	1513	1554	1594	\$85,905	\$100,591	\$107,934	\$115,277	\$129,963	51.29%	\$104,703	3.09%
18	1595	1636	1676	\$91,134	\$106,936	\$114,837	\$122,737	\$138,539	52.02%	\$111,430	3.06%
Overall Average Change											1.01%

### Salary Plan Administration

Please note that a movement in salary structure does not require a lockstep movement in individual salaries for that particular grade. Individual salary movements should always be at the discretion of management based upon your criteria (performance, merit, annual "adjustments", etc.).

Typically, incumbents would be brought into the salary range at the minimum (or at an appropriate position commensurate with experience and abilities), and moved toward the middle third of the salary range (the region between the lower third and the upper third), which represents full market value. Generally, we would anticipate that in a properly administered salary plan (assuming minimal employee turnover) about 80-90% of all employees will fall into the market value range, while only 5-10% would occupy the region between the minimum-lower third as well as the upper third-maximum area. In all cases, incumbent positioning within the salary range should reflect the individual's experience and performance on the job.

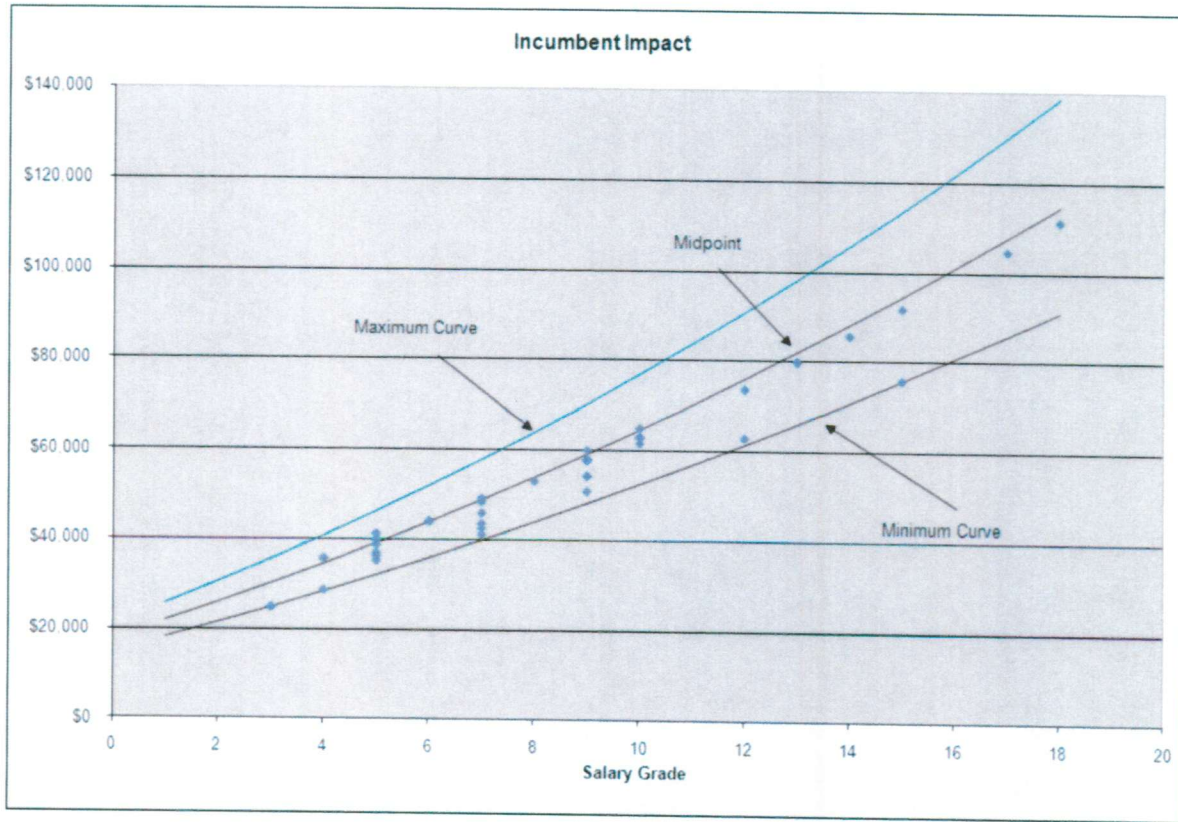
### Salary Structure Regions



Based on the current employee census, the overall average compa ratio is 0.963. This is a reasonably competitive posture as compared to the targeted national average.

The following chart illustrates the distribution of individual salaries within their respective salary ranges. Individual incumbent detail is located in the exhibit section.

Incumbent Current Salary vs. Updated Ranges  
(Average compa-ratio = 0.963)



Burns, I trust that this narrative provides the information that you require at this time. Thank you for the opportunity to be of service this year. Please contact me at 509.720.8826 or via email at [winston@TeamCBFS.com](mailto:winston@TeamCBFS.com) if I may be of further assistance.

