CLARK ENERGY

A Touchstone Energy Cooperative

December 29, 2009

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

Re: Application of Clark Energy Cooperative, Inc. for an Adjustment of Rates
Case No. 2009-00314

Dear Mr. Derouen:

Please find enclosed the original and seven (7) copies of the responses to the Commission's Order "Commission Staff's Second Data Request to Clark Energy Cooperative, Inc." dated December 16, 2009.

Please contact me at (859) 231-0000 or Paul G. Embs at (859)744-4251 with any questions regarding this filing.

Respectfully submitted,
Frost Brown Todd, LLC

Mark David Goss
Counsel for Clark Energy Cooperative, Inc.

Enclosure

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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**

APPLICANT'S RESPONSES TO COMMISSION STAFF'S SECOND DATA REQUEST

The applicant, Clark Energy Cooperative, Inc., makes the following responses to the "Commission Staff's Second Data Request", as follows:

1. The witnesses who are prepared to answer questions concerning each request are Paul G. Embs, Alan Zumstein, and Jim Adkins.
2. Paul G. Embs, President and CEO of Clark Energy Cooperative, Inc. 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.

Mark David Goss
Frost, Brown & Todd, LLC
Attorneys-At-Law
250 West Main Street, Suite 2800
Lexington, Kentucky 40507
Attorney for Clark Energy Cooperative, Inc.
Telephone: 859-231-0000

The undersigned, Paul G. Embs, as President & CEO of Clark Energy Cooperative, Inc., 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: December 29, 2009

CLARK ENERGY COOPERATIVE, INC.

By: _____
PAUL G. EMBS, PRESIDENT & CEO

Subscribed, sworn to, and acknowledged before me by Paul G. Embs, as President & CEO for Clark Energy Cooperative, Inc. on behalf of said Corporation the 29th day of December, 2009.

_____
Notary Public, Kentucky State At Large

My Commission Expires: My Commission Expires September 24, 2012

CERTIFICATE OF SERVICE

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

Original and Seven 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 29th day of December, 2009

_____
ATTORNEY FOR
CLARK ENERGY COOPERATIVE, INC.

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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.

Year	Margins	Long Term Interest	TIER	Margins Above 2.0x TIER	Capital Credits Refunded
1992	(289,329)	961,786	0.70	0	0
1993	541,686	948,644	1.57	0	0
1994	159,083	928,980	1.17	0	0
1995	1,057,454	1,156,181	1.91	0	0
1996	945,728	1,310,584	1.72	0	0
1997	558,498	1,439,743	1.39	0	0
1998	1,036,593	1,521,341	1.68	0	0
1999	835,184	1,594,823	1.52	0	0
2000	1,138,383	1,760,606	1.65	0	0
2001	1,304,952	1,846,418	1.71	0	0
2002	1,536,522	1,772,002	1.87	0	0
2003	1,155,949	1,645,935	1.70	0	0
2004	1,252,736	1,696,561	1.74	0	0
2005	1,533,406	2,186,004	1.70	0	0
2006	1,102,697	2,571,703	1.43	0	0
2007	1,150,205	2,645,145	1.43	0	0
2008	1,085,792	2,608,216	1.42	0	0

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

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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 the "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 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 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 above 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 this 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 reasons 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.

Response

2a. Clark is proposing to use the term "facility charge" instead of "customer charge" for two primary reasons. One, it is believed that the term "facility charge" is a better description of the reason for this type of charge. It is to pay for some of the expenses for facilities installed to provide service to a consumer such as the meter, the service drop, the transformer, etc. Second, consumers sometimes question why they must pay a fee or charge just to be a customer or a "customer charge". They do not understand that a "customer charge is for expenses associated with facilities provided to serve the consumer.

2b. It is agreed that a text change would be required if the proposed increases are approved.

2c. (1) This change would not require the transfer of any customers to a different rate schedule.

(2) The reference in the "Condition of Service" paragraph should be changed from 2,500 kW to 500 kW.

(3) The rationale for proposing a facility charge is twofold. One, Clark Energy wishes to match its recovery of costs in a manner similar to how such costs are incurred. The facility charge has the purpose of recovering consumer-related costs and neither demand-related nor energy-related costs. These consumer-related costs are more of a fixed cost. The second reason is to inform the consumer in a more direct way that the Cooperative is incurring expenses to provide service to a customer even if no electricity is consumed.

2d. (1) The current Schedules L and P overlap in the sizes of customers to which these schedules apply. The size of customers for the current schedules and proposed schedules is listed below:

Schedule	Current Size	Proposed Size
Schedule L	50-2,500 kW	50-500 kW
Schedule P	500-2,500 kW	500 kW and over

Clark Energy is proposing to simplify its rate schedules applicable to load of these sizes. This change for Schedule P would not result in the transfer of any customers to this rate schedule.

