

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF BIG	)	
SANDY RURAL ELECTRIC COOPERATIVE	)	
CORPORATION FOR A GENERAL	)	CASE NO.
ADJUSTMENT OF RATES	)	2024-00287

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BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION'S  
VERIFIED RESPONSE TO  
COMMISSION STAFF'S SECOND REQUESTS FOR INFORMATION  
ENTERED OCTOBER 30, 2024

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Comes now Big Sandy Rural Electric Cooperative Corporation (Big Sandy), by counsel,  
and does hereby tender its Verified Response to Commission Staff's Second Request for  
Information entered October 30, 2024.

Filed November 15, 2024.









**Big Sandy Rural Electric Cooperative Corporation**  
**Case No. 2024-00287**  
**Commission Staff's Second Request for Information**

**Request 1:** Refer to Big Sandy RECC's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 18b.

- a. Identify and share specific examples of informal collaborations with sister cooperatives, detailing how employee wages compare to other regional cooperatives.
- b. Provide documentation of specific pay scale comparisons gathered from local businesses.

**Response 1(a):** Mr. Prater has served as President/General Manager since June 1, 2024. His experience as VP of Operations previously involved talking to sister co-op Operations managers and sometimes CEO's asking; e.g. how much does your journeyman linemen make per hour and what benefits do you offer. We used that information to gauge and compare our wages and benefits. We have been affected by a shortage of Linemen in the labor market and have lost linemen to contractors who were willing to pay a premium for these highly skilled tradesmen.

Our wages and benefits are less than major contractors, and historically, in the mid-range of sister cooperatives. Big Sandy strives to offer a competitive wage that will retain our valued employees but remain under major contractor pay scales. There are no data sets, or recorded details of these discussions.

**Response 1(b):** Big Sandy staff discussed local business pay rates based on knowledge from friends and family in area businesses, e.g. bank tellers, medical office workers, fast food, grocery and big box stores. This information was used in guiding compensation. Also, Big Sandy

experienced issues such as quality job applicants turning down employment opportunities due to the low pay of Big Sandy. Pay increases were necessitated to obtain quality employees. No documentation was generated or retained.

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**Request 2:** Refer to Big Sandy RECC's response to Staff's First Request, Item 20. Big Sandy RECC stated that it gives percentage raises contingent on the results of each employee's evaluation.

- a. Specify the exact criteria for evaluating employee performance and explain in detail why each wage increase is justified.
- b. Provide the cost-of-living information the Big Sandy RECC Board of Directors uses to determine wage increases.

**Response 2(a):** An evaluation form is completed by each supervisor, this form rates employees based on eight categories: job knowledge, work quality, attendance/punctuality, initiative, co-worker relations, teamwork, dependability, and technology. A numerical number is assigned to each category and a cumulative score is assigned to each employee. If the employee scores above a predetermined value a pay raise is given, if the employee scores below that predetermined value he/she will receive a reduced increase or possibly zero based on the score. All evaluations are reviewed by the President/General Manager.

**Response 2(b):** The Big Sandy RECC Board of Directors use their knowledge of local economics, general experience of inflation, regional economics and Consumer Price Index (CPI).



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**Request 3:** Refer to Big Sandy RECC's response to Staff's First Request, Schedule I spreadsheet. Explain wage increases for each employee category (Directors, Managers, Supervisors, Exempt, Non-Exempt, Union, and Non-Union hourly employees) and justify hiring new staff despite declining customer numbers.

**Response 3:** Mr. Prater was appointed as President/ General Manager on June 1, 2024 and is unable to answer this question. Please refer to Big Sandy's response to Request 2 regarding Big Sandy's current process for determining wage increases for employees.

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**Request 4:** Refer to Direct Testimony of John Wolfram (Wolfram Direct Testimony), Exhibit JW-2, page 9. Confirm that column 1, lines 1-12 contains information for the year 2022. If confirmed, provide the information for the test year 2023

**Response 4:** The years listed for each row in column (1) should read 2023. The information in the worksheet is for the year 2023 not 2022.