Very truly yours,

Winston L. Tan  
Principal, Human Capital & Rewards Practice

65th Annual Meeting 2011  
Kentucky Association of Electric Cooperatives  
November 21-22, 2011  
"Managing In Changing Times"  
Marriott Hotel Downtown - 280 East Jefferson Street - Louisville, KY

**PRE-ANNUAL MEETING EVENTS**

**Saturday, November 19, 2011**

8:00 to 4:00 p.m. - Director Training - Board Leadership Course #938.1 – *Effective Boards: Why Some Succeed and Some Fail* .  
(separate registration required)

**Sunday, November 20, 2011**

8:00 to 4:00 p.m. - Director Training - Board Leadership Course #974.1 – *Rate Strategies for 21<sup>st</sup> Century Challenges*,  
(separate registration required)

1:00 to 5:45 p.m. - Cooperative Attorneys' Meeting

**ANNUAL MEETING PROGRAM**

**Monday, November 21, 2011**

8:00 to 11:15 a.m. - Cooperative Attorneys' Meeting *continues*

8:00 to 4:30 p.m. - W.I.R.E. Silent Auction

9:00 to 9:30 a.m. - W.I.R.E. Business Meeting

9:00 a.m. – 11:00 a.m. Membership and Board Meeting

11:30 a.m. – 1:30 p.m. Luncheon

Address: "None of Us Are as Good as All of Us"  
Scott Davenport, Head Coach, Men's Basketball,  
Bellarmine University, Louisville, KY

2:00 p.m. – 4:00 p.m. General Session

Address: "Managing and Motivating the Generations"  
Jay McChord, CEO, Workplace Buzz, Lexington, KY

Address: "Social Media"  
Megan McKoy-Noe, Associate Editor,  
Straight Talk Alert, NRECA, Arlington, VA

6:00 p.m. – 7:00 p.m. Reception  
Courtesy, Federated Rural Electric Insurance

7:00 p.m. – 9:30 p.m. Banquet  
Address: "A Program for the Future"  
Glenn English, President and CEO, NRECA, Arlington, VA

9:30 to 11:00 p.m. - Hospitality, *Courtesy of United Utility Supply*

**Tuesday, November 22, 2011**

8:00 a.m. – 10:30 a.m. Breakfast

Address: "The Coach: Adolph Rupp"  
Portrayed by: Dr. Edward B. Smith, Cynthiana, KY



Meade County Rural Electric  
Case No. 2013-00033  
Depreciation Adjustment  
November 30, 2012

Normalized depreciation accrual:

Distribution plant	3,223,006	
General plant	581,983	
Less charged to clearing	<u>(354,120)</u>	
		3,450,868

Test year depreciation accrual:

Distribution plant	3,117,219	
General plant	574,254	
Less charged to clearing	<u>(345,017)</u>	
		3,346,456

Normalized depreciation expense adjustment 104,412

Transportation clearing:

Normalized	354,120	
Test year accrual	<u>345,017</u>	
		<u>9,103</u>

The allocation of the increase in depreciation on transportation equipment is based on actual test year transportation clearing.

<u>Account</u>	<u>%</u>	<u>Amount</u>
Construction and retirement WIP	39%	\$3,507
Others	4%	324
Distribution - operations	21%	1,928
Distribution - maintenance	31%	2,821
Consumer accounts	1%	129
Consumer service and information	2%	176
Sales	0%	0
Administrative and general	2%	219
		<u>9,103</u>
Total	100%	<u>\$9,103</u>

Meade County Rural Electric

Case No. 2013-00033

November 30, 2012

Ex 3  
page 2 of 2  
revised

Account Number	Description	30-Nov-12 Balance	Rate	Normalized Expense	Test Year Expense
<b>Distribution plant:</b>					
360	Land	215,391			
362	Station equipment	7,506,032	3.36%	252,203	250,235
364	Poles, towers & fixtures	42,736,741	3.36%	1,435,955	1,375,211
365	Overhead conductors & devices	17,361,134	3.36%	583,334	554,917
367	Underground conductor & devic	2,164,153	3.36%	72,716	70,977
368	Line transformers	13,529,192	3.36%	454,581	445,217
369	Services	3,835,378	3.36%	128,869	126,921
370	Meters	5,869,411	3.36%	197,212	198,144
371	Security lights	2,791,630	3.36%	93,799	91,269
373	Street lights	129,121	3.36%	4,338	4,328
		<u>96,138,183</u>		<u>3,223,006</u>	<u>3,117,219</u>
<b>General plant:</b>					
389	Land	293,644			
390	Structures and improvements	374,630	3.0%	11,239	9,351
390.10	Structures and improvements	2,810,346	4.2%	118,035	117,069
391	Office furn and eqt	1,168,676	8.0%	79,198	75,397
392	Transportation	2,756,027	15.0%	354,120	345,017
393	Stores	33,934	5.0%	1,411	1,982
394	Tools, shop and garage	158,727	6.7%	7,885	15,651
395	Laboratory	59,699	6.0%	0	0
397	Communications	241,320	8.0%	9,076	7,375
398	Miscellaneous	20,385	5.0%	1,019	2,412
		<u>7,917,388</u>		<u>581,983</u>	<u>574,254</u>
	Total electric plant	<u>104,055,571</u>		<u>3,804,989</u>	<u>3,691,473</u>