(2) The reference in the "Conditions of Service" to 2,500 kW should be changed.

(3) Please see the response to Question 2c(3).

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3. Refer to Exhibit D of the application, page2. Clark Energy is proposing sizeable increases in the customer charges of Rate R, C, E, L, and P. explain to what extent that Clark Energy considered proposing smaller increases in these customer charges in the interest of gradualism.

Response:

Clark Energy did not have any preconceived ideas on what the customer charge should be for any specific rate class. It did have some goals for the development of its customer charges based on the results of its cost of service study. For the commercial and industrial type rate classes – Schedules C, L, and P, the goal was to make the customer charge for these classes close to the consumer-related revenue requirements. For the residential and public facilities rate classes, the goal has been to make some progress toward recovering the consumer-related revenue requirements for these rate classes.

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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 the non-rate revenue is allocated 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 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 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 sates that the proposed rate design "deviates the most significantly in the customer charge area for Schedule D in the fact that 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 form where in the COSS Mr. Adkins was able to reach this conclusion,

Response:

4a. In the cost of service studies for electric cooperatives submitted to this Commission in the recent past, the allocation of the non-rate revenue has been the basis of rate revenue. The allocation of the non-rate revenue was proportional to each rate class's contributions to rate revenue.

4b. (1) The number of customers billed on this rate class was 273 as of the end of the test year. Originally, this program provided for an energy rate equal to 60 percent of the residential rate class energy rate.

(2) Clark intends to continue this program with the rate based on a cost of serve basis versus a set percentage of the residential energy rate.

(3) Clark feels that customers will not be deferred from its selection because the proposed rate is still a much lower rate than the proposed residential energy rate.

4c. The referenced rate schedule should have been Schedule R for the residential customers.

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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.

Response

5.a. This was for 3 phase accounts that currently have a minimum charge. If the billing was less than the set minimum charge, the consumers were billed up to that minimum. The proposed rate with single and three phase facility charges will eliminate the need for this rate minimum. The $9,275 listed on page 6 should not have been included.

5.b. The device facility charge is for accounts that have a contract charge for decorative lighting apparatus. There are presently 4 accounts being billed for this charge. The monthly charge is based on the investment to install decorative lighting. Clark is not proposing to change this rate as part of the application.

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

Response

CD is attached.

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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.

Response

	2004	2005	2006	2007	2008
Labor and benefits	18,432	18,019	17,527	29,090	32,672
KAEC	8,629	7,079	5,137	15,448	19,004
Advertising	2,547	2,085	2,098	3,302	4,292
EKPC Partner Plus	(6,177)	(5,901)	0	(1,240)	0
Others	9,366	8,759	8,322	12,466	12,625
Total	32,797	30,041	33,084	59,066	68,593

Starting in 2007, employee labor to plan and organize the annual meeting was recorded in this account in an attempt to capture all time associated with the annual meeting. Prior to 2007, only employee labor while actually attending the annual meeting was recorded in this account. KAEC costs have continued to increase. East Kentucky Power Cooperative discontinued the Partner Plus Program. Other costs increased due to Clark providing CFL light bulbs to its members. These bulbs are more costly than non-CFL bulbs.

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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.

Response:

The COSS submitted in this application contains the same methodology as submitted in the recent cases of other EKPC distribution cooperatives.

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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 $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.

Response:

9a. The amount of $162,582 represents the amount that Clark Energy has invested in lights that are set on separate poles and should have come from Account 364 – Poles.

9b. The breakdown of Account 371, Installations on Customer Premises is as follows:

Security Light	$1,953,458.18
Flood Light 400 Watt	162,355.41

9c. The "General Plant" allocation was based on the allocation of wages and salaries to the various functions. Please note that page 10 in the COSS is a

duplicate of page 6 in the COSS. Attached is a new page 10 which was inadvertently not included as a part of the original filing. This page contains the wage and salary allocation to the various functions. These percentages listed at the bottom of this page are the ones used in allocation of General Plant in the Net Investment Rate Base. The allocation of the General Plant to the various functions in the functionalization process is based on the wages and salaries allocated to these functions.

