

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MEADE COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION TO) CASE NO. 2010-00222
ADJUST ELECTRIC RATES)

COMMISSION STAFF'S THIRD INFORMATION REQUEST
TO MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Meade County Rural Electric Cooperative Corporation ("Meade"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 22, 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.

Meade 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 Meade fails or refuses to furnish all or part of the requested information, Meade 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 the response to Item 2.b. of Commission Staff's Second Information Request ("Staff's Second Request").

a. Refer to pages 2-4 of 5. Meade states that it corrected the tariff pages by referencing the Environmental Surcharge to Schedule 9. Did Meade intend to reference the Environmental Surcharge to Schedule 19 rather than Schedule 9?

b. Refer to page 5 of 5.

(1) The response states that "Meade does not believe that the titles used in the tariff should not be changed." Did Meade intend to state that it does not believe the titles used in the tariff should be changed?

(2) State whether "Grounding attachment" as it appears in the tariff is the same as a two-party ground attachment. If no, explain what is meant by grounding attachment.

(3) State whether "Pedestal attachment" as it appears in the tariff is the same as a three-party ground attachment. If no, explain what is meant by pedestal attachment.

2. Refer to Meade's response to Item 3.b. of Staff's Second Request.

a. The response did not explain why Meade is proposing to delete the customer deposit criteria. Provide an explanation.

b. Explain what is meant by "Exchange rating."

3. Refer to the response to Staff's Second Request, Item 3.d.(4), page 9 of 9, and Item 32, page 4 of 4. The response to Item 3 states that approximately 350 of Meade's meters are read manually. The response to Item 32 states that Meade has automated meter information technology for all but demand meters on its system. Explain why the demand meters do not have automated meter information technology and state whether Meade has plans for such demand meters in the future.

4. Refer to Meade's response to Item 7 of Staff's Second Request.

a. Refer to the response to Item 7.a., page 1 of 2. Meade was requested to either confirm that the zero-intercept method was used for Account 365 (Overhead Conductor) or to provide the location in Schedule R of where the minimum size method was used for Account 365. The response discusses Account 364 (Poles) but does not discuss Account 365. Respond to the question as requested.

b. Refer to the response to Item 7.b.(2), page 2 of 2. State whether the 2,640 poles equates to 2,640 customers. If no, provide the number of customers that would be affected by the pole rental increase.

5. Refer to the response to Item 8.d. of Staff's Second Request.

a. Refer to the response to 8.d.(1), page 4 of 4. The response states that "[t]he proposed rate, Exhibit C, Schedule 5, is \$9.80 for the lights plus \$1.00 per month for the pole." Did Meade intend to state that the proposed 400-unmetered rate is \$9.85 as shown in revised Exhibit C, page 21 of 135? If no, explain.

b. Meade did not respond to Item 8.d.(2). Provide a response.

c. This response indicates that some of the lighting rates in Exhibit J of the application, page 6 of 6, include pole rental charges. Provide a revised Exhibit J, page 6 of 6, to include pole charges only on the line labeled "pole rental," with all other rates on the page being shown as lighting rates only for both present and proposed rates (i.e., pole charges are not included in the lighting rates).

6. Refer to the response to Item 16 of Staff's Second Request. Meade used the customer-related revenue requirements to calculate the customer charges in the table.

a. Explain why customer-related revenue requirements were used in the calculation rather than customer-related costs.

b. Provide the customer charges if customer-related costs were used in the calculation rather than customer-related revenue requirements.

7. Refer to Meade's response to Staff's Second Request, Item 19.e. Describe the functions involved for "Labor for the first time Transformer and OCR purchases" used to describe the increase in Overhead Line Expense. Describe what is meant by "first time Transformer and OCR purchases."

8. Refer to Meade's response to Staff's Second Request, Item 19.g. Meade's response indicates that OMS training contributed to part of the increase for Account 588.000, Misc Distribution Expense. Provide the cost of OMS training during the test year and a description of the training. Include in the description how frequently such training is required.

