

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF OWEN ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER AUTHORIZING A)
CHANGE IN RATE DESIGN FOR ITS RESIDENTIAL) CASE NO.
AND SMALL COMMERCIAL RATE CLASSES, AND) 2011-00037
THE PROFFERING OF SEVERAL OPTIONAL RATE)
DESIGNS FOR THE RESIDENTIAL RATE CLASSES)

COMMISSION STAFF'S SECOND INFORMATION REQUEST TO
OWEN ELECTRIC COOPERATIVE CORPORATION

Owen Electric Cooperative Corporation ("Owen"), 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 no later than August 17, 2011. 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.

Owen 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

Owen fails or refuses to furnish all or part of the requested information, Owen 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 1 of Commission Staff's First Information Request ("Staff's First Request"). Explain why Page 5 of 5 shows residential space heating customers having the lowest average monthly usage in comparison to the non-space heating residential customers' usage and the average residential usage shown on pages 4 and 3, respectively.

2. Refer to the responses to Items 1.d. and 2.d. of Staff's First Request.

- a. It is understood that Owen's proposed changes in rates are designed to be revenue neutral, but they are not necessarily bill neutral. Explain whether Owen agrees or disagrees that annual decreases in the energy rate could send a price signal that promotes usage.

- b. Explain whether Owen is aware of any published studies which address customers' responses to conservation, energy efficiency or demand response offerings of utilities when the offerings coincide with the type of rate design changes Owen is proposing in this proceeding.

3. Refer to the response to Item 3.a. of Staff's First Request. Explain whether the fact that Owen's proposed rates do not always follow the underlying rates of its wholesale power supplies, East Kentucky Power Cooperative, Inc., puts Owen at some financial risk.

4. Refer to the response to Item 5 of Staff's First Request. Owen states that the rate design in this case has taken considerable time to process, educate and finalize with Owen's Board of Directors.

a. Since Owen's board members are likely more familiar with the electric utility industry and electric utility rates than its member-owners, explain how Owen plans to educate and inform its members as to the reasons for its changes in rates, and communicate to its members how to determine the effect of the changes on their bills.

b. Explain whether Owen has discussed its proposed rate changes in focus groups, or in other meetings with members.

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

a. Explain the ratings given to the "DSM" method in comparison to those given to the "Cost of Service" method, paying particular attention to the high level of simplicity, transparency, understandability, and equity ascribed to the "Cost of Service" method as opposed to the "DSM" method.

b. The last sentence in the response reads, "We believe the cost of service method offers members superior fairness and equity....because it allocates costs accurately thereby removing cross subsidies and inequity in rates between

members." Explain whether any of Owen's rate classes are currently subsidizing other rate classes and, if so, whether Owen is addressing the subsidization in this case.

6. Refer to the response to Item 9 of Staff's First Request. If the customer charge is equal to the full distribution cost to serve and the energy charge exceeds the wholesale cost per kWh, explain whether a throughput incentive still exists.

7. Refer to page 2 of the response to Item 10 of Staff's First Request. Provide a brief description of each of the five potential future services and products listed on the page.

8. Refer to the response to Item 11.b. of Staff's First Request. Explain whether any of the Demand-Side Management ("DSM") programs listed in this response are specifically targeted to fixed- and low-income members. If not, explain how many such customers participate in each of the DSM programs listed.

9. Refer to the response to Item 13 of Staff's First Request.

a. Explain why the REM/Rate energy rating tool uses BTUs and not kWh in determining saving for a rural electric cooperative.

b. Provide a detailed list of the materials used, including their costs, and the labor costs that comprise the \$16,296 total cost, which equates to an average of \$1,810 for the nine homes weatherized under the Button-Up pilot program.

10. Refer to the response to Item 16 of Staff's First Request, which indicates that approximately 28,000 residential customers will experience an increase in their bills, with this number dropping to 9,500 if customers who would benefit from the Inclining Block Rate actually choose it. The Prepared Testimony of James R. Adkins

("Adkins Testimony") at page 6 states that the residential Inclining Block Rate is specifically designed for customers who consistently use 500 kWh per month or less.

a. Explain whether Owen expects approximately 18,500, which equates to one-third, of its residential customers to understand that their bills are likely to increase if they don't change rate schedules. Explain whether Owen plans to directly contact those low usage customers who do not change to the Inclining Block Rate Schedule to advise them of the opportunity to decrease their bills by changing rate schedules.

b. Refer to Exhibit 9 of Owen's application, which shows the impact of rate proposals on customers at various usage levels. Explain why Inclining Block Rates bills shown in the last column continue to be lower for usage over 500 kWh even though the last rate step is, as the Adkins Testimony describes, at a premium of three cents per kWh over the energy rate for the previous step. If there is an error in the calculation of the Inclining Block Rates column, provide a revised Exhibit 9.

c. Describe the usage pattern of the 9,500 remaining residential customers who would not benefit from a switch to Inclining Block Rates, and any opportunity available to them to avoid an increase in their electric bill.

11. Refer to the response to Item 17.a. of Staff's First Request. Explain whether some change to Owen's proposed tariffs is required to clarify that one-year commitments are not required, especially in the absence of a written contract.

12. Refer to the response to Item 19 of Staff's First Request. Confirm that during a higher usage month a customer switching to Schedule 1-B1-Farm & Home-

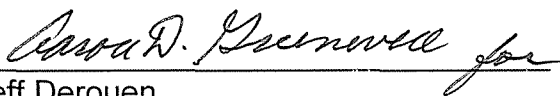
Time of Day tariff could receive a lower bill without shifting usage (the assumptions provided stated that no usage shift from peak to off-peak or -shoulder was assumed).

13. Refer to the response to Item 20 of Staff's First Request.

a. Confirm that, using the information provided for years 2012 through 2015, during a higher usage month a customer switching to Schedule 1-B2-Farm & Home- Time of Day tariff could receive a lower bill without shifting usage (the assumptions provided stated that no usage shift from peak to off-peak or -shoulder was assumed).

b. Explain why the calculated B2 bills provided for 2011 are higher than those provided for 2012 through 2015.

14. Refer to the response to Item 21 of Staff's First Request. Confirm that during a higher usage month a customer switching to Schedule 1-B3-Farm & Home- Time of Day tariff could receive a lower bill without shifting usage (the assumptions provided stated that no usage shift from peak to off-peak or -shoulder was assumed).



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DATED **AUG 05 2011**

cc: All Parties

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