Items that are fully depreciated are removed from the ending balance to compute test year depreciation.

**Meade County Rural Electric  
Case Number: 2013-00033  
Expenses Incurred**

MONTH	ACCOUNT	CHECK DATE	CHECK #	VENDOR NAME	DESCRIPTION	AMOUNT
January	928.000	2/7/2013	103251	JDG CONSULTING LLC	2013 POWER COST FLOW THROUGH & RATE CASE 1/2013	10,360.00
<b>January Account 928.000 Total</b>						<b>10,360.00</b>
February	928.000	2/22/2013	103359	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	19.36
February	928.000	2/28/2013	103436	VISA	CERTIFICATE OF EXISTENCE FEE	10.00
February	928.000	3/7/2013	103477	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	33.33
February	928.000	3/7/2013	103499	THE MEADE COUNTY MESSENGER	NOTICE OF RATE INCREASE	720.00
February	928.000	3/7/2013	103465	CLARION PUBLISHING CO, INC	LEGAL NOTICE FOR RATE CASE	960.39
<b>February Account 928.000 Total</b>						<b>1,743.08</b>
March	928.000	3/15/2013	103579	HERALD NEWS PUBLISHING CO INC	DISPLAY OF RATE INCREASE	1,386.00
March	928.000	3/15/2013	103568	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	58.08
March	928.000	3/22/2013	103636	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	25.36
March	928.000	3/29/2013	801861	US BANK CORPORATE PYMT SYSTEMS	BINDERS FOR RATE CASE	42.93
March	928.000	3/29/2013	103706	KENTUCKY CLASSIFIED NETWORK	AD FOR RATE CASE	2,425.92
March	928.000	3/29/2013	103719	OHIO COUNTY TIMES NEWS	RATE CASE NEWSPAPER ADVERTISING	549.00
March	928.000	4/8/2013	103791	JDG CONSULTING LLC	LEGAL FEES FOR RATE CASE	7,410.00
March	928.000	4/8/2013	103763	CIVITAS MEDIA LLC	RATE CASE ADVERTISING	3,080.70
March	928.000	4/8/2013	103754	BRITE & HOPKINS ATTORNEYS	LEGAL FEES FOR RATE CASE	930.00
March	928.000	4/8/2013	103791	JDG CONSULTING LLC	LEGAL FEES FOR RATE CASE	1,610.00
<b>March Account 928.000 Total</b>						<b>17,517.99</b>
April	928.000	4/30/2013	103964	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	19.71
April	928.000	5/7/2013	104072	JDG CONSULTING LLC	LEGAL FEES FOR RATE CASE	15,640.00
<b>April Account 928.000 Total</b>						<b>15,659.71</b>
May	928.000	5/7/2013	104056	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	19.71
May	928.000	5/17/2013	104147	FEDERAL EXPRESS CORP	SHIPPING CHARGES FOR RATE CASE	19.71
<b>May Account 928.000 Total</b>						<b>39.42</b>
June	928.000	6/14/2013	104403	JDG CONSULTING LLC	LEGAL FEES FOR RATE CASE	285.00
June	928.000	6/28/2013	104507	BRITE & HOPKINS ATTORNEYS	LEGAL FEES FOR RATE CASE	496.60
<b>June Account 928.000 Total</b>						<b>781.60</b>
July	928.000	7/25/2013		BRITE & HOPKINS ATTORNEYS	LEGAL FEES FOR RATE CASE	900.00
July	928.000	7/25/2013		JDG CONSULTING LLC	LEGAL FEES FOR RATE CASE	3,626.64
July	928.000	7/25/2013		AMERICAN EXPRESS	MEAL EXPENSES FOR PSC RATE CASE 7/15-7/16	166.70
July	928.000	7/25/2013		AMERICAN EXPRESS	LODGING EXPENSES FOR PSC RATE CASE 7/15-7/16	576.70
July	928.000	7/25/2013		VISA	MEAL EXPENSES FOR PSC RATE CASE 7/15-7/16	27.41
<b>July Account 928.000 Total</b>						<b>5,297.45</b>
<b>ACCOUNT 928.000 GRAND TOTAL</b>						<b>51,399.25</b>