COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CLARK ENERGY COOPERATIVE, INC. FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2009-00314

COMMISSION STAFF'S SECOND DATA REQUEST TO CLARK ENERGY COOPERATIVE, INC.

Pursuant to 807 KAR 5:001, Clark Energy Cooperative, Inc. ("Clark Energy") is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 4, 2010. 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 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.

Clark Energy 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 Clark Energy fails or refuses to furnish all or part of the requested information, Clark

Energy shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should 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 page 2 of the application. In paragraph e., Clark Energy requests relief from the Commission's Order in Case No. 1992-00219,[1] in which it was required to retire capital credits earned in excess of a modified Times Interest Earned Ratio ("TIER") of 2.0. That Order stated that "[d]uring its 55 years of operation, Clark Energy has never made a general retirement, or refund, of capital credits." For each year since the conclusion of that case, provide Clark Energy's TIER (calculated by excluding generation and transmission capital credits), the margins in excess of a 2.0 TIER, and the amount of capital credits refunded.

2. Refer to Exhibit C of the application.

a. In all rate schedules that include a customer charge, Clark Energy is proposing to use the term "facility" charge rather than "customer" charge. Explain the reason for this change.

b. Refer to PSC No. 2, Original Sheet Nos. 32, 33, and 36. Confirm that, given that the amounts of these nonrecurring charges are spelled out in the text of

[1] Case No. 1992-00219, Application of Clark Rural Electric Cooperative Cooperation to Adjust Electric Rates (Ky. PSC Apr. 23, 1993).

the tariff, a text change would be required if the increases proposed by Clark Energy are approved.

c. Refer to PSC No. 2, 2nd Revised Sheet No. 56, Schedule L, General Power Service.

(1) Clark Energy is proposing to limit the availability of this rate to customers with demands of less than 500 kW. Currently, the limit is 2,500 kW. Explain whether this change would require the transfer of any customers to a different rate and, if so, the effect this would have on those customers' bills.

(2) Confirm that, if the change mentioned in part (1) above is approved, the reference to 2,500 kW in the "Conditions of Service" paragraph on this page would need to be changed.

(3) Explain the reasons for proposing a facility charge for this rate.

d. Refer to PSC No. 2, 2nd Revised Sheet No. 59, Schedule P, General Power Service.

(1) The availability of this rate is currently limited to customers with demands of less than 2,500 kW. Clark Energy is proposing to eliminate this restriction. Explain the reason for this change and whether Clark Energy believes it will result in the transfer of any customers to this rate.

(2) Confirm that, if the change mentioned in part (1) above is approved, the reference to 2,500 kW in the "Conditions of Service" paragraph on this page would need to be changed.

(3) Explain the reasons for proposing a facility charge for this rate.

3. Refer to Exhibit D of the application, page 2. Clark Energy is proposing sizeable increases in the customer charges of Rate Schedules R, C, E, L and P. Explain to what extent Clark Energy considered proposing smaller increases in these customer charges in the interest of gradualism.

4. Refer to Exhibit H of the application, the Direct Testimony of James R. Adkins ("Adkins Testimony").

a. At pages 7 and 8, Mr. Adkins states that non-rate revenue is allocated only to the residential class and refers to this as a "new approach." Identify and describe the approach Mr. Adkins would have used if he had not opted for the "new approach."

b. On pages 9 and 10, Mr. Adkins states that Clark Energy is proposing that the Schedule D rate be based on the results of the cost-of-service study ("COSS") rather than set at 60 percent of the residential energy rate.

(1) Provide the number of customers on this rate and state whether or not it was offered to those customers based on the rate being 60 percent of the residential energy rate.

(2) Other East Kentucky Power Cooperative, Inc. ("EKPC") cooperatives have indicated that EKPC has suspended the program that gave rise to this rate. Explain whether Clark Energy intends to continue the program if EKPC has suspended it.

(3) Explain whether Clark Energy believes that customers will be deterred from choosing this rate if approved at the proposed higher percentage of the residential energy rate.

c. On page 12 in response to question 16, Mr. Adkins states that the proposed rate design "deviates the most significantly in the customer charge area for Schedule D in the fact that the proposed customer charge leaves approximately $3,200,000 of customer related costs to be recovered through the energy rate." Explain whether this is a misstatement or identify from where in the COSS Mr. Adkins was able to reach this conclusion.

