

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL ) CASE NO.  
ELECTRIC COOPERATIVE CORPORATION ) 2008-00030  
FOR AN ADJUSTMENT IN RATES )

SECOND DATA REQUEST OF COMMISSION STAFF TO  
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Farmers Rural Electric Cooperative Corporation ("Farmers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 18, 2009. 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 the 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.

Farmers 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 Farmers fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Farmers' Application at Exhibit J. Provide an electronic version with all formulas intact and unprotected.

2. Refer to Jim Adkins' testimony and Farmers' Application at Exhibit R. Provide an electronic copy of the cost of service study with formulas intact and unprotected.

3. Refer to Jim Adkins' testimony and Farmers' Application at Exhibit R. Provide a step by step detailed explanation of any differences in the methodology used in this cost of service study and the methodology used in other recent rate cases filed by East Kentucky Power Cooperative distribution cooperatives.

4. Refer to Farmers' Application at Exhibit B of the application, P.S.C. Ky. No. 9, 19<sup>th</sup> Revised Sheet No. 1, Schedule R – Residential Service. Explain why the Terms of Payment section of this and other rate classes is being changed to eliminate the \$5.00 maximum on the unpaid amount and the spread between net and gross rates

is proposed to change from 10 percent to 5 percent. Include in the explanation the effect upon total revenue of these changes across all affected classes.

5. Refer to Farmers' Application at Exhibit B of the application, P.S.C. Ky. No. 9, 18<sup>th</sup> Revised Sheet No. 4, Schedule C – Commercial and Industrial Service.

a. Explain why the requirement for the power factor at the time of maximum demand is being changed from 85 percent to 90 percent.

b. Explain why the minimum monthly charge for three-phase service is being amended to include a provision for a \$50.00 charge. Include in the explanation how Farmers will determine whether the minimum charge will be \$0.75 per KVA of installed transformer capacity, \$50.00, or the minimum monthly charge stated in the service contract.

6. Refer to Farmers' Application at Exhibit B of the application, P.S.C. Ky. No. 9, Original Sheet 6F. Explain why Farmers proposes to increase the public liability insurance required of CATV operators. Include in the explanation whether Farmers is aware of other cooperatives that have increased the liability insurance required. Give specific examples if available.

7. Refer to Farmers' Application at Exhibit 13 of the application, page 2. Explain whether the average embedded cost of \$196.00 for a Two-Party pole and \$277.29 for a Three-Party pole are gross costs or if the costs reflect depreciation.

8. Refer to Farmers' Application at Exhibit B and Exhibit C. Exhibit B is a copy of Farmers existing tariff on file with the Commission showing proposed changes in this case. Exhibit C shows a clean copy of Farmers proposed tariff. The last eight tariff sheets of Exhibit B do not appear in Exhibit C. State whether Farmers is

requesting that these eight pages be cancelled by the Commission with the approval of the new tariff or whether it is Farmers' intention that these eight tariff pages remain in effect after approval of the new tariff.

9. Refer to Farmers' Application at Exhibits B and C. In reviewing these exhibits, it is apparent that Farmers is requesting to reduce its late payment penalty from 10 percent to 5 percent. State why this reduction in the late payment penalty was not included in the copy of the customer notice as provided in the Application at Exhibit D.

10. Refer to Farmers' Application at Exhibit H-1, page 2. Reference is made to mortgage agreements with Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC"). Provide a complete copy of the mortgage agreements for the most recent loan with RUS and the most recent loan with CFC that requires a net TIER of 1.25 and an operating TIER of 1.1.

11. Refer to Farmers' Application at Exhibit H-1. In response to question 13 on page 3, the witness states that "In order to continue to meet debt service obligations, operating costs and maintain the minimum joint mortgage agreement requirements, it was necessary to request a TIER of 2.0 in this Application." Explain specifically why a 2.0 TIER is required to meet the stated objectives when, on page 2, the witness states that the mortgage agreements require only a 1.25 TIER.