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**Request 5:** Refer to Wolfram Direct Testimony, Exhibit JW-2, page 11. Provide an account detail of Account No. 426.10, Account No. 913.00, and Account No. 930.10 and which line items were used to make adjustments to Donations & Promotional Advertising.

**Response 5:** See Commission Staff's First Request, Item-44, updated at Response 10 below.

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**Request 6:** Refer to Wolfram Direct Testimony, Exhibit JW-2, page 13.

- a. Confirm there is a typo in the title of the schedule. If confirmed, provide the corrected test year date.
- b. Confirm there is a typo in line 6. If not confirmed, provide the reasoning for removing an item that occurred in 2024.
- c. Confirm there is missing information in line 21. If confirmed, provide the missing information.
- d. Confirm the amounts of \$1,200 listed in columns 10 and 16 are bonuses. If not confirmed, explain what the amounts represent.

**Request 6a:** Confirmed. The year listed should read "2023." Please see the Excel spreadsheet "PSC DR-2-6 2019-2023" uploaded separately

**Request 6b:** Confirmed. The year should read "2023."

**Request 6c:** Not confirmed. The description and amount are complete; the extra descriptor on the other lines is an internal code not necessary for calculating the adjustment.

**Request 6d:** Please see the Response to Item 7.

ATTACHMENTS  
ARE EXCEL  
SPREADSHEETS  
AND UPLOADED  
SEPARATELY

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**Request 7:** Refer to Wolfram Direct Testimony, Exhibit JW-2, page 13, and Big Sandy RECC'S response Staff's First Request, Item 46. Reconcile the discrepancy between the Directors' Fees test year amounts.

**Response 7:** The filed version of Exhibit JW-2, Reference Schedule 1.09, Director Expenses, should be replaced with the schedule attached to this response. The totals on this revised schedule reconcile with the attachment provided in response to Item PSC 1-46, and the overall schedule mirrors the format used for this adjustment in Big Sandy's last traditional rate case in Case No. 2017-00374. The revision increases the removal of Director Expenses by \$10,394 (from \$12,309 to \$22,703). Please see the Excel file uploaded separately.

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Witness: John Wolfram, Robin Slone, Jeff Prater

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**Request 8:** Refer to Wolfram Direct Testimony, Exhibit JW-2, pages 14 and 15.

- a. Confirm that the title of this schedule contains a typo. If not confirmed, provide an updated schedule for test year ending December 31, 2023.
- b. Confirm that Line 1, Column 7 was intentionally left blank. If not confirmed, provide the corrected values for Line 1, Columns 7, 11, and 18.
- c. Explain why multiple employees accumulated regular hours worked over the standard 2,080 hours, and why those hours over 2,080 were not considered overtime hours worked.
- d. Explain why multiple employees accumulated their respective amount of overtime hours worked, while having an amount of regular hours worked less than the standard 2,080 hours.
- e. Confirm that columns 12-17 in lines 44 and 45 were intentionally left blank. If not confirmed, provide the corrected information.
- f. Explain why pro forma wages are calculated assuming the standard 2,080 hours for employees whose actual hours worked are significantly less than 2,080 hours.
- g. Confirm that column 18 for lines 26, 27, and 30 were intentionally left blank. If not confirmed, provide corrected information.
- h. Explain why the pro forma wages for salary employees were calculated assuming no overtime or other hours.
- i. Explain why Part Time & Summer Employees proforma wages were calculated using 2,080 hours.



**Response 8a:** Confirmed. The period is test year ending December 31, 2023. Title contained a typo. Please see corrected Exhibit JW-2. Please see the Excel file uploaded separately.

**Response 8b:** See corrected Exhibit JW-2. Please see the Excel file uploaded separately.

**Response 8c:** Big Sandy converted to a new software company and it was discovered that time was not being keyed correctly with the right codes resulting in this outcome.

**Response 8d:** Employees showing less than 2080 hours are all union employees and (2) other employees who were on short term disability. Union employees, per the current union contract, are paid overtime in cases where there was continuous work that could overlap into regular work hours.

**Response 8e:** Line 44 was included in error and has been removed. Line 45 has been corrected. See corrected Exhibit JW-2.

