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January 22, 2018

RECEIVED

JAN 22 2018

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: IN THE MATTER OF: APPLICATION OF BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION FOR A GENERAL ADJUSTMENT OF EXISTING
RATES - Case No. 2017-00374

Ms. Pinson:

Please find enclosed and accept for filing on behalf of Big Sandy Rural Electric Cooperative Corporation: (i) an original and ten (10) copies of Big Sandy's Response to Commission Staff's Third Request for Information propounded January 8, 2018; (ii) an original and ten (10) copies of Big Sandy's Second Supplemental Response to Commission Staff's First Request for Information, Item 34, propounded September 27, 2017; and (iii) an original and ten (10) copies of Big Sandy's Motion to Schedule Public Hearing.

Please return a filed-stamped copy of each of these items to me. I appreciate your assistance with this matter, and please do not hesitate to contact me with any questions or concerns.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mark David Goss".

Mark David Goss

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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JAN 22 2018

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION FOR A GENERAL
ADJUSTMENT OF EXISTING RATES

)
) Case No. 2017-00374
)

**BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION**

Filed: January 22, 2018

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Third Request for Information

1. Provide each rate class's contribution towards times interest earned ratio ("TIER") and Operating TIER at current rates, and at proposed rates.

Response:

Please see Page 2 of this response.

BIG SANDY RECC
ESTIMATED CLASS CONTRIBUTION TO TIER & OTIER

#	Case	Total System	Farm & Home A1	Comm. & Small Power A2	Large Power LP	Large Power LPR	Industrial IND-1B	Lighting YL
1	<u>At Present Rates</u>							
2								
3	OTIER	(0.09)	(3.27)	5.61	1.68	(5.36)	(18.78)	4.94
4	TIER	0.26	(2.91)	5.96	2.04	(5.00)	(18.42)	5.29
5	TIER excluding GTCC	0.26	(2.91)	5.96	2.04	(5.00)	(18.42)	5.29
6								
7	<u>At Proposed Rates</u>							
8								
9	OTIER	1.64	(1.44)	5.63	1.74	(4.47)	(17.32)	4.94
10	TIER	2.00	(1.08)	5.99	2.10	(4.11)	(16.96)	5.29
11	TIER excluding GTCC	2.00	(1.08)	5.99	2.10	(4.11)	(16.96)	5.29

Notes

- 1 Source for Total System amounts is Big Sandy RECC Revised Exhibit JW-2, Page 1 of 38 , Rows 34-36, with Present Rates from Column 5 and Proposed Rates from Column 6.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Third Request for Information

2. Explain how the residential customer charge of \$21.25 was determined.

Response:

The cost of service study indicates that the cost-based customer charge for the residential class is approximately \$37 per month. The current customer charge is \$15.00. Big Sandy's goal is to gradually move towards cost-of-service, in order to balance the aim of charging cost-based rates with the aim of avoiding member rate shock. Because the difference between the current charge and the cost-based charge is approximately \$22, the proposed charge represents an increase of about \$6.25 and would eliminate 28%, or between one-fourth and one-third, of that difference. Thus, Big Sandy determined the residential customer charge of \$21.25 in order to move the current charge between one-fourth and one-third of the way closer to the charge that represents Big Sandy's actual costs.

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Third Request for Information

3. Refer to Big Sandy's response to Commission Staff's second request for information, Item 8, Big Sandy_COS_2017-FILED PSC2-8 Response.xls, tab Summary of Returns.
 - a. Provide a similar table noting the rate base and rate of return on rate base at the proposed rates.
 - b. Big Sandy is proposing that the majority of the rate increase be allocated to the rate class A 1- Farm & Home ("Residential"), yet the pro forma rate of return on rate base for rate class IND 1-B-Industrial ("Industrial") and rate class LRP Large Power ("Large Power") is being subsidized to a greater degree than the Residential Rate Class. Explain why a larger proportion of the proposed revenue increase was not allocated to the Large Power and Industrial rate classes.

Response:

- a. Please see Page 2 of this response.
- b. The IND 1-B and LPR rate classes contribute a much smaller portion of Big Sandy's total revenue than does the Residential class; in the test year, LPR contributed only 2.97% and IND 1-B, which is comprised of only one member, contributed just 1.75% of Big Sandy's total revenue. To have any significant impact on revenues, the increase to each of these classes would have to be quite large. For this reason and for economic development reasons, a larger portion of the proposed revenue increase was not allocated to the LPR and IND 1-B rate classes.

