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PUBLIC SERVICE
COMMISSION

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BIG SANDY RURAL ELECTRIC COOPERATIVE

CASE NO. 2008-00401

THIRD DATA REQUEST OF COMMISSION STAFF

Big Sandy Rural Electric Cooperative
Case No. 2008-00401
Third Data Request of Commission Staff

1. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 19. Big Sandy proposes to consolidate the anchors and grounds into the two and three-party pole attachments charges.

a. Provide the names of the cable companies that have attachments on Big Sandy's poles.

b. Explain whether the cable companies have been noticed and are agreeable to the consolidation of the charges.

c. Provide the calculations for the proposed combined two-party attachment rate of \$6.64 and the combined three-party attachment rate of \$4.87.

Response

1.a.

Big Sandy Broadband; Garrett TV, dba Buffalo Cable; Rick Howard; Inter Mountain Cable; Kentucky Data Link; Thacker Grigsby Cable; Tri-Wave; Charter Communications

1.b. On December 23, 2008, Gardner F. Gillespie, Partner with Hogan & Logan, LLP contacted Big Sandy and requested backup information related to the pole attachment rates. On December 29, 2008, Big Sandy sent the information to Mr. Gillespie. During a telephone call, Mr. Gillespie stated that if the information was not satisfactory, he would request to intervene on behalf of the Kentucky Cable Telecommunications Association. We have not heard from them since submitting the requested information.

1.c.

	Proposed <u>Existing</u>		Proposed <u>Combined</u>
2 party pole	6,922		
2 party anchor	570		
2 party ground	<u>58</u>	7,550	
Number of poles		1,110	
Proposed rate		\$6.64	7,370
3 party pole	53,117		
3 party anchor	192		
3 party ground	<u>71</u>	53,380	
Number of poles		10,984	
Proposed rate		\$4.87	<u>53,492</u>
			<u><u>60,862</u></u>

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2. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 23. Big Sandy states that rates Ind 1 and Ind 2 did not have consumers on them during the test period.
 - a. Have consumers previously been served under these rates? If yes, provide the reason the customers are no longer served under the rates.
 - b. Are any customers currently served under rates Ind 1 or Ind 2? If not, explain why Big Sandy is retaining the tariffs for the classes.

Response

- a. No, not in recent years.
- b. No. Big Sandy RECC wants to have these tariffs available if the need for them arises in the future.

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3. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 24 at 2.

a. Big Sandy states that the rate of return on each rate class is not readily calculated or available for each rate class. Explain whether Big Sandy intends to update the calculation for CATV attachments using the overall rate of return from this case, rather than the rate of return from Case No. 2005-00125¹.

b. Big Sandy states that the allocation of non-electric revenue in the cost-of-service study in this case is based on revenue from rates which are different from previous cost-of-service studies filed by Jim Adkins for other East Kentucky Power Cooperative distribution cooperatives. State how non-electric revenue was allocated in previous cost-of-service studies filed by Mr. Adkins.

Response

3.a. Big Sandy would propose to update the CATV rate of return from this case.

3.b. In previous cost-of-service studies, non-electric revenue was allocated to the rate class proportionally upon the net investment rate base amount for each rate class.

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4. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 28, and Exhibit R of the application, the last line on page 10. Explain how it was determined that 75 percent (\$11,728,776) of purchased power costs are energy-related costs and 25 percent (\$3,947,691) are demand-related costs.

Response:

Provided below is a breakdown of the purchased power charges. The demand charges and the charges associated with substations (including metering charges) are considered to be demand related. Purchased power energy charges and green power charges are considered to be energy related. Exhibit 19 provides more detail on these costs.

Purchased Power	Total	Demand Related	Energy Related
Demand Charges	\$ 3,638,523	\$ 3,638,523	\$ -
Substations Charges	295,920	295,920	
Metering Charge	13,248	13,248	
Green Power	684		684
Energy Charges	11,728,092		11,728,092
	<u>\$ 15,676,467</u>	<u>\$ 3,947,691</u>	<u>\$ 11,728,776</u>

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5. Refer to Exhibit R of the application, Schedule 6, page 31.

a. In the column "A-1 Farm and Home", Big Sandy calculates customer costs of \$1,653,867. Dividing this amount by the customer charge billing determinant of 144,805 results in a customer charge of \$11.42. Given this calculation, explain why Big Sandy is requesting a customer charge of \$15.00 for this class.

b. In the column "A-2 Comm & Sml Power", Big Sandy calculates customer costs of \$185,917. Dividing this amount by the customer charge billing determinant of 11,633 results in a customer charge of \$15.98. Given this calculation, explain why Big Sandy is requesting a customer charge of \$20.00 for this class.

Response:

Attached is a revised page 31 of Exhibit R, Schedule 6. An additional row for the consumer & accounting related costs was left off by mistake. This additional row and its effect on the total customer related costs for this schedule are highlighted. Provided below is the resulting customer charge if Big Sandy had requested a customer charge for these rate classes that fully recovered the customer related costs.