**Response 8f:** Hourly employees with less than 2,080 hours for the test year were on short-term disability and are now back and expected to work 2,080 hours.

**Response 8g:** See corrected Exhibit JW-2. Please see the Excel file uploaded separately.

**Response 8h:** Only in extreme circumstances are salary employees paid overtime.

**Response 8i:** See corrected Exhibit JW-2. Please see the Excel file uploaded separately.

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**Request 9:** Refer to Wolfram Direct Testimony, Exhibit JW-2, page 16.

- a. Confirm that the Ending 2023 Rate value for Employee #136 of 3.48 is correct. If not confirmed, explain why this value is materially different from Ending 2023 Rates for other employees.
- b. Confirm that the Ending 2023 Rate value for Employee #200 was intentionally left blank. If not confirmed, provide the corrected values for Columns B, D, E, F, G, and H for Employee #200.

**Response 9a:** Employee #136 is correct due to the age of that employee.

**Response 9b:** Employee #200 retired in 2023.

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**Request 10:** Refer to Big Sandy RECC'S response Staff's First Request Item 44.

Provide the Excel spreadsheet attachment that was not included in the initial response.

**Response 10:** Big Sandy supplemented its filing with the excel file on October 22, 2024 to provide the response to Item 44, however Big Sandy found an error and would like to provide a corrected excel spreadsheet. Please see the revised Excel file uploaded separately.

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**Request 11:** Refer to Wolfram Direct Testimony, Exhibit JW-2, pages 18. Provide the calculation of the \$2,055,210 in pro forma cost right of way expense.

**Response 11:** The Pro Forma right of way cost was calculated by summing the 4 major components of our vegetation management program, based on the minimum clearing cycle of 7-years recommended by ECI vegetation management consultant.

1. Using the average cost per mile of right of way circuit clearing based on 2023 and early 2024, being \$11,045 per mile. The need to clear 138 miles per year to obtain a 7-year cycle. The annual cost \$1,524,210
2. Herbicide application to control rapid regrowth of woody species along the right of way floor. A 4-year cycle has shown to be a minimum requirement to economically control this right of way aspect. Historical cost of \$500 per mile and a 4-year cycle requiring 242 miles covered each year. The annual cost \$121,000
3. Mid-cycle work, i.e. yard trees growth that requires trimming more often than 7-years. Other work where rapid growth has occurred, diseased or damaged tree removal. One 4-man crew with 3 pieces of equipment. The annual cost \$300,000
4. Helicopter side trimming. Certain remote and difficult to access area can be side trimmed with a helicopter side trim saw more economically than manual tree trimmers.

The work is chosen to maximize the cost benefit. 40 saw hours per year. The annual cost \$100,000. Also a small amount allocated to Tree growth regulators, used to retard the growth of yard trees trimmed to extend the time to retrim. The annual cost \$10,000

The sum of these 4 components of vegetation management will require a minimum of \$2,055,210.

Big Sandy's right of way expenses in 2023 were \$1,356,214. Big Sandy budgeted \$1,600,000 for 2024 and is on track to spend that amount in an effort to improve the vegetation management program.

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**Request 12:** Refer to Big Sandy RECC'S response to Staff's First Request Item 3 b. Did Big Sandy RECC pay all of its short-term debt off during the test year 2023? If so, provide the amounts paid and the purpose of the short-term loans paid off.

**Response 12:** Big Sandy paid off \$1,962,924.18 in 2023. This short-term loan was incurred during the ice storm of 2021. It was our commitment to repay this as soon as we received FEMA reimbursements. We received the last of those reimbursements in 2023.



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**Request 13:** Refer to Big Sandy RECC'S response Staff's First Request, Item 6. Provide the information requested in the format of Schedule C.

**Response 13:** Please see the Excel spreadsheet " PSC DR-2-6 2019-2023 " uploaded separately.

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**Request 14:** Refer to Wolfram Direct Testimony, Exhibit JW-2, page 13. Provide the number of union employees and number of non-union employees.

**Response 14:** There are 22 Union employees and 29 Non-Union employees.