PSC 2-9

CLARK ENERGY COOPERATIVE
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FUNCTIONALIZATION OF TEST YEAR EXPENSES

Exhibit R
Schedule 2
Revised Page 10 of 34
Witness: Jim Adkins

FOOTNOTES

Payroll Information from Exhibit 1

7 Acct.	Description	Amount	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Street Lighting	Total
582	Stations	2,378	2,378							2,378
583	Overhead Lines	93,269	93,269							93,269
584	Underground Lines	10,176	10,176							10,176
586	Meters	192,421				192,421				192,421
587	Installations	5,845						5,845		5,845
		304,089	105,823	-	-	192,421	-	5,845	-	304,089
			34.80%			63.28%		1.92%		1
588	Miscellaneous Distribution	78,976	27,484			49,974		1,518		78,976
580	Operations Supervision	60,189	20,946			38,086		1,157		60,189
		139,165	48,429	-	-	88,061	-	2,675	-	139,165
		443,254	154,252	-	-	280,482	-	8,520	-	443,254
593	Overhead Lines	665,694	665,694							665,694
594	Underground Lines	14,553	14,553							14,553
595	Transformers	5,321		5,321						5,321
597	Street Lights	15,248							15,248	15,248
		700,816	680,247	5,321	-	-	-	-	15,248	700,816
			97.06%	0.76%	0.00%	0.00%	0.00%	0.00%	2.18%	100.00%
590	Maintenance Supervision	84,881	82,390	644	-	-	-	-	1,847	84,881
598	Miscellaneous Maintenace	32,459	31,506	246	-	-	-	-	706	32,459
		117,340	113,896	891	-	-	-	-	2,553	117,340
		818,156	794,143	6,212	-	-	-	-	17,801	818,156
901	Supervision	34,671					34,671			34,671
902	Meter Reading	46,777					46,777			46,777
903	Consumer Records	410,391					410,391			410,391
		491,839	-	-	-	-	491,839	-	-	491,839
907	Supervision, Customer Service	21,674					21,674			21,674
908	Consumer Accounting	71,691					71,691			71,691
909	Consumer Information	1,643					1,643			1,643
910	Mis. Customer Information	3,568					3,568			3,568
912	Customer Demonstrations	11,375					11,375			11,375
913	Advertising	-					-			-
		109,951	-	-	-	-	109,951	-	-	109,951
		1,863,200	948,395	6,212	-	280,482	601,790	8,520	17,801	1,863,200
			50.90%	0.33%	0.00%	15.05%	32.30%	0.46%	0.96%	100.00%

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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.

Response:

2a. Account 585, Street Lights, was mistakenly allocated to the Meters function.

2b. Provided below is breakdown of Account 587, Consumer Installations:

Property Taxes	$75,725
Transportation	3,023
Labor & Benefits	9,562
Test Year Adjustment	1,184
Total	$89,494

The expenses in this account are allocated to Lighting because they deal with Account 371 which is comprised distribution plant related to Lighting.

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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.

Response:

11a. The amounts for Poles, Towers and Fixtures, Overhead Conductor and Services do not reconcile to the amounts on page 10 due to an error. These amounts should reconcile. The wrong links were utilized in the development of the data on page 7.

11b. An explanation of the purpose of these allocations on page 9 is presented as follows.

Pages 7 and 8 contain a column identified as "Alloc. Basis" and its purpose is to identify the footnote that was utilized the expenses on that line to the various functions

- Footnote 1 is utilized in the allocation of Accounts 583, Overhead Line Expenses and Account 584, Underground Line Expense between the Line function and the Services function on page 7, Exhibit R.
- Footnote 2 is utilized in the allocation of Account 580, Operations Supervision, Account 588, Miscellaneous Distribution Operations Expense, and Account 589, Rents, to the Lines, Services, Meters and Lighting Functions on Page 7, Exhibit R.
- Footnote 3 is utilized in the allocation of Account 590, Maintenance Supervision and Engineering and Account 598, Miscellaneous Distribution Maintenance Expense to the Lines, Transformers, Services, Meters and Lighting Functions on Page 7, Exhibit R.
- Footnote 4 denotes .where the general plant allocation from the rate base is used.
- Footnote 5 indicates where the net rate base allocation from the rate base is used.
- Footnote 6 has not been used in this schedule.

- Footnote 7, which is on the new page 10 submitted as a part of the response DR9, is utilized in the allocation of the General and Administrative Expenses.

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

Response:

12. The 35 foot pole was selected as this minimum size pole as Clark Energy stated that it has historically been their minimum size pole. Additionally, this pole has the lowest CPR cost of all their poles.

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

Response:

13. The 0.019169 is the cost per unit of the minimum size overhead conductor which is 4ACSR. This minimum size overhead conductor is one that Clark Energy has designated as historically being their minimum size conductor.

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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.

Response:

14a. On page 27, Schedule 4, the "Factor" column is based on billing and billing complexity. The basis for quantifying each factor is the number of pieces or elements of the billing structure for each rate class. What is being developed in this schedule is a methodology that provides a fair allocation basis for the allocation of consumer and accounting costs to each rate class giving recognitions to these actions:

- Billing
- Recordkeeping
- Dealing with customer complaints
- Providing information to customers
- And other items

As an example, the residential class will have a customer charge, an energy charge, a fuel adjustment clause, and an environmental surcharge or four pieces. Thus, a factor of 4 has been assigned. For Schedules with demand charge, they have the same four pieces as the residential class plus a demand charge or factor of 5. Rate D, Time of Use Marketing, and Rate S & T, Lighting, are handled a little differently. The Lighting Schedule is given a lesser factor because it is considered to be an increment to a bill that has already been assigned and has no energy component. The Time of Use Marketing Schedule is similar to the Lighting Schedule but it does have an energy component which adds to its complexity. It is recognized that these factors are determined on somewhat subjective basis.

