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March 16, 2009

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JOHN B. GARDNER  
Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

**RECEIVED**

**MAR 16 2009**

**PUBLIC SERVICE  
COMMISSION**

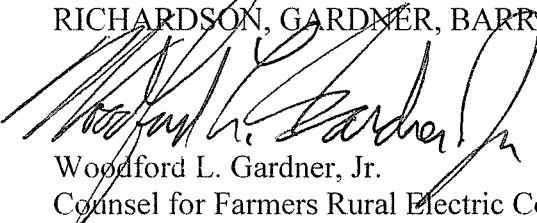
Re: Application of Farmers Rural Electric for an Adjustment of Rates  
Case No. 2008-00030

Dear Mr. Derouen:

Please find enclosed the original and eight (8) copies of the responses to the Attorney General's "Supplemental Request for Information" dated March 3, 2009.

Please contact me at (270) 651-8884 or William T. Prather at (270) 651-2191 with any questions regarding this filing.

Respectfully submitted,  
RICHARDSON, GARDNER, BARRICKMAN & ALEXANDER



Woodford L. Gardner, Jr.  
Counsel for Farmers Rural Electric Cooperative

Enclosure

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of adjustment of Rates**

**Of Farmers Rural Electric Cooperative**

**Corporation**

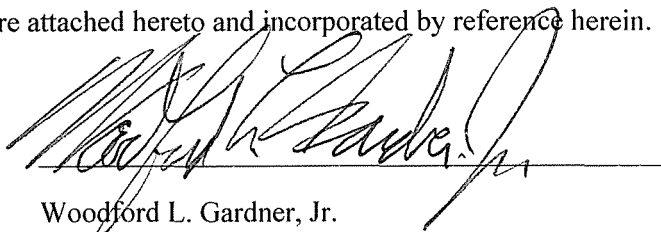
**Case No. 2008-00030**

**APPLICANT'S RESPONSES TO**

**ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION**

The applicant, Farmers Rural Electric Cooperative Corporation, makes the following responses to the "Attorney General's Supplemental Request for Information", as follows:

1. The witnesses who are prepared to answer questions concerning each request are William T. Prather, Alan Zumstein, and Jim Adkins.
2. William T. Prather, President and CEO of Farmers Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.



Woodford L. Gardner, Jr.  
Richardson, Gardner, Barrickman & Alexander  
Attorneys-At-Law  
117 E. Washington Street  
Glasgow, Kentucky 42141  
Attorney for Farmers Rural Electric Cooperative  
Telephone: 270-651-8884

The undersigned, William T. Prather, as President & CEO of Farmers Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: March 16, 2009

FARMERS RURAL ELECTRIC COOPERATIVE

By: William T. Prather

WILLIAM T. PRATHER, PRESIDENT & CEO

Subscribed, sworn to, and acknowledged before me by William T. Prather, as President & CEO for Farmers Rural Electric Cooperative Corporation on behalf of said Corporation the 16<sup>th</sup> day of March, 2009.

Ginda Sue Foushee

Notary Public, Kentucky State At Large

My Commission Expires: 7-30-2011

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

Original and Eight Copies

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

Copy

Hon. Lawrence W. Cook  
Assistant Attorney General  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601

This 16<sup>th</sup> day of March, 2009

Jeff Derouen

ATTORNEY FOR

FARMERS RURAL ELECTRIC COOPERATIVE



Farmers Rural Electric Cooperative  
Case No. 2008-00030  
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1. The response to AG-1-1 states that Schedule R and Schedule C1 currently have no customer charges, however, those charges are included in the first 50kwh for each rate class (\$0.16145 for R and \$0.16145 for C1). Please reconcile this to the Schedule R and Schedule C1 information shown on Schedule J, pages 2 and 4 which show the following information for these customer classes:

	<u>Schedule R</u>	<u>Schedule C1</u>
Customer Charge	\$8.07	\$8.07
First 50 kwh	\$0.16145	\$0.16145

**Response**

Schedule R (=50 kwh x \$0.16145) = \$8.07  
Schedule C1 (=50 kwh x \$0.16145) = \$8.07



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2. As shown in the response to PSC-2-13, Account 593.29 – Maintenance – Cycle 2 has the following booked expenses in the recent past:

2003	\$317,024
2004	\$340,630
2005	\$378,723
2006	\$338,189
2007	\$570,479
Test Year	\$719,703

In this regard, please provide the following information:

- a. Explain the reasons why the expenses in the test year have more than doubled since 2006 and why there has been such a sharp expense increase starting in 2007.
- b. Are there any events in the test year causing the extraordinary expense increase to approximately \$720,000 in the test year? If so, describe these events and their impacts on the test year expense.
- c. Provide the actual Account 593.29 expenses booked in the 12-month period ended 1/31/09.
- d. Provide the Account 593.29 expenses as included in the Board-approved budgets for 2008 and 2009.