BIG SANDY RECC
Summary of Rates of Return by Class

Item 3
Page 2 of 2
Witness: John Wolfram

<u>Current Rates</u>								
#	Rate	Code	Pro Forma Operating Revenue	Pro Forma Operating Expenses	Margin	Rate Base	Pro Forma Rate of Return on Rate Base	Unltized Rate of Return on Rate Base
1	A1 - Farm & Home	A1	\$ 16,284,237	\$ 16,736,809	\$ (452,572)	\$ 27,314,361	-1.66%	(3.48)
2	A2 - Commercial & Small Power	A2	\$ 1,390,295	\$ 1,101,305	\$ 288,990	\$ 1,769,619	16.33%	34.28
3	LP - Large Power	LP	\$ 2,412,854	\$ 2,224,905	\$ 187,949	\$ 1,809,910	10.38%	21.80
4	LPR - Large Power	LPR	\$ 644,358	\$ 673,024	\$ (28,666)	\$ 588,152	-4.87%	(10.23)
5	IND 1-B - Industrial	IND-1B	\$ 378,811	\$ 435,498	\$ (56,687)	\$ 192,708	-29.42%	(61.74)
6	Lighting	YL	\$ 874,214	\$ 651,033	\$ 223,181	\$ 2,369,267	9.42%	19.77
7	Total		\$ 21,984,769	\$ 21,822,575	\$ 162,194	\$ 34,044,017	0.48%	1.00
8								
9	<u>Proposed Rates</u>							
10								
11	A1 - Farm & Home	A1	\$ 17,194,289	\$ 16,736,809	\$ 457,480	\$ 27,314,361	1.67%	0.52
12	A2 - Commercial & Small Power	A2	\$ 1,391,105	\$ 1,101,305	\$ 289,799	\$ 1,769,619	16.38%	5.12
13	LP - Large Power	LP	\$ 2,414,826	\$ 2,224,905	\$ 189,921	\$ 1,809,910	10.49%	3.28
14	LPR - Large Power	LPR	\$ 653,977	\$ 673,024	\$ (19,048)	\$ 588,152	-3.24%	(1.01)
15	IND 1-B - Industrial	IND-1B	\$ 384,001	\$ 435,498	\$ (51,498)	\$ 192,708	-26.72%	(8.35)
16	Lighting	YL	\$ 874,214	\$ 651,033	\$ 223,181	\$ 2,369,267	9.42%	2.94
17	Total		\$ 22,912,411	\$ 21,822,575	\$ 1,089,836	\$ 34,044,017	3.20%	1.00
18								
19	<u>Increase (Decrease)</u>							
20								
21	A1 - Farm & Home	A1	\$ 910,052	\$ -	\$ 910,052	\$ -	3.33%	4.00
22	A2 - Commercial & Small Power	A2	\$ 810	\$ -	\$ 810	\$ -	0.05%	(29.16)
23	LP - Large Power	LP	\$ 1,973	\$ -	\$ 1,973	\$ -	0.11%	(18.52)
24	LPR - Large Power	LPR	\$ 9,618	\$ -	\$ 9,618	\$ -	1.64%	9.22
25	IND 1-B - Industrial	IND-1B	\$ 5,189	\$ -	\$ 5,189	\$ -	2.69%	53.40
26	Lighting	YL	\$ -	\$ -	\$ -	\$ -	0.00%	(16.83)
27	Total		\$ 927,642	\$ -	\$ 927,642	\$ -	2.72%	-

Big Sandy Rural Electric Cooperative Corporation
Case No. 2017-00374
Commission Staff's Third Request for Information

4. Refer to the Application, Exhibit JW-9, page 7 of 9. Provide the cost justification for each individual light listed.

Response:

Please see Page 2 of this response. Exhibit JW-9, page 7 of 9 includes a 500 Watt and 1,500 Watt light in the list, but none of these lights are in the field or in inventory so no cost justification is provided. Also, the 150 Watt HPS lamp in the listing refers to eight (8) light fixtures that are unique to the City of Prestonsburg. The city purchased the fixtures because they are a non-standard decorative lighting fixture, so the listed "Cost of Light Including Installation" represents installation costs only. Big Sandy does not keep this fixture in stock. Big Sandy supplies the energy and maintains these lights.