5. Refer to Exhibit J of the application.

a. Explain how the "rate minimum charge" was calculated on page 4 and, given the rate changes proposed by Clark Energy, explain why this amount would remain the same on page 6 as it appears on page 4.

b. Explain the "device facility charge" of $7,335 on page 11 and how it was calculated.

6. Provide a copy of Exhibits J and R electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected.

7. Refer to Exhibit P of the application. The cost associated with Clark Energy's annual meeting has increased by 126 percent during the 2004 – 2008 time period, even though there has been only a slight increase in attendance during the same time period. Provide an explanation for the increase in the annual meeting expense from 2004 through 2008.

8. Refer to Exhibit R of the application. Describe any differences in methodology used in the COSS submitted in this case relative to those prepared by Mr. Adkins in recent rate cases of other EKPC distribution cooperatives.

9. Refer to Exhibit R, Schedule 2, page 6.

a. Provide an explanation for the $162,582 that is included in the Outdoor Lighting column for Account 365, Overhead Conductors and Devices.

b. Provide a detailed breakdown of the $2,115,814 balance in Account 371, Installations on Customer Premises, and explain why it is allocated 100 percent to Outdoor Lighting.

c. Explain how the "General Plant" allocation percentages were calculated.

10. Refer to Exhibit R, Schedule 2, page 7.

a. Explain why Account 585, Street Lights, is allocated 100 percent to the Meters function.

b. Explain why Account 587, Consumer Installations, is allocated 100 percent to the Security Lighting function. Include in the response a detailed breakdown of the $89,494 recorded in this account.

11. Refer to Exhibit R, Schedule 2, page 9, footnote 6 at the bottom of the page.

a. Explain why the total amounts shown for the three categories listed (Poles, Towers and Fixtures; Overhead Conductor; and Services) do not reconcile with amounts on page 10 of this exhibit. For example, the amount for "Poles, Towers and

Fixtures" is shown in this footnote as $29,797,006. On page 10, the amount for "Poles, towers and fixtures" is shown as $25,142,659.

b. Explain where in the COSS the allocations calculated in this footnote are used.

12. Refer to Exhibit R, Schedule 3, page 16, table No. 2. Explain why the 35-foot pole was selected for the minimum size.

13. Refer to Exhibit R, Schedule 3, page 17, table No. 2. Explain how the minimum size of 0.19169 was determined.

14. Refer to Exhibit R, Schedule 4, page 27.

a. Explain how the "Factor" column amounts were derived.

b. For rate class D, explain how the relative weight of 410 was calculated.

c. For rate class E, explain how the relative weight of 1,029 was calculated.

15. Refer to Exhibit R, Schedule 5, page 28. Describe how Clark Energy selected 11 percent as the proposed increase for rate class E.

16. Refer to Exhibit R, Schedule 6, page 30. This page shows that Clark Energy considered a residential customer charge that ranged from $11 to $14. Confirm that, based on the COSS, including all customer costs in the customer charge would result in a residential customer charge of approximately $25. If this is not the case, provide the amount based on the COSS along with the supporting calculations.

17. Refer to Exhibit R, Schedule 6, page 32, the Rate E - Public Facilities section.

a. Clark Energy is proposing a customer charge for this rate class of $16. Explain how this customer charge amount was determined.

b. Confirm that, based on the COSS, including all customer costs in the customer charge would result in a customer charge of approximately $24. If this is not the case, provide the amount based on the COSS along with the supporting calculations.

18. Refer to Exhibit R, Schedule 6, page 32, the Rate L – General Power Service section. Clark Energy is proposing a customer charge for this rate class of $61.63. In the L-1 column, dividing the customer costs of $6,754 by the customer number of 120 equals $56.28. Explain how the $61.63 calculated in column L-3 was chosen.

19. Refer to Exhibit R, Schedule 6, page 33, the Rate L – General Power Service Continued section. Dividing the demand revenue requirements of $2,185,505 by the demand billing units of 197,338 equals $11.07. Explain how the $6.25 was chosen.

20. Refer to Exhibit R, Schedule 6, page 34, the Rate P – General Power Service section. Dividing the demand revenue requirements of $293,047.47 by the demand billing units of 34,693 equals $8.45. Explain how the $6.00 was chosen.