14b. The relative weight for Rate D is the product of the "Factor" column multiplied by the "Number of Consumers" column. What is not apparent in this schedule is that the factor for this rate schedule is 1.5 but shows up as 2 because it is rounded up because no decimal places were indicated to be shown.

14c. The relative weight for Rate E is the product of the "Factor" column multiplied by the "Number of Consumers" column. What is not apparent in this schedule is that the factor for this rate schedule is 3.5 but shows up as 4 because it is rounded up because no decimal places were indicated to be shown.

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

Response:

15. The cost of service study justified a larger increase for rate E, Public Facilities. However, Clark Energy did not wish to increase this rate class by the justified cost. Clark Energy wishes to increase Rate E by an amount closer to the increase for the residential rate class and selected an increase amount of 11.0 percent which is very close to the 10.67 percent increase requested for the residential rate class.

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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.

Response:

16. If all customer costs were included in the customer charge for the residential class, it would be approximately $25.

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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.

Response:

17a. Clark Energy is proposing a customer charge of $16.00 to be somewhat consistent with the customer charge in the residential rate class. The proposed customer charge for this class $14.00. The rationale on the amount of the increase for Rate E is to make it similar but slightly higher than the residential class and is the same reason for going two dollars higher for this customer charge than for Rate R.

17b. If all customer costs were rolled into the customer charge for Rate E, this customer charge would be approximately $24.

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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.

Response:

18. The $61.63 is the calculated amount for the L-3 column and is the quotient when $76,696 is divided by 1,212. The L-1 column represents the single phase consumers in this rate class. The L-3 column represents the three phase consumers in this rate class. A decision was made to use one customer charge for this class and to use the calculation for the three phase customers since there was not a significant difference in the two rates. The single phase customers have been on Clark Energy for a long time. All recent Rate L customers and most probably all future Rate L customers will be three-phase customers.

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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.

Response:

19. Clark Energy did not wish to make a radical shift in the rate design for this rate class other than the development of a customer charge. If it had increased the demand charge to $11.07, then the resulting energy rate would have been reduced significantly and Clark wished to minimize any impact upon its members on this rate class because the COSS justifies a rate reduction.

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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.

Response:

20. Clark Energy did not wish to make a radical shift in the rate design for this rate class other than the development of a customer charge. If it had increased the demand charge to $8.45, then the resulting energy rate would have been reduced significantly and Clark wished to minimize any impact upon its members on this rate class because the COSS justifies a rate reduction.

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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.

Response

21.a. A TIER of 2.0x will allow Clark to increase its margins, which will result in an increase in equity. This will allow Clark to meet its mortgage requirement for TIER and DSC, and increase equity ratios.

21.b. Clark is not aware of any studies performed by either RUS or CFC that addresses an appropriate TIER level. Both have minimum requirements in their mortgage agreements. CFC will periodically address equity levels, but does not give a specific or target level that is appropriate, but does give ranges; this is generally about 35%.

21.c. Margins had a TIER of 2.0x been achieved for the past 5 years are as follows:

	Margins	
Year	2.0x	Actual
2008	2,608,216	1,085,792
2007	2,645,145	1,150,205
2006	2,571,703	1,102,697
2005	2,186,004	1,533,406
2004	1,696,561	1,252,736

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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.

Response

Kwh sales and purchases both decreased during that time, however, the demand charges that Clark purchased from EKPC actually increased during that same time. This would mean that Clark was paying more in demand than it was passing on to its customers even though it was purchasing less in kwh.

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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.

Response

23.a.

Account 454.00		
	Joint use attachments	492,723
	Clark Propane rent	9,000
		501,723
Account 456.00,		
	Sales tax compensation	4,656

23.b.

Account	2009	2008	2007	2006	2005
451	96,586	99,579	99,789	84,693	96,536
454	501,723	483,404	484,075	579,068	439,130
456	4,656	4,684	4,650	4,223	4,075

23.c. Property taxes allocated have increased by $53,394. Estimated installation credits for installing metering equipment decreased by ($77,677), which increased the expense by the same amount.

23.d. Based on recommendations from the Commission in Administrative Case No. 2006-00494 dealing with right-of-way reporting, the Commission stressed the need for all electric utilities to be more proactive concerning the clearing of ROW corridors. Clark made the decision to attempt to reduce the ROW cycle from 6-7 years to 5-6 years by providing more funds for the ROW program. The additional expense is a reflection of adding an additional contracting crew equipped with a remote trimming machine to increase productivity, and adding a contracting crew to provide high volume herbicide spray to cover more acres of woody brush.