BIG SANDY RECC
Lighting Cost Support

Item 4
Page 2 of 2
Witnesses: Brian Frasure & John Wolfram

#	Item	175 W Category							400 W Category				400 W Flood	
		150W HPS	70W LED	60W LED	65W LED	80/85 IND	MH 100	MV 175	145W LED	250W HPS	MH 250	MV 400	400W Flood	250W Flood
1	Input Watts	150	70	60	65	85	100	175	145	250	250	400	400	200
2	Lumens	13,000	6,650	6,498	6,498	6,400	6,400	8,800	17,499	25,000	17,000	20,000	20,000	17,000
3	Cost of Light Including Installation	\$ 146.55	\$ 436.53	\$ 396.63	\$ 411.95	\$ 424.93	\$ 226.51	\$ 159.45	\$ 642.70	\$ 465.18	\$ 496.18	\$ 405.00	\$ 414.80	\$ 396.45
4	Annual Carrying Cost (16.59%)	24.32	72.43	65.81	68.35	70.51	37.58	26.46	106.64	77.19	82.33	67.20	68.83	65.78
5	Annual Energy Usage	720	290	248	269	352	600	840	600	1,190	1,190	1,800	1,800	1,190
6	Annual Energy Cost	\$ 78.34	\$ 31.55	\$ 26.98	\$ 29.27	\$ 38.30	\$ 65.28	\$ 91.39	\$ 65.28	\$ 129.47	\$ 129.47	\$ 195.84	\$ 195.84	\$ 129.47
7	Annual Est. Maintenance cost	\$ 24.88	\$ 5.45	\$ 5.45	\$ 5.45	\$ 5.45	\$ 32.65	\$ 21.26	\$ 9.32	\$ 26.28	\$ 28.85	\$ 24.28	\$ 24.28	\$ 28.85
8	Annual Interest Expense (3.25%)	\$ 4.86	\$ 14.49	\$ 13.17	\$ 13.67	\$ 14.10	\$ 7.52	\$ 5.29	\$ 21.33	\$ 15.44	\$ 16.47	\$ 13.44	\$ 13.77	\$ 13.16
9	Total Annual Cost	\$ 132.40	\$ 123.92	\$ 111.41	\$ 116.75	\$ 128.36	\$ 143.03	\$ 144.40	\$ 202.58	\$ 248.38	\$ 257.12	\$ 300.76	\$ 302.72	\$ 237.26
10	Monthly Cost	\$ 11.03	\$ 10.33	\$ 9.28	\$ 9.73	\$ 10.70	\$ 11.92	\$ 12.03	\$ 16.88	\$ 20.70	\$ 21.43	\$ 25.06	\$ 25.23	\$ 19.77
11	Proposed Monthly Charge	\$ 9.31	\$ 9.31	\$ 9.31	\$ 9.31	\$ 9.31	\$ 9.31	\$ 9.31	\$ 13.89	\$ 13.89	\$ 13.89	\$ 13.89	\$ 18.90	\$ 18.90
12	Cost less Charge	\$ 1.72	\$ 1.02	\$ (0.03)	\$ 0.42	\$ 1.39	\$ 2.61	\$ 2.72	\$ 2.99	\$ 6.81	\$ 7.54	\$ 11.17	\$ 6.33	\$ 0.87

Notes

- 1,2 From manufacturer
- 3 Cost of light plus installation cost based on 2 hrs of lineman labor, plus overheads, plus bucket truck transportation
- 4 Based on applicable costs as percentage of test year rate base (incl. Cust Acct, Cust Serv, A&G, Depr, and Return on Rate Base)
- 5 Based on 4,140 hours of usage annually
- 6 Based on proposed all-in retail rate of \$0.1088/kWh
- 7 Based on estimates for bulb life, parts and labor per fixture
- 8 Based on test year interest on long term debt (\$701,164 / \$ 21,123,844)
- 9 Sum of Lines 4, 6, 7, and 8.

COMMONWEALTH OF KENTUCKY
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COOPERATIVE CORPORATION FOR A GENERAL) Case No. 2017-00374
ADJUSTMENT OF EXISTING RATES)

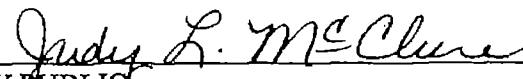
VERIFICATION OF BILLY O'BRIAN (BRIAN) FRASURE

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JOHNSON)

Billy O'Brian (Brian) Frasure, being duly sworn, states that he has supervised the preparation of certain of the responses of Big Sandy Rural Electric Cooperative Corporation to Commission Staff's Third Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.


Billy O'Brian (Brian) Frasure

The foregoing Verification was signed, acknowledged and sworn to before me this 16th day of January, 2018, by Billy O'Brian (Brian) Frasure.


NOTARY PUBLIC
Commission expiration: 6-19-18

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR A GENERAL) Case No. 2017-00374
ADJUSTMENT OF EXISTING RATES)

VERIFICATION OF JOHN WOLFRAM

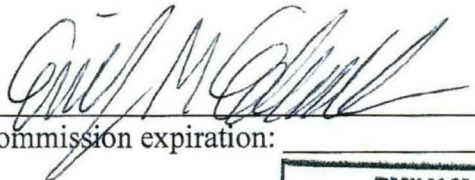
COMMONWEALTH OF KENTUCKY)
COUNTY OF Jefferson)

John Wolfram, being duly sworn, states that he has supervised the preparation of certain of the responses of Big Sandy Rural Electric Cooperative Corporation to Commission Staff's Third Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 11 day of January, 2018, by John Wolfram.



Commission expiration:

EMILY M. EDWARDS Notary Public State at Large Kentucky My Commission Expires Feb. 19, 2018