12. Refer to Farmers' Application at Exhibit N, page 9. In footnote 1, under the heading "Utility Plant," the statement is made that Farmers "Utility Plant is stated substantially at original cost."

a. Explain why the term "substantially" is used in this statement.

b. Identify all assets individually that were not recorded at original cost by Farmers and explain why they were not recorded at original cost.

13. Refer to Farmers' Application at Exhibit Y.

a. Provide a worksheet that lists the accounts shown at Exhibit Y. On this worksheet, provide the monthly balances of all balance sheet accounts at the end of each month of the test year. For income statement accounts, provide the total amount charged to each account during each month of the test year. The sum of the monthly charges to the income statement accounts shown on this worksheet should total the test year balances shown in Exhibit Y.

b. Provide a worksheet that lists the accounts shown at Exhibit Y. For each account, provide the test year account balance for each account. Also, for each account, provide the account balances for the years ended 2007, 2006, 2005, 2004 and 2003.

c. Provide the amount of salaries and wages expense included in the test year expense for each income statement account.

14. Provide a copy of the audit adjustments for the year ended December 31, 2007.

15. Refer to Farmers' Application at Exhibit B.

a. Farmers requested that the 85 percent power factor be increased to 90 percent on several of its tariff schedules. Provide the impact on test year revenues and expense of the proposed changes to the power factors of each tariff separately.

b. State why the impact of the change to the power factors was not accounted for in Farmers' pro forma adjustments as shown at Exhibit S of the Application.

c. State why the impact of the change to the late payment penalty was not accounted for in Farmers' pro forma adjustments as shown at Exhibit S of the Application.

16. Refer to Farmers' Application at Exhibit Y, page 6. Provide the general ledger detail for account 588.00 – Misc. Dist. Exp. that totals \$563,135.45. Include an explanation for each entry to this account.

17. Refer to Farmers' Application at Exhibit Y, page 7. The following accounts appear on page 7.

593.00	Maint. Of Overhead Lines	\$545,613.21
593.01	Maint. Of Line/Emer. Repair	535,112.35
593.02	Maint./Major Storm Dam.	0
593.03	Maint./Ice Storm Disaster	0
593.04	Maint. Of Line/Major Storm	0
593.05	Maint./Storm Damage/Apr.98	0
595.00	Maint. of Line Trans.	87,649.68
595.01	Maint. of Trans./Emerg. Repr.	22,621.06
595.02	Maint./Trans-Major Storm Dam.	0

a. Provide the general ledger detail for accounts 593.00, 593.01, 595.00 and 595.01. Include an explanation for each entry on this detail.

b. Accounts 593.00 and 593.01 are both for maintenance of lines. Explain how these accounts are different from one another and how Farmers determines which of these accounts to use when recording expenses.

c. Describe the nature of the amounts charged to account 593.00 and how it is different from the nature of the amounts charged to account 593.01.

d. Accounts 595.00 and 595.01 are for maintenance of transformers. Explain how these accounts are different from one another and how Farmers determines which of these accounts to use when recording expenses.

e. Describe the nature of the amounts charged to account 595.00 and how it is different from the nature of the amounts charged to account 595.01.

f. Accounts 593.20, 593.30, 593.40, 593.50 and 595.02 all have titles that indicate the accounts are reserved for expenses related to storm damages.

(1) All of these accounts have \$0 balances for the test year. Did Farmers incur any storm damage expenses during the test year? If yes, provide the amount of test year storm damage expenses and the accounts to which these expenses were charged.

(2) Explain how any amounts Farmers would charge to these accounts would differ from the amounts Farmers would charge to accounts 593.01 and 595.01.

g. Provide a comparison of the annual expense reported by Farmers in each account shown above for the years 1998 through 2007. If, during any of these years, Farmers reported maintenance of lines and transformers, emergency maintenance of lines and transformers, or storm related expenses for lines and

transformers in any accounts other than those shown above, include those other accounts in this analysis as well.

h. Provide the number of regular and overtime labor hours included in each annual expense account listed in response to item g.

i. Provide the amount of any reimbursement for the annual storm damage expenses listed in response to item g.