The 2010 operating budget for contract right-of-way expense is $1,076,911, which is $188,372 more than the test year expense.

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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.

Response

24.a. Terminated employees are the only employees that are paid for unused sick days. Current employees are paid for unused vacation up to 40 hours per year. Employees are encouraged to work on a regular basis and not require Clark to have to hire additional employees. Employees are only paid for 40 hours vacation so that employees will take some time off from work.

Having employees working facilitates the planning process for crews, office services, and other functions. Clark feels that work is more productive with full crews and full staffing that if employees sporadically use vacation and sick days.

24.b.

1. Employee 745 – Part time to full time December 2008
2. Employee 2571 – Hired June 15, 2009
3. Employee 2865 – Dispatch; works 37 reg. hours one week and 43 (3 OT) second week of each pay period.
4. Employee 5337 – Hired June 2, 2009
5. Employee 6028 – Pregnancy leave; off w/out pay for a portion of that time.
6. Employee 8837 – Hired June 2, 2009
7. Employee 9771 – Employee out of leave; off w/out pay during illness. Now back to work full-time.
8. Employee 9852 – Dispatch; works 37 reg. hours one week and 43 (3 OT) second week of each pay period.
9. Employee 9873 – Hired September 16, 2008

24.c. This is to give recognition to employees terminated and employees hired during the test year, and also to employees that were not paid for an entire year due to other circumstances which are now all full-time employees.

24.d.

Year	Wages Regular	Overtime	Total	Ratio
Test year	2,976,158	460,694	3,436,852	13.4%
2008	2,885,869	311,655	3,197,524	9.7%
2007	2,787,117	267,806	3,054,923	8.8%
2006	2,749,315	296,293	3,045,608	9.7%
2005	3,078,475	451,647	3,530,122	12.8%
2004	2,640,632	486,790	3,127,422	15.6%

24.e. Some of the hours worked during the test year are attributable to the ice storm. As can be demonstrated in the response to 24.d above, the amount of overtime expended during the test year is similar to two other years reflected. Clark would state that the amount of overtime during the test year is representative of overtime that can be expected to be worked in a normal year.

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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.

Response

Employee number 745 went from a part time employee at a district office to a full time employee at the headquarters. The increase was granted as the employee became full time.

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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.

Response

A column has been added to the right side of Schedule 3, page 2 to reflect the normalized depreciation expense using existing rates.

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Account Number	Description	Test Year Balance	Existing Rate	Proposed Rate	Normalized Expense	Test Year Expense	Items Fully-Depreciated	Normalized w/ Existing Rates
Distribution plant:								
301	Organization	183						
360	Land and land rights	304,008						
364	Poles, towers & fixtures	25,142,659	3.00%	3.73%	937,821	740,754		754,280
365	Overhead conductors & devices	29,797,006	3.00%	5.05%	1,504,749	878,449		893,910
366	Underground conduit	2,651,235	3.00%	3.09%	81,923	79,169		79,537
367	Underground conductor & devices	2,972,771	3.00%	4.19%	124,559	86,558		89,183
368	Line transformers	13,861,355	3.00%	3.03%	419,999	411,121		415,841
369	Services	7,795,618	3.00%	2.38%	185,536	227,964		233,869
370	Meters	2,544,676	3.00%	6.67%	169,730	75,326		76,340
370.1	Meters, AMR	2,404,251	6.70%	6.67%	160,364	161,256		161,085
371	Installations on customer premises	2,115,814	3.00%	6.07%	128,430	62,548		63,474
373	Street lights	152,153	3.00%	7.33%	11,153	4,416		4,565
		89,741,729			3,724,263	2,727,561		2,772,083
General plant:								
389	Land	16,614						
390	Structures and improvements	3,634,771		2.00%	72,695	72,000		72,695
391	Office furn and eqt	327,078		8.00%	22,762	21,187	42,555	22,762
391.01	Computer equipment	809,296		16.00%	59,950	63,187	434,610	59,950
391.02	Computer software	328,910		16.00%	5,730	4,758	293,099	5,730
392	Transportation	2,706,689		16.00%	311,678	296,135	758,703	311,678
393	Stores	105,009		6.00%	5,693	5,940	10,125	5,693
394	Tools, shop and garage	260,261		6.00%	9,966	11,172	94,166	9,966
395	Laboratory	117,617		6.00%	6,743	9,691	5,240	6,743
396.1	Power operated	135,675		11.00%	7,001	7,750	72,031	7,001
397	Communications	360,897		8.00%	26,207	27,414	33,307	26,207
398	Miscellaneous	341,387		8.00%	26,215	28,503	13,700	26,215
		9,144,204			554,639	547,737		554,639
	Total electric plant	98,885,933			4,278,902	3,275,298		3,326,722

Items that are fully depreciated are removed from the ending balance to compute test year depreciation.