9. Refer to Meade's response to Staff's Second Request, Item 19.i. Meade's response indicates that right-of-way tree-trimming contracts contributed to 98 percent of the increase in Account 593.100, Maintenance. For the period ending March 31, for the four years preceding the test year, provide the costs for right-of-way tree-trimming contracts.

10. Refer to Meade's response to Staff's Second Request, Item 19.j. Meade's response indicates that right-of-way clearing to service orders contributed to 48 percent of the increase in Account 593.400, Maintenance-Service Orders. For the period ending March 31, for the four years preceding the test year, provide the balances for right-of-way clearing to service orders.

11. Refer to Meade's response to Staff's Second Request, Item 19.k. Meade's response indicates that an \$89,000 credit received from a vendor contributed to the decrease in the account balance for the test year.

a. State whether additional credits are anticipated to be received from the vendor related to the warranty on the AMI modules. If yes, provide the amount of credits and when they are expected to be received.

b. For the period ending March 31, for the four years preceding the test year, provide the balances for Account 902.100, Special Meter Reading Expenses.

12. Refer to Meade's response to Staff's Second Request, Item 19.l. Meade's response indicates that an increase in contractor costs for field technicians contributed to the increase in the account balance.

a. Provide a more detailed explanation for the increased contractor costs (i.e., additional hours, new negotiated vendor contracts, etc.).

b. For the period ending March 31, for the four years preceding the test year, provide the balances for Account 903.000, Customer Records & Collection.

13. Refer to Meade's response to Staff's Second Request, Item 21. Meade states that the Board of Directors has not determined whether to grant a salary increase at the usual November 1 date for 2010. Meade should consider this an ongoing request, with its decision on a 2010 salary increase to be provided when it becomes available.

14. Refer to the response to Item 25 of Staff's Second Request.

a. Provide the criteria or indices that govern the change in the interest rate for RUS loans B324, B325 and B236.

b. The column heading for the Interest Rate indicates the rate is as of November 2009. Verify that the date is correct. If correct, provide an explanation why Meade would use an interest rate from November 2009 and provide the interest rate as of September 2010.

15. Refer to Meade's response to Staff's Second Request, Item 27, page 2. Explain why Meade's labor and benefits would be included as actual rate case expenses when it was indicated in Exhibit 12 of the application that in-house labor would not be included in the estimated rate case expenses.

16. Refer to the response to Item 28 of Staff's Second Request.

a. Refer to pages 1 and 10 of 12. The request referred to Exhibit 13 of the application and asked Meade to explain why the existing rates for three-party anchor attachments and three-party ground attachments differed from the amounts shown in Meade's current tariff. No response was provided.

(1) Provide a response to the original request.

(2) Provide a revised page 10 of 12 using the tariff amounts for three-party anchor attachments and three-party ground attachments.

b. Refer to the response to Item 28.b., pages 2 and 8 of 12. For the 40'-45' Poles, explain why the weighted average cost is shown as \$542.55 on page 2 and \$538.21 on page 8.

c. Refer to the response to Item 28.b., page 8 of 12. The average cost of anchors is shown as \$94.01. Provide supporting documentation for this amount.

d. Refer to the response to Item 28.b., page 9 of 12, and Exhibit S of the application, page 2 of 4. The schedule at Item 28.b., page 9 of 12, shows total utility plant as \$91,162,723. Exhibit S of the application shows total plant as \$92,400,689. Explain the discrepancy in the two amounts.

e. Refer to the response to Item 28.b, page 9 of 12. In the Cost of Money section, did Meade intend to reference Case No. 2009-00222? If no, provide the correct case reference.

