

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LICKING	)	
VALLEY RURAL ELECTRIC COOPERATIVE	)	CASE NO.
CORPORATION FOR A GENERAL RATE	)	2016-00174
INCREASE	)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO  
LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

Licking Valley Rural Electric Cooperative Corporation ("Licking Valley"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before November 10, 2016. Responses to requests for information in paper medium 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.

Licking Valley 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 Licking Valley fails or refuses to furnish all or part of the requested information, Licking Valley 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. When filing a paper containing personal information, Licking Valley shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Exhibit Y. Explain why the following accounts from the Income Statement Trail Balance as of October 31, 2015, do not sum to the October 2015 year to date, November 2014, and December 2014 Form 7 found in Exhibit Q.

- a. Distribution Expense – Operations.
- b. Sales Expense.
- c. Administration and General
- d. Depreciation and Amortization Expense.

2. Refer to Licking Valley's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 1.h.

a. Provide an update to the table using the results from the most recent revised Cost of Service Study (“COSS”).

b. Provide the calculations from the COSS where the Consumer Costs were calculated.

3. Refer to Licking Valley’s response to Staff’s Second Request, Item 10, the revised Exhibit S, page 1 of 4. The Normalized Adjustments for Other Electric Revenues is (\$10,006), in Exhibit 15, this adjustment is (\$10,002). Reconcile this difference and provide any necessary updates to any exhibits. If this normalized adjustment changes due to a response to any requests, revise Exhibit S to reflect this.

4. Refer to LVRECC COSS 2016-PSC-2.xls, Classification 1 tab. For Account 583 – O/H Line, the allocation factor applied is the Percentage Allocation for Lines. In response to Staff’s Second Request, Item 7.f.(1), Mr. Adkins stated the allocation used for Account 584 – U/G lines is best accomplished by allocating on the basis of the percentages developed on the basis of underground lines. Given this reasoning, explain if the allocation for O/H Lines should be Account 365 – Overhead Conductor rather than the Percentage Allocation for all Lines. Provide any updates to COSS if necessary.

5. Refer to Licking Valley’s response to Staff’s Second Request, Item 29.b. This response references Item 13 and shows the test-year base revenue for Sch A Prepay is \$12,758. In the Application, Exhibit J, page 3 of 8, test-year revenues for A – Prepay are \$13,413. Reconcile this difference and provide any necessary updates to all affected exhibits.

6. Refer to Licking Valley's response to Staff's Second Request, Item 14.d. For each of the calendar years 2010 through 2015, provide a list of the employees who worked less than 2,080 hours in any one year and explain in detail why each employee worked less than 2,080 regular hours.

7. Refer to Licking Valley's response to Staff's Second Request, Item 14.f. Explain in detail why the salaries for the two laborer positions should be included in Licking Valley's pro forma operating expenses.

8. Refer to Licking Valley's response to Staff's Second Request, Item 16.

a. The stated policy of Licking Valley's compensation policy is to "maintain pay structures that will attract competent personnel. . . ." Provide a detailed explanation as to how Licking Valley developed its current pay structures.

b. For each of the calendar years 2005 through 2015, provide a list of the employees that have left Licking Valley and state the reason for their departure.

9. Refer to Licking Valley's response to Staff's Second Request, Item 18. Provide the annual unemployment rates for Licking Valley's service territory for the calendar years 2010 through 2015.

10. Refer to Licking Valley's response to Staff's Second Request, Item 19. In its response Licking Valley provided the hourly wage rates for lineman in several counties and concluded that "our hourly wage rates are very reasonable, and generally less than the prevailing hourly wage rate. Provide the analysis comparing each of Licking Valley's employee wage rates to the prevailing hourly rates in the West Liberty region and the Commonwealth of Kentucky as originally requested.

11. Refer to Licking Valley's response to Staff's Second Request, Item 26.

a. Provide the total cost incurred for the Warren County Rural Electric Cooperative Corporation (“Warren County”) sales tax audit and the amounts that were allocated to each Kentucky Rural Electric Cooperative.

b. Has the Kentucky Revenue Cabinet conducted a sales tax audit on a Kentucky Rural Electric Cooperative in 2015? If so, identify the cooperative, the cost incurred for the sales tax audit, and the amounts that were allocated to each Kentucky Rural Electric Cooperative.

c. Explain the direct benefit to Licking Valley of the “sales tax audit between Warren County and the Kentucky Revenue Cabinet.”

d. Explain whether Licking Valley will be allocated costs for every sales tax audit of the Kentucky Rural Electric Cooperatives conducted by the Kentucky Revenue Cabinet, and if so, explain why.

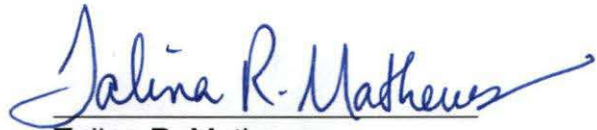
e. Provide documentary evidence to support Licking Valley’s statement that “[t]he Kentucky Revenue Cabinet has started performing sales tax audits on a more routine basis. It is expected that legal fees would continue.”

12. Refer to Licking Valley’s response to Staff’s Second Request, Item 26, and to the application in Case No. 2016-00169,<sup>1</sup> Exhibit 8. Cumberland Valley Electric, Inc. identified the sales tax audit costs as an item that is normally excluded for ratemaking purposes. Explain why the allocated sales tax cost should be treated differently in this instant case.

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<sup>1</sup> Case No. 2016-00169, *Application of Cumberland Valley Electric, Inc. for a General Adjustment of Rates*.

13. Warren County is a Tennessee Valley Authority rural cooperative utility that is not under the Commission's jurisdiction. Explain why the allocated costs of a sales tax audit conducted on a non-jurisdictional electric cooperative should be recovered from Licking Valley's ratepayers.



Talina R. Mathews  
Executive Director  
Public Service Commission  
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DATED OCT 27 2016

cc: Parties of Record

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