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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.

Response

Year	Distribution Plant	General Plant	Less Amount Charged to Clearing	Depreciation Expense
2008	2,674,831	542,223	286,411	2,930,643
2007	2,618,819	522,444	269,958	2,871,305
2006	2,565,713	521,575	282,824	2,804,464
2005	2,454,751	515,434	281,721	2,688,464
2004	2,314,009	519,551	293,924	2,539,636
2003	2,130,032	516,755	296,421	2,350,366
2002	1,941,551	439,620	222,688	2,158,483
2001	1,690,412	421,190	220,623	1,890,979
2000	1,535,928	373,120	176,785	1,732,263
1999	1,425,517	347,392	161,738	1,611,171

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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.

Response

Year	Distribution Plant in Service	Accum Deprec Distribution Plant	Reserve Ratio
2008	88,638,024	12,407,026	14.00%
2007	85,059,841	10,968,975	12.90%
2006	81,585,117	9,826,395	12.04%
2005	77,690,348	8,491,782	10.93%
2004	73,540,631	7,317,022	9.95%
2003	68,429,764	6,705,383	9.80%
2002	65,113,370	5,954,903	9.15%
2001	60,399,080	5,585,025	9.25%
2000	54,528,705	5,473,671	10.04%
1999	50,732,494	5,090,575	10.03%
1998	47,140,462	4,654,036	9.87%
1997	44,138,771	4,253,755	9.64%
1996	40,917,452	4,254,754	10.40%
1995	36,997,674	4,239,629	11.46%
1994	34,232,820	4,401,759	12.86%

28.b. Starting in the mid 1990's, Clark implemented a pole-replacement program throughout the entire system whereby poles that tested as poor were replaced. The system-wide program was completed in the early 2000's, although Clark continues to test and replace poles that test poorly. Also, in the mid 1990's an effort was made to remove idle services, especially primary lines. In conjunction with this program, Clark also has been replacing old copper lines with aluminum conductor. The removal of idles services has been completed, however, Clark is still replacing copper with aluminum. During 2000-2002, a concentrated effort was made to remove all transformers that contained PCB's. During 2001-2002 an automated metering reading program was established where meters that could not be retrofitted with AMR devices were disposed of.

With each of the above programs, when there are retirements and replacements, the installed costs of the plant additions are greater than the original cost of the retirements. The Uniform System of Accounts requires that the original cost plus the removal cost be recorded as a charge to the Accumulated Depreciation, Distribution Plant account. These combinations caused the reserve ratio to decrease during the late 1990's to early 2000's.

The retirements and replacements have stabilized, since the mid 2000's, which has resulted in the reserve ratio increasing at a constant rate. The only change Clark has made to its depreciation rates is for the AMR metering devices, which increased from 3.0% to 6.67% during 2003.

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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).

Response

There have been no changes, either proposed, or made, by Clark since 2000, except for the automated meter reading devices, which was increased from 3.0% to 6.67% during 2003.

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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.

Response

30.a. Clark does not maintain plant additions and retirements on a vintage basis, i.e., plant additions by year so that retirements can be assigned to specific year of installation, therefore, the additions, retirements, and plant balances need to be "simulated" to derive the year that the retirement was installed. This simulation allows the survivors to fit one of the Iowa type survivor curves. Based on the simulated lives, and the net salvage study, the reserve balance can be calculated.

30.b. Ten years allows a range that does not allow one, or a few, years that may contain an anomaly, to skew the results of the study. Generally, using data from the past 10 years results in an average that is representative of current retirements, removal costs, and salvage. Past 10 years generally contains information that is too dated to reflect current activities. This is consistent with the last several depreciation studies for distribution electric cooperatives filed with this Commission accompanying their rate applications.

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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.

Response

Cooperative	Year Installed AMR
Big Sandy RECC	2001
Blue Grass Energy	2003
Cumberland Valley Electric	1995
Grayson RECC	2004
Jackson Energy	2003
Licking Valley RECC	2004
Owen Electric	2007
Salt River Electric	2005
Taylor County RECC	2007

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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.

Response

32.a. Clark submitted the depreciation study to RUS on October 5, 2009. Clark has not had any correspondence from RUS since that time.

32.b. The letter sent to RUS with the depreciation study is included in the application with Exhibit 3, page 7.

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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.

Response

33. Simulated plant survivors were calculated based on the actual additions and retirements from Clark's plant records. This assumes that meter additions and retirements were for normal year to year activity. However, with the automated meter reading program, there was an extraordinary retirement and purchase of metering equipment. This caused the simulated plant survivors to have a composite remaining life of only 5.8 years. This is not normal activity, so Clark elected to used the same rate as other electric cooperative's that have implemented an AMR program. Refer to Item 31 of this response for a list of those cooperatives and the year that AMR were implemented.