**Responses**

- 2.a. Reference to PSC-3-4.a.(1) and (2)
- 2.b. There were no extraordinary items occurring during the test year. Farmers started in 2007 and all of 2008 increasing right-of-way clearing to a level that it should have been to be on a cycle basis of clearing.
- 2.c. \$650,443
- 2.d. \$691,000 for 2008. \$632,000 for 2009. Farmers cut back to three crews for 2 months of 2008 and to 2 crews for the entire year of 2009 due to the constraints of RUS for advancing loan funds and meeting TIER requirements.





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3. With regard to the response to AG-1-9, provide the nature and purpose of the 908.60 expense of \$19,026 for "Button Up payments."

**Response**

These are incentive payments to members for energy conservation programs, i.e., weather stripping windows and doors, ETS and Geothermal installations, additional insulation and other conservation programs so members will be more energy efficient with energy usage.



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4. With regard to the response to AG-1-27, please provide a detailed breakout and description of each item included in the following Account 921 expense categories (please provide these expense items in the same format and detail as per Exhibit 11, i.e., including dates and check numbers, amounts, descriptions, etc.):
- a. Miscellaneous General (\$8,903)
  - b. Subscriptions and publications (\$2,857)
  - c. Membership dues (\$2,887)

**Responses**

4.a. Refer to PSC-3-19.

4.b.

<u>Date</u>	<u>Ck No.</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
10/22/2007	14311	Glasgow Daily News	99.00	Local newspaper
11/29/2007	14574	G. Neil Companies	174.87	Poster protection guards
12/13/2007	14691	Environmental Prot Svc	78.00	Annual subscription
1/3/2008	14809	CCH Incorporated	183.77	Accounting manuals
1/3/2008	14840	Visa	8.00	IBEW code change book
2/1/2008	15030	NRECA	32.25	RE magazine sub
2/20/2008	15122	Courier Journal	78.01	Newspaper sub
2/21/2008	15192	KAEC	233.77	Frankfort legislation
3/5/2008	15255	Visa	27.09	Meeting publication
3/17/2008	15301	EBSCO-DAS	260.00	Reading services
4/3/2008	15486	Kiplinger Letter	48.00	Annual subscription
4/3/2008	15474	Visa	84.50	APPA publication
4/2/2008	15451	KAEC	52.05	Electrical wiring books
5/5/2008	15694	Visa	25.00	Management Quarterly
5/5/2008	15694	Visa	83.30	NEC Code book
5/14/2008	15772	Home Energy Mag	75.00	Annual subscription
5/27/2008	15860	CCH Incorporated	123.42	Accounting manuals
6/30/2008	16116	Visa	667.80	IEEE Std's publication
6/30/2008	16116	Visa	148.40	IEEE Std's Red Book
6/13/2008	16004	Hart Co Publication	25.00	Newspaper sub
8/25/2008	16544	NRECA	160.00	Legal reporting sub
7/7/2008	16209	Herald News	40.00	Newspaper sub
8/5/2008	16422	The Progress	25.00	Newspaper sub
9/3/2008	16646	Barren Co Times	38.00	Newspaper sub
8/18/2008	16432	Courier Journal	87.14	Newspaper sub
		Total	<u>2,857.37</u>	

4.c.