21. Refer to Exhibit S, page 1, which shows the amount of the proposed increase based on attaining a TIER of 2.0X.

a. Describe how Clark Energy determined that 2.0X was the appropriate TIER on which to base its requested increase.

b. Is Clark Energy aware of any studies performed by the Rural Utilities Service ("RUS") or the National Rural Utilities Cooperative Finance Corporation on the subject of the appropriate TIER level for an electric distribution cooperative? If yes, identify the studies and when they were performed.

c. Clark Energy's request in this case for a 2.0X TIER would produce net margins of roughly $2.6 million. For each of the five calendar years immediately preceding the test year, provide the approximate net margins that would have been realized if Clark Energy had achieved a TIER of 2.0X.

22. Refer to Exhibit V of the application. This schedule shows that revenues increased by approximately $1.5 million and the cost of power increased by approximately $2.6 million from the 12 months ended June 30, 2008 to the 12 months ended June 30, 2009. Explain why a $2.6 million increase in purchased power costs from one period to the next would not result in an approximate $2.6 million increase in revenues.

23. Refer to Exhibit X of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period.

a. Refer to Page 1. Provide a detailed breakdown of Accounts 454, Rents, and 456, Other Electric Revenue.

b. For Accounts 451, 454, and 456, provide the June 30 balances of these accounts for the most recent five-year period.

c. Page 2 shows that Account 583.00, Overhead Line Expense, increased from $511,775 in the 12 months preceding the test year to $662,444 in the

test year. Provide a detailed explanation for why this expense increased by this magnitude.

d. Page 3 shows that Account 593.90, Contract Right of Way, increased from $659,289 in the 12 months preceding the test year 2008 to $888,539 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

24. Refer to Exhibit 1, page 1, and Exhibit 14 of the application.

a. If an employee worked 2,080 regular hours during the test period, explain why the employee would also have payments for vacation/sick leave and why those payments should be included in normalized wages.

b. For each employee listed in Table 1 below, explain in detail why they worked less than 2,080 hours in the test period.

Table 1

	Employee No.	Regular Hours
(1)	745	1,842
(2)	2571	80
(3)	2865	2,026
(4)	5337	152
(5)	6028	1,840
(6)	8837	152
(7)	9771	2,078
(8)	9852	2,017
(9)	9873	1,632

c. Explain why 2,080 hours was used in calculating normalized wages rather than the actual hours worked during the test period.

d. The portion of Exhibit 1 which provides Clark Energy's actual test-year wages, by employee, shows that its overtime costs were $460,694, or more than

13.4 percent of its total wages of $3,436,852. Provide Clark Energy's total wages, actual and overtime, for each of the calendar years 2004 through 2008.

e. In Exhibit 14, Clark Energy states that it incurred costs related to a severe ice storm in its service territory. Explain whether any of the overtime hours in the test year are attributable to work related to the ice storm and, if so, explain why those hours should be used in calculating normalized wages.

25. Refer to Exhibit 1 of the application, page 4. Employee number 745 received a wage increase of 66.2 percent. Provide a detailed explanation for the level of wage increase for this employee.

26. Refer to Exhibit 3, page 2, of the application. Provide a revised version of page 2 with the normalized depreciation expense calculated using Clark Energy's existing depreciation rates.

27. Refer to Exhibit 3, page 3, of the application, which shows the test-year actual and normalized total depreciation expense and the test-year actual and normalized depreciation expense charged to transportation clearing. Provide the same information for each of the calendar years 1999 to 2008.

28. Refer to Exhibit 3, page 4, of the application, which shows distribution plant in service, the accumulated depreciation for distribution plant, and the reserve ratio percentages for distribution plant for each of the years 1994 through 1998 and 2004 through 2008.

a. Provide the same information as of the end of the test year and for the years from 1999 through 2003.

b. The reserve ratio in 1994 was nearly 13 percent and declined to less than 10 percent by 1997. It was less than 10 percent in 1998 and 2004 but began increasing in 2005 and stood at 14 percent in 2008. Provide the reasons for the changes in the reserve ratio over this period, including, but not limited to, any changes in distribution depreciation rates that occurred during this period.

29. Refer to the first page in the Introduction section of the Service Life and Salvage Study and Recommended Depreciation Accrual Rates document prepared by Jim Adkins Consulting ("Depreciation Study"). The paragraph at the bottom of the page indicates that Clark Energy has never had a depreciation study performed. Provide the date of any changes in Clark Energy's depreciation rates that have been authorized by the Commission since 2000 and the case number(s) of the related case(s).

30. Refer to the second page in the Scope section of the Depreciation Study.

a. Explain whether the general discussion contained in the four full paragraphs on the page refers to being able to develop actual or simulated average plant lives and calculate the plant balances, reserve balances, etc.

b. Explain why, as described in the third paragraph on the page, a review of Clark Energy's accounts for a period of 10 years formed the basis for the cost of removal and salvage allocation percentages used in the Depreciation Study.