	A-1 Farm & Home	A-1 - ETS	A-2 Comm & Sml Power	LP Large Power Rate
<u>Customer Charge</u>				
Customer Costs				
Lines			52,314	7,882
Transformers	97,845		12,890	1,482
Services	558,572		40,723	7,979
Meters	997,449		79,991	93,620
Consumer & Accounting	996,173		95,260	29,583
Total	2,650,040		228,864	132,665
Customer Charge Billing Units	144,805		11,633	1,731
Customer Charge for Full Recovery	\$ 18.30		\$ 19.67	\$ 76.64

Purchased Power	<u>Total</u>	<u>Demand Related</u>	<u>Energy Related</u>
Demand Charges	\$ 3,638,523	\$ 3,638,523	\$ -
Substations Charges	295,920	295,920	
Metering Charge	13,248	13,248	
Green Power	684		684
Energy Charges	11,728,092		11,728,092
	<u>\$ 15,676,467</u>	<u>\$ 3,947,691</u>	<u>\$ 11,728,776</u>

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6. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 6(a). Identify the impact the corrected payroll tax allocation will have upon Big Sandy's revenue requirement.

Response

		<u>Original</u>		<u>Corrected</u>	
107-108	Capitalized	18.7%	1,368	25.1%	1,836
163-416	Clearing and others	4.8%	351	4.8%	351
580	Operations	22.8%	1,668	19.3%	1,412
590	Maintenance	18.7%	1,368	13.0%	951
901	Consumer accounts	16.4%	1,200	10.4%	761
908	Customer service	5.2%	380	1.9%	139
912	Sales	0.0%	0	0.0%	0
920	Administrative and general	<u>13.4%</u>	<u>980</u>	<u>25.5%</u>	<u>1,865</u>
		<u>100.0%</u>	<u>7315</u>	<u>100.0%</u>	<u>7315</u>
Revenue requirement application			5,596		
Revenue requirement corrected			<u>5,128</u>		
Decrease in revenue requirement			<u>468</u>		

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7. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 7(a). Staff Instruction 1710-4 – Approval of Depreciation Rates, dated September 18, 2001 supersedes Staff Instruction 183-1, dated December 30, 1982.

a. Explain how Staff Instruction 1710-4 impacts Big Sandy's requested depreciation rates in this proceeding.

b. Explain whether Big Sandy has complied with the filing requirements outlined in Staff Instruction 1710-4 that requests for special depreciation rates should be submitted to the Chairperson of the Depreciation Committee (Electric).²

c. Has Rural Utility Services ("RUS") issued any depreciation instruction(s) that supersede Staff Instruction 1710-4? If they have, provide copies of the RUS instruction(s).

Response

7.a. Staff Instruction 1710-4 does not impact the study, or the results of Big Sandy's depreciation study in regards to the estimated lives or the net salvage methodology used in this study.

7.b. Big Sandy submitted its depreciation study to RUS as required.

7.c. Not that Big Sandy is aware of.

² Staff Instruction 1710-4 at 3, 4.1 Borrower's Transmittal Memo.

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8. In its response to the Commission Staff's Second Information Request, item 7(b), Big sandy states that "RUS will allow the use of higher or lower rates if Commission approval is obtained prior to RUS approval." Cite the references in either RUS Bulletin 183-1 or Staff Instruction 1710-4 where this is allowed.

Response

There are no references to cite. This is based on conversations with RUS personnel while attending RUS seminars.

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Third Data Request of the Public Service Commission

9. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 13(a). Big Sandy states that, for choosing not to participate in the non-contributory plan, its union employees receive higher hourly wages than the non-union workers. Provide documentation to support this statement.

Response

There isn't any documentation available. This topic was part of the negotiation process in settling the union contract. This was agreed upon in the early 1980's and has been carried on since.

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Third Data Request of the Public Service Commission

10. Refer to Big Sandy's response to the Commission Staff's Second Information Request, item 15(a). Given Big Sandy's response and the language in the contract, explain why the right-of-way clearing expense should not be reduced to reflect the 75 miles that will be cleared in 2009.

Response

2009 should be considered a partial year for ROW clearing, because of the lack of available funding to pay for the additional 25 miles of ROW clearing. This is due to the timing of the approval for this rate case. Big Sandy RECC only expects to receive half of the normal funding in 2009 for ROW clearing. In 2010 and all future years, Big Sandy RECC will be cutting 100 miles of ROW, if the request for funding is approved by the PSC.

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11. Big Sandy failed to respond to the Commission Staff's Second Information Request, items 16(c) and (d). Provide responses to the following items as originally requested.

a. Big Sandy estimates that fringe benefits for the safety director will be 63.87 percent. Provide documentation to support the 63.87 percent fringe benefit factor.

b. Provide a schedule comparing the employee fringe benefits (i.e., retirement, taxes, insurance benefits), for each of the cooperatives that will be sharing the safety director.

Response

11.a. The calculation is attached:

Total benefits, Exhibit 22 of application	1,258,882
Test year wages, Exhibit 1 of application	1,971,015
Ratio	63.87%

11.b.

Big Sandy Rural Electric	63.87%
Grayson Rural Electric	68.75%
Fleming Mason Energy	84.66%
Licking Valley Rural Electric	71.97%