17. Refer to the response to Item 29.c.(2) of Staff's Second Request, page 4 of 4, and Exhibit 14 of the application. In response to Item 29, Meade states that including both the Direct Labor Charge and Direct Wage Expense allows the capture of "both the direct and other benefits in addition to the direct labor." As shown in Exhibit 14, 100 percent of the hourly salary rate is included in the Direct Labor Charge; retirement, 401k, payroll taxes, and workers' compensation insurance are included in "Other Costs Based on Labor"; and health and dental insurance and post-retirement benefits are included in "Other Direct Costs." Explain what costs are included in "Direct

Wage Expense” that are not already included in the other components of the non-recurring charge calculations.

18. Refer to the response to Item 30 of Staff's Second Request; revised Exhibit B of the application, page 107 of 120; and Exhibit 14 of the application, page 3 of 6.

a. Refer to the response to Item 30. State whether the Special Meter Reading charge will apply to remote meter readings if the meter is only read and not disconnected or reconnected.

b. State the Special Meter Charge that would apply if a meter is read manually.

c. Refer to Exhibit 14 of the application, page 3 of 6. State whether the column “Special Meter Reading” is the cost justification for the remote disconnect/reconnect charge of \$30 shown in the tariff at revised Exhibit B, page 107 of 120. If no, provide the location of the cost justification for the remote disconnect/reconnect charge. If yes, provide the duties performed by the serviceman and office clerk for the time included in the cost justification for the remote disconnect and reconnect charge.

19. Refer to Meade's response to the Supplement to Commission Staff's Second Information Request (“Staff's Second Request Supplement”), Items 1, 2, and 3.

a. In response to Item 2, Meade's Capital Management Policy No. 201, Section IV B. from September 22, 1994 until the October 24, 2001 revision, indicates that the Board of Directors would base retirement of capital credits with a goal of retiring capital credits in excess of a modified Times Interest Earned Ratio (“TIER”) of

2.0. However, Meade's responses to Items 1 and 3 show TIER results below 2.0 for the years 1994, 1995, 1998, 1999, and 2000 and general capital credits being paid in those years. Confirm that this indicates that the Board of Directors opted not to follow the approved capital management policy and explain why the Board of Directors chose to override the policy in this regard.

b. Provide a schedule of Meade's year-end equity capitalization levels from 1994 through the test year if general capital credits had been paid out in accordance with Capital Management Policy 201, Section IV, B, in the years 1994, 1995, 1998, 1999, and 2000.

c. Provide a schedule of Meade's year-end equity capitalization levels from 1994 through the test year if capital credits payments had been made only to the estates of deceased members.

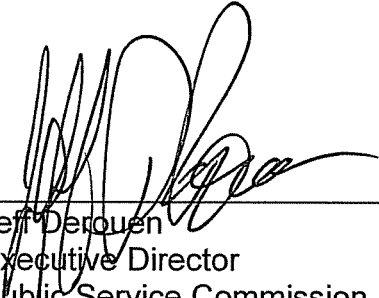
20. Refer to the response to Item 1 of Staff's Second Request Supplement and Exhibit 19 of Meade's application.

a. Beginning with the August 20, 1998 revision to Policy 201, Capital Management, Section II has stated the policy as either to reach or to maintain modified cash equity between 32 and 40 percent. Section IV B. has consistently stated that retirements are to be "[d]etermined by the Board of Directors based on the financial condition of the cooperative." Provide a detailed description of the process undertaken by the Board of Directors to determine the amount of general credits retired and how it assesses the financial condition of the cooperative.

b. Provide the minutes of all Board of Directors meetings since 2000 in which decisions were made as to the amount of general capital credits to be retired in a given year.

c. Given that its equity capitalization ratio has been below 32 percent each year since 2006, identify and describe the steps Meade has taken during the past five years to improve its financial condition.

d. Explain why there were no payments of general capital credits in 1996 or 2009.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: OCT 12 2010

cc: Parties of Record

Case No. 2010-00222

Honorable Thomas C Brite
Attorney At Law
Brite & Butler
P.O. Box 309
Hardinsburg, KY 40143-0309

Burns E Mercer
Manager
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489