31. Refer to the third page in the Scope section of the Depreciation Study. Identify each of the Kentucky cooperatives referenced in the second paragraph and the specific years in which each cooperative installed automated meter reading ("AMR") devices.

32. Refer to the third numbered paragraph on the fourth page of the Scope section of the Depreciation Study.

a. Explain whether Clark Energy has sought approval from the RUS for the proposed depreciation rates that fall outside of the RUS high and low ranges included in RUS Bulletin 183-1. If it has not sought RUS approval, when does Clark Energy intend to seek such approval?

b. If Clark Energy has sought RUS approval of its proposed depreciation rates that fall outside the RUS high and low ranges, provide the letter or other document evidencing that request for approval.

33. Refer to page 10 in the Remaining Life section of the Depreciation Study. Given that Clark Energy installed its AMR devices from 2001 through 2006, explain why its remaining life calculation for Account 370, Meters, covers a period beginning in 1990 and how a 12-year historical life was selected.

34. Refer to Sections 9 and 10 of the Depreciation Study, which deal with the net salvage amounts.

a. Explain why the five-year average net salvage amount was used to calculate the net salvage percentages in Section 10.

b. Provide a detailed narrative explanation of how the Net Salvage Ratio percentages, Net Salvage amounts, Ratio to Total percentages, and Net Salvage Allocation amounts reflected on the second page of Section 10 were developed.

35. Provide Clark Energy's construction budgets for the next five years. Identify all retirements, replacements, additions and costs of removal reflected in the

budgets. Provide by account where available and explain how the cost estimates are derived for these items.

36. Provide copies of all industry statistics available to Jim Adkins Consulting relating to electric utility distribution plant depreciation rates. Identify all industry statistics relied upon in formulating the proposed depreciation rates.

37. Provide all audits reports, management letters, consultant reports, etc., from 2000 through 2009, which address in any way Clark Energy's property accounting and/or its depreciation practices.

38. Refer to Exhibit 5 at 2.

a. This is a schedule of Clark Energy's outstanding long-term debt. Identify all of the long-term debt issuances that have interest rates that are subject to change, and state how often the interest rates can be changed over the life of the loan.

b. For those long-term debt issuances identified in 38(a), provide a schedule showing the effective interest rates for the two-year period from January 1, 2007 through December 31, 2008.

c. Provide an update of the schedule on pages 2 and 3 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

39. Refer to Exhibit 5, page 2. Provide an explanation for the variance between the annualized interest expense and the test-year interest costs for the FFB loan #F085 of $4,000,000.

40. Refer to Exhibit 5, page 3. Provide the actual per-book test-year interest cost for each loan.

41. Refer to Exhibit 7 of the application. Clark Energy states that quasi-retired employees are no longer eligible to participate in the Retirement and Security Program offered to its employees.

a. Clarify whether the proposed contribution cost of $1,016,892 shown on line 30, page 1, has been calculated by applying Clark Energy's 2010 contribution rate of 34.06 percent to the normalized base wages of $2,985,590, which included the quasi-retired employees' wages.

b. If the response to part a. of this request is affirmative, explain why the contribution amount should be based on the normalized wages amount that includes the quasi-retired employees and not the amount that excludes the quasi-retired employees.

42. Refer to Exhibit 8, page 3. Provide a description of the charges described as abandoned work orders and explain why they should be included for rate-making purposes. Explain why they should be classified in Account 426.10, Donations.

43. Refer to Exhibit 9, page 4. Provide a general description of the purpose of the two amounts of $1,359.10 identified as 2009 Customer Surveys 1 and 2 of 4 and the benefit these provide to Clark Energy's ratepayers.

44. Refer to Exhibit 13 of the application, where Clark Energy estimates the expenses associated with this rate case.

a. On a monthly basis, beginning in July 2008, provide the amount of Clark Energy's actual rate-case expenses, by category, as was done in the estimate.

b. Given that the last time Clark Energy filed a rate case was in 1992, provide the rationale for the proposed three-year amortization period.

45. Refer to Exhibit 17 of the application, page 1. Provide the supporting calculations for the normalized amounts of $342,936 and $300,000 for the 3000 and 7500 Substation Charge columns, respectively.

46. Refer to Exhibit 19 of the application. Explain why Schedules D and M are not included in this exhibit.

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cc: Parties of Record

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