18. Refer to Farmers' Application at Exhibit Y, page 8. Provide the general ledger detail for account 926.00 – Empl Training/Educational Prog that totals \$256,399.13. Provide the general ledger detail for this account. This detail should include an explanation for all entries to the account.

19. Refer to Farmers' Application at Exhibit Y, page 8, where the following account information is shown.

930.10	General Advertising	\$117,494.13
930.20	Miscellaneous General	82,237.53
930.21	Annual Meeting	39,968.71
930.23	Public Relations & Image	126,747.89

a. Provide the general ledger detail for each account. This detail should include an explanation for all entries to the account.

b. Highlight each entry to these accounts that have been removed for ratemaking purposes in Exhibit 11.

20. Refer to Farmers' Application at Exhibit Y, page 8. Page 8 includes account 930.30 – Director's Fees and Expenses that totals \$119,178.85.



a. Provide the general ledger detail for this account. This detail should include an explanation for all entries to the account.

b. Confirm that the \$119,178.85 includes all test year expenses incurred by Farmers that were either paid directly to or on behalf of its board members and that no other expenses paid directly to or on behalf of its board members were included in the test year expenses in any other separate accounts.

21. Refer to Farmers' Application at Exhibit 5, pages 4 and 5.

a. At page 4, the amount of outstanding short-term debt at the end of the test period is stated at \$4,817,646. State the uses of this short-term debt.

b. At page 5, the amount of the "AR8" loan funds available after Farmers files a rate application with the Commission are stated to be \$8,701,000.

(1) State the dates and amounts of all draws on the "AR8" loan funds.

(2) State the purpose of each draw on the "AR8" loan funds.

(3) State the annual rate of interest on the "AR8" loan funds.

22. Refer to Farmers' Application, Exhibits 1 and 7.

a. Reconcile the "Normalized Base Wages" as stated in Exhibit 7, page 1, of \$2,674,553 to the test year or pro forma wages, whichever is applicable, as stated on Exhibit 1, page 1.

b. On Exhibit 7, page 1, the "Contribution Rate for 2008" is stated at 17.83 percent. This rate is inconsistent with the information provided in Exhibit 7, page 3, where the 2008 "System Cost" rate is stated at 15.93 percent and the 2009 "System

Cost" rate is stated at 17.83 percent. Should page 1 read Contribution Rate for 2009 instead of 2008 or should the rate on page 1 be changed to 15.93 percent?

c. State the portion of the contribution rate, if any, paid to NRECA by Farmers for which Farmers is reimbursed by the employee.

23. With regard to Farmers' health insurance program:

a. Provide a statement detailing the monthly health insurance costs incurred by Farmers for the test year for each employee;

b. Show how the test year health insurance costs were distributed to the accounts shown on the trial balance as provided in Farmers' Application at Exhibit Y; and

c. Provide a five-year comparison of health insurance costs as distributed to the accounts shown on the trial balance as provided in Farmers' Application at Exhibit Y.

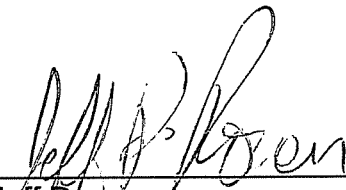
24. Refer to Farmers' Application at Exhibit S, page 3, Adjustment 11, and Exhibit 11, page 1. State whether it was Farmers' intention to decrease test year expenses by \$29,039 instead of increasing expenses by making this adjustment.

25. Refer to Farmers' Application at Exhibit 11, page 3.

a. Describe how the monthly amounts due to KAEC are determined.

b. Describe how these payments benefit Farmers' rate-payers.

26. Refer to Farmer's Application at Exhibit 11, pages 7-9. These pages include payments to KAEC. Describe the services received by Farmers for each of these payments and describe how these services benefited Farmers' ratepayers.



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DATED: FEBRUARY 4, 2009

cc: Parties of Record

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