To remain consistent with those cooperatives listed in Item 31, and until there is sufficient activity and normal additions and retirements of AMR equipment, a 15 year life was selected

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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.

Response

34.a. This is consistent with other electric cooperative who have filed applications that were accompanied by a depreciation study. These are listed below:

Cooperative	Case No.
Big Sandy RECC	2005-00125
Blue Grass Energy	2008-00011
Cumberland Valley Electric	2005-00187
Fleming-Mason Energy	2001-00244
Fleming-Mason Energy	2007-00022
Grayson RECC	2008-00254
Jackson Energy	2000-00373
Jackson Energy	2007-00333
Licking Valley RECC	2009-00016

34.b. The same methodology was used in the Clark depreciation study as was used in the depreciation studies listed in Item 34.a. above. The net salvage ratio was multiplied by the plant balances as of December 31, 2008, to arrive at the net salvage amount. The net salvage amount was further divided into a ratio of the total net salvage amount. This ratio was multiplied by the five year average net salvage amount to ultimately calculate the net salvage percentage by account. This percentage was added to the accrual rate on page 1 of Section 10 to develop the depreciation rates used in the depreciation study.

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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.

Response

	2009	2010	2011	2012	2013	2014
New construction	1,961,124	2,019,958	1,215,257	1,274,241	1,331,392	1,396,076
Distribution line conversions	149,700	122,500	1,342,100	222,900	140,600	90,600
Meters and transformers	411,438	423,444	634,114	661,005	691,252	721,560
Service upgrades	193,050	205,020	109,002	114,300	119,928	125,741
Sectionalizing equipment	52,700	7,400	163,400	53,700	2,300	13,100
Pole/conductor replacement	627,484	658,156	1,644,816	1,220,836	1,049,864	1,168,115
Security lights	193,086	198,765	112,176	116,235	120,294	124,353
SCADA / AMI equipment	83,333	83,333	477,200	493,900	396,400	410,300
	3,671,915	3,718,576	5,698,065	4,157,117	3,852,030	4,049,845

The above amounts were determined by Clark engineering and operations personnel, along with Clark's consulting engineers based on work projected to be performed in the years as indicated.

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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.

Response

36. Jim Adkins Consulting performs depreciation studies with an associate who has assisted in the preparation of each of the studies detailed in Item 34.a., with the exception of the Jackson Energy studies. There are no industry statistics, per se, that are relied upon. Instead, there are numerous books, articles, and periodicals relating to depreciation studies and Iowa Guideline Curves that are used to develop the concepts and assumptions incorporated in the studies.

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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.

Response

There are no reports that address the property accounting or depreciation practices for the period from 2000 through 2009. However, Clark's management and staff have been monitoring the depreciation reserve and reserve ratio for those, and previous years. Clark was aware of the affects of the items listed in Item 28.b. of this response. Clark expected the reserve ratio to increase after the items listed above were completed. In fact, the reserve ratio, as expected, has been increasing.

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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.

Response

38.a. All loans have a fixed interest rate election.

38.b. There has been no change in the interest rates from January 1, 2007 through December 31, 2008.

38.c. The schedule is attached.

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Schedule of Outstanding Long-Term Debt
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Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	Interest Rate Nov 2009	Annualized Cost Col (d)x(g) (j)
RUS loans					
B390	Jun-74	Jun-09	0	5.000%	0
B400	Mar-75	Mar-10	46,533	5.000%	2,327
B410	Feb-76	Feb-11	102,928	5.000%	5,146
B420	Jun-77	Jun-12	342,091	5.000%	17,105
B430	May-78	May-13	602,264	5.000%	30,113
B440	Aug-80	Jul-15	623,651	5.000%	31,183
B450	Jun-83	Jun-18	1,086,919	5.000%	54,346
B460	May-86	May-21	1,838,882	5.000%	91,944
B470	Dec-90	Dec-25	2,198,300	5.000%	109,915
B480	Jul-94	Jul-29	1,096,080	5.750%	63,025
B485	Jun-97	May-32	1,106,042	6.000%	66,363
B490	Jun-97	May-32	2,102,095	5.750%	120,870
B491	Jun-97	May-32	1,195,452	5.370%	64,196
B492	Jun-97	May-32	1,653,846	5.120%	84,677
B493	Jun-97	May-32	1,243,384	5.000%	62,169
B494	Jun-97	May-32	1,547,024	3.870%	59,870
			16,785,491		863,248
FFB loans					
H010	Nov-99	Oct-34	3,531,747	5.086%	179,625
H020	Nov-99	Oct-34	13,249,745	4.360%	577,689
H045	Nov-99	Oct-34	7,363,283	4.506%	331,790
H065	Jul-03	Jun-38	4,496,401	4.913%	220,908
H080	Jul-03	Jun-38	1,924,557	3.568%	68,668
F085	Aug-08	Jul-43	4,000,000	2.550%	102,000
			34,565,733		1,480,679
CFC loans					
9008	Jun-75	May-10	25,539	5.95%	1,520
9010	Mar-76	Feb-11	14,684	6.00%	881
9012	Dec-77	Nov-12	180,527	5.75%	10,380
9014	Dec-79	Nov-14	292,309	5.95%	17,392
9016	Mar-82	Feb-17	329,984	5.95%	19,634
9017	Mar-84	Feb-19	550,704	5.75%	31,665
9018	Sep-91	Aug-26	824,562	5.95%	49,061
9019	Jun-93	May-98	978,136	5.95%	58,199
9020	Mar-95	Feb-00	936,323	5.95%	55,711
			4,132,768		244,445
Total long term debt and annualized			55,483,992		2,588,372

