

SPRAGENS & HIGDON, P.S.C.
ATTORNEYS AT LAW

ROBERT SPRAGENS, JR.*
FREDERICK A. HIGDON

P. O. BOX 681 - 15 COURT SQUARE
LEBANON, KENTUCKY 40033-0681
TELEPHONE (270) 692-3141
FAX: (270) 692-6693

ROBERT SPRAGENS, SR.
(1920-1998)

*ALSO ADMITTED IN GEORGIA

GENERAL E-MAIL: sh@spragenshigdonlaw.com
WRITER'S E-MAIL: rspragens@spragenshigdonlaw.com

October 27, 2008

Ms. Stephanie Stumbo, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RECEIVED

OCT 31 2008

PUBLIC SERVICE
COMMISSION

Dear Ms. Stumbo:

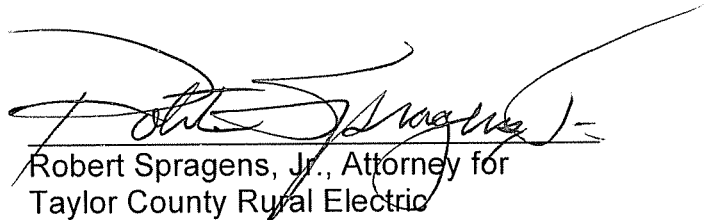
Re: Taylor County RECC
PSC Case No. 2008-00376

Please find enclosed the original and three (3) copies of Taylor County's
Response to the Commission Staff's First Data Request dated October 20, 2008.

With kind regards, I remain,

Very truly yours,

SPRAGENS & HIGDON, P.S.C.



Robert Spragens, Jr., Attorney for
Taylor County Rural Electric
Cooperative Corporation

RS, JR:js
Enclosures

Exhibit 1

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719

PSC CASE NO. 2008-00376

RESPONSE TO PSC ORDER DATED OCTOBER 20, 2008

WITNESS AVAILABLE: John F. Patterson

Question 1

The type meter being retired is a mechanical meter. The mechanical meter registers usage by the turning of a disk which after turning a number of revolutions advances the numeric dial. To read the mechanical meter the consumer or an employee of the Co-op must visit the meter and manually obtain the reading from the dial. The reading then has to be manually entered in the computer system for billing.

The meter replacing the mechanical meter is a solid state meter which transmits the reading at a given time over the power lines to a unit at the substation; the reading is then transmitted by radio signal to the office of Taylor Co RECC where it is retrieved by computer for billing.

This reduces the chance of an error in either reading the meter, writing the reading down, and/or entering the reading into the billing system. This also reduces the need to estimate readings when consumers do not enter the reading with the monthly payment. There is less time devoted to answering consumer calls, questions, and complaints with the solid state meters than when an estimated reading is used for billing purposes.

Exhibit 2

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719

PSC CASE NO. 2008-00376

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WITNESS AVAILABLE: John F. Patterson

Question 2

Taylor County RECC uses a composite depreciation rate of three percent (3.0%) for distribution plant which Account 370.00 Meters is part of.

Exhibit 3

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
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Question 3

Taylor County RECC chose 5 years to amortize the loss of \$1,205,285.55 as this will have the effect of reducing margins each year \$241,057.11. It is Taylor County's opinion that an amortization period less than 5 years would result in too dramatic of an effect on margins. A 3 year amortization would have the effect of reducing margins by \$401,761.85 annually. An amortization period greater than 5 years would have substantially the same effect as recording depreciation on the new meters and recording amortization on the old meters for approximately the same period. Taylor County does not desire to have this doubling of expenses for an extended period of time. This is the reason for using a 5 year amortization period.

Exhibit 4

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
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Question 4

The impact of the deferral on the financial statements will be a reduction in margins of \$241,057.11 each year of the 5 year deferral period.

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QUESTION 5

John Patterson, Office Manager, Taylor Co. RECC received a phone call August 22, 2008, from George Bishara, Systems Accountant, TAAS, RUS, informing him that the request for the meter accounting deferral had just reached his desk. Mr. Bishara indicated that he saw no problem with RUS approving the deferral. For RUS approval four items were required which Mr. Bishara emailed to Mr. Patterson (attached as page 2 of 3 and 3 of 3 of this response). Once these were received RUS would issue the approval.

Witness Available: John F. Patterson

John Patterson

From: Bishara, George - Washington, DC [George.Bishara@wdc.usda.gov]
Sent: Friday, August 22, 2008 2:21 PM
To: jpatterson@tcrecc.com
Subject: Expense deferral requirements

Let me know if you have any further questions.

*George Bishara, CPA
Systems Accountant, TAAS
Tel: (202) 692-0120
Fax: (202) 720-8265*

Requirements For an Expense Deferral Plan

To be considered for RUS approval, the following information must be submitted:

1. A detailed description of the plan including the nature of the expense item, the amount of the deferral, the specific time period for rate recovery, and justifying support for the time period selected;
2. The accounting journal entries being used by the cooperative to record the expense deferral and amortization of the deferred costs;
3. A resolution from the cooperative's board of directors stating that the cooperative elects to defer the costs associated with the expense deferral plan and authorizes the recovery of these costs through future rates; and
4. Approval from the state regulatory commission in those states in which the commission has jurisdiction over the cooperative's rate-making activities.