<u>Date</u>	<u>Ck No.</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
11/7/2007	14439	NUTSEA	100.00	Membership renewal
11/26/2007	14529	Nat'l Food & Energy	850.00	Membership renewal
1/8/2008	14857	KY Assoc Electric Distr	150.00	Membership renewal
1/23/2008	14901	Edmonton-Metc Co.	125.00	Chamber dues
1/23/2008	14905	Glasgow-Barren Co	650.00	Chamber dues
2/29/2008	15214	KAEC	200.00	Mgr Assoc dues
3/17/2008	15295	Ky Council for Coops	200.00	Membership renewal
5/27/2008	15862	American Soc Safety	145.00	Membership renewal
6/6/2008	15975	Bill Prather	50.00	Rotary dues
8/4/2008	16403	Visa	150.00	Human Resource dues
7/14/2008	16261	Bill Prather	50.00	Rotary dues
08/20/08	16533	Bill Prather	50.00	Rotary dues
9/16/2008	16881	City of Glasgow	166.66	Hazard Material fee
			<u>2,886.66</u>	



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5. With regard to the Wellness Program expense of \$6,206.05 shown in the response to PSC-2-18, please provide a detailed breakout and description of each item included in this expense category. Please provide these expense items in the same format and detail as per Exhibit 11, i.e., including dates and check numbers, amounts, descriptions, etc.

**Response**

<u>Date</u>	<u>Ck No.</u>	<u>Vendor</u>	<u>Amount</u>	<u>Description</u>
1/16/2008	14883	Urgent Care Clinic	22.00	Flu shot
7/10/2008	16233	E. Inman	200.00	Wellness participation
7/10/2008	16237	B Meredith	176.31	Exercise equipment
7/16/2008	16292	T McGuire	200.00	Exercise equipment
7/18/2008	16302	D Akers	200.00	Wellness participation
7/21/2008	16310	M Gassaway	200.00	Exercise equipment
7/23/2008	16359	G Thomas	200.00	Exercise equipment
7/25/2008	16379	P Cameron	110.00	Wellness participation
7/28/2008	16390	A Miller	200.00	Wellness participation
7/28/2008	16395	Curves	600.00	Wellness participation
8/5/2008	16449	Wellness 1st, Inc.	1,920.00	Pre-screening for health
8/6/2008	16454	D Morrison	200.00	Exercise equipment
8/6/2008	16461	R Wooten	200.00	Exercise equipment
8/6/2008	16464	A Austin	200.00	Wellness participation
8/7/2008	16468	T Wells	200.00	Exercise equipment
12/24/2123	16508	Curves	290.00	Wellness participation
8/18/2008	16513	D Mesker	200.00	Wellness participation
8/18/2008	16512	F Brockman	200.00	Exercise equipment
8/26/2008	16561	R Wells	178.08	Exercise equipment
9/23/2008	16764	B Kessler	200.00	Exercise equipment
9/25/2008	16819	D Poynter	109.66	Exercise equipment
10/2/2008	16909	B Dickson	200.00	Wellness participation
			<u>6,206.05</u>	



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6. Exhibit 11, page 3 shows KY Living magazine expenses totaling \$97,159 in Account 930.10 – General Advertising expenses. Exhibit 11, pages 7 – 9 show KY Living magazine expenses totaling \$18,080 in Account 930.23 – Public Relations expenses. Please differentiate between the KY Living magazine expenses of \$97,159 and \$18,080 and explain why they are booked in separate accounts, one for general advertising and the other for public relations.

**Response**

The Kentucky Living magazine cost is no longer allocated to Account 930.23 – Public Relations expenses. This was only allocated in the past since Farmers would be reimbursed for the portion allocated to Account 930.23 through the Partner Plus program of East Kentucky. Since East Kentucky discontinued the Partner Plus program, Farmers no longer allocates the Kentucky Living magazine to Account 930.23.





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7. With regard to the response to PSC-2-25(b), please provide the following information:
- a. Description of nature and purpose of KAEC's activities dedicated to "Legislative Representation." In addition, indicate the approximate percentage of KAEC's activities dedicated to this function.
  - b. Description of nature and purpose of KAEC's activities dedicated to "Youth Programs." In addition, indicate the approximate percentage of KAEC's activities dedicated to this function.
  - c. Description of nature and purpose of KAEC's activities dedicated to "Regulatory Body Representation." In addition, indicate the approximate percentage of KAEC's activities dedicated to this function.

**Responses**

- 7.a. Coordinate the Legislative conference. Only very minor time for this activity in relation to other activities of KAEC.
- 7.b. Organize the Washington Youth Tour. Only very minor time is expended in this area in relation to other activities of KAEC.
- 7.c. Meet with Public Service Commission on behalf of Kentucky's electric cooperatives. KAEC's time spent for Regulatory Body representation is only very minor in relation to other activities of KAEC.