Annualized cost rate [Total Col. (j) / Total Col. (d)] 4.67%

Actual test year cost rate [Total Col (k) / Total Reported in Col (d)]

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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.

Response

The difference in interest between the annualized and test-year costs is due to the FFB loan #F085 being advanced during the test-year, therefore, interest was not paid for the entire test year.

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

Response

The actual per-book test-year interest cost for each loan is reflected in Exhibit 5, page 2, the far right hand column reflects this information. The total test year interest cost was $2,571,943.

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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.

Response

41.a. The formula to multiply the contribution rate by the eligible wages contained the incorrect cell. The corrected calculation and Exhibit 7 is attached.

41.b. The corrected calculation is attached.

PSC-2-41.a.

Exhibit 7
page 1 of 1
Witness: Alan Zumstein

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Retirement and Security

Clark Energy provides pension benefits for substantially all employees through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security (R & S) Program. It is the policy of Clark Energy to fund pension costs accrued. R & S contributions are based on base salary at a rate determined by NRECA.

The adjustment is to normalize the R & S contributions using the rate for 2010 and normalized base wages for full-time salary and hourly employees. Quasi retired employees are those that havemore than 30 years in the Plan and are no longer eligible to participate. The employees can remain with Clark and participate in all other benefits. The contribution rate for 2010 and 2009 are as follows:

	Contribution Rate
2010	34.06%
2009	25.24%

Normalized base wages	2,985,590
Quasi retired employees #942; 1465; 9652	239,512
Eligible wages	2,746,078
Contribution rate for 2010	34.06%
Proposed contribution cost	935,314
Test year R & S contributions	594,888
Proposed adjustment	340,426

The adjustment is allocated as follows:

		Percent	Amount
107	Capitalized	21.40%	72,864
163 - 416	Clearing and others	15.60%	53,101
580	Operations	12.90%	43,905
590	Mainteneance	23.81%	81,040
901	Consumer accounts	14.31%	48,718
908	Customer service	2.88%	9,791
912	Sales	0.33%	1,127
920	Administrative and general	8.78%	29,881
		100.00%	$340,426

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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.

Response

Abandoned work orders are a result of time spent by Clark personnel, mostly staking engineers, who meet with consumers requesting service. A drawing is prepared of the work to be performed. However, for various reasons, consumers decide not to proceed with the requested service. These costs are expensed to Account 426.10 in accordance with the RUS Uniform System of Accounts. These should be included for rate-making purposes since they are recurring in nature, and are a part of providing electric service to the members of Clark Energy.

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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.

Response

These costs are for customer satisfaction surveys. These include the image of the coop in the community; value of electricity in relation to money spent in other areas; customer service experiences with coop personnel; services consumers would like from the coop; and comments on outages and quality of service. These surveys give the coop direction from its members in regards to customer experiences and expectations directly from the members.

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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.

Response

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Legal				2,340		2,340
Consulting				36,860		36,860
Depreciation study				18,000		18,000
Advertising					1,596	1,596
Supplies and misc.	53	141	22	614		830
Total	53	141	22	57,814	1,596	59,626

44.b. Clark has been very fortunate in that it has not been necessary to file for an increase since 1992, however, with rising costs and expenses, it is not likely that Clark will go this long before another increase is required. That length of time is an unknown. Given those circumstances, Clark has elected to use the same amortization period as other cooperatives that have recently filed applications with this Commission and has elected a 3-year amortization period.

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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.

Response

	Substation Charges 3000	Substation Charges 7500	
June 2009 billings	11	8	(a)
Monthly charge	2,598	3,125	(b)
Normalize (a) x (b) x 12 =	342,936	300,000	

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

Response

There were no changes in the number of billings for the test year in either Schedule. The increase would be zero (0), therefore no adjustment would result.