

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH)	
KENTUCKY RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR A GENERAL)	CASE NO.
ADJUSTMENT OF RATES, APPROVAL OF)	2021-00407
DEPRECIATION STUDY, AND OTHER GENERAL)	
RELIEF)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

South Kentucky Rural Electric Cooperative Corporation (South Kentucky RECC), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on February 2, 2022. The Commission directs South Kentucky RECC to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made, and 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 the

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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.

South Kentucky RECC shall make timely amendment to any prior response if South Kentucky RECC obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which South Kentucky RECC fails or refuses to furnish all or part of the requested information, South Kentucky RECC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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, South Kentucky RECC 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, paragraph 26, and Exhibit 9, Direct Testimony of Michelle D. Herrman (Herrman Testimony) page 8, lines 14–18. Regarding the reduction of interest earned on the Rural Utilities Service cushion of credit program, explain why South Kentucky RECC did not remove the funds and pay down a higher interest rate loan when the interest rates decreased from 5.00 percent to 0.09 percent.

2. Refer to the Application, paragraph 26, and Herrman Testimony, page 8, lines 6–9, regarding the decision to apply capital credits to eliminate bad debt.

- a. Explain what led to this decision.
- b. Provide all documentation regarding this decision.
- c. Provide the current balance of capital credits.

3. Refer to the Application, Exhibit 8, Direct Testimony of Kenneth E. Simmons (Simmons Testimony), page 6, lines 14–22, and page 7, lines 1–4, regarding right-of-way (ROW) expenses.

a. Provide supporting documentation for the increase in ROW expense of 11.84 percent between 2016 and 2020.

b. Provide the annual ROW costs and costs per mile line for the past 10 years.

c. Provide the request for proposal and all responses for the most recent ROW contract.

d. Provide the current ROW contract.

4. Refer to the Simmons Testimony, page 7, lines 16–23, and page 8, lines 1–2, regarding technology and software expenses.

a. Provide the annual and monthly software costs for the past 10 years.

b. Provide a list of the new technologies employed by South Kentucky RECC's members.

5. Refer to the Simmons Testimony, page 9, lines 8–11. Provide the financial metrics for South Kentucky's RECC's loan covenants.

6. Refer to the Simmons Testimony, page 9, lines 12–14. Explain whether South Kentucky RECC has evaluated using its cushion of credit investments to reduce its outstanding debts or invest in instruments with a higher return.

7. Provide South Kentucky RECC's annual sales by class for the past 10 years.

8. Refer to the Herrman Testimony, page 12, lines 1–7. Due to cost savings, many utilities have phased out a retirement and security (R&S) plan and transitioned to 100 percent 401(k) retirement for new hires.

a. Explain why South Kentucky RECC still offers an R&S plan.

b. Provide all studies South Kentucky RECC has performed evaluating the cost savings that could result from transitioning away from an R&S plan.

9. Refer to the Herrman Testimony, page 12, lines 10–15.

a. Provide any policy regarding wage and salary increases.

b. Provide the annual wage and salary increases for the past 10 years.

c. Refer to South Kentucky RECC's response to Commission Staff's First Request for Information (Staff's First Request), Item 21. Provide all supporting documentation for the wage and salary increases applied to those employees below midpoint.

10. Refer to the Herrman Testimony, page 13, lines 3–5. Ms. Herrman requests that the Commission approve the “modest” increase.

a. Define modest.

b. Explain why South Kentucky RECC waited 10 years to request a rate increase.

11. Refer to the Herrman Testimony, Exhibit MDH-1. Provide an update to this table with the monthly 2021 benchmarks.

12. Refer to the Application, Exhibit 10, Direct Testimony of William Steven Seelye (Seelye Testimony), page 10, lines 12–13. Mr. Seelye notes that South Kentucky RECC experienced increased write-offs due to the high level of unpaid bills related to the COVID-19 pandemic.

a. Provide the number and percentage of residential customers who did not pay their bill during the disconnect moratorium.

b. Provide the number and percentage of residential customers who elected to move to a payment plan following the disconnect moratorium.

c. Provide the number and percentage of residential customers who have defaulted on the payment plan.

d. Provide a–c above for commercial customers.

e. Provide a–c above for industrial customers.

13. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.01. Provide support for the annual wage and salary increase for 2020 and 2021.

14. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.02. Provide support for the annual cost of the Board of Directors Election of \$60,000.

15. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.03. Provide support for the going level of bad-debt recapture of \$64,273.

16. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.04. Provide support for the current on-going audit fees.

17. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.05. Explain whether any expense reductions from the terminated programs are also reflected in the test year.

18. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.06. Explain why the back-tax payment occurred.

19. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.07. Also refer to the Herrman Testimony, page 8, line 17. Mr. Seelye applies an interest rate of 0.07 percent and Ms. Herrman states that the interest rate is 0.09 percent. Reconcile these two interest rates.

20. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.12. Provide support for the \$186,211 401(k) expense in the test year.

21. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.13. Provide support for the \$60,966 life insurance policy.

22. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.14.

a. For the test year, provide a list of all board of directors' expenses that were included and excluded in rates.

b. Explain whether the per diems associated with attending industry association meetings has decreased with the increased availability of virtual meetings.

23. Refer to the Seelye Testimony, Exhibit WSS-4, Schedule 2.16. For the test year, provide a list of all charitable and political contributions.

24. Provide the Times Interest Earned Ratio that results from the proposed Phase 1 and Phase 2 increase to rates.

25. Refer to South Kentucky RECC's response to Staff's First Request, Item 29. Explain why South Kentucky RECC does not have a formal compensation policy.

26. Refer to South Kentucky RECC's response to Staff's First Request, Item 45. Provide these expenses separated as originally requested.

27. Refer to South Kentucky RECC's response to Staff's First Request, Item 52. For each nonrecurring charge, provide the individual charge and cost support for this individual charge.

28. Refer to South Kentucky RECC's response to Staff's First Request, Item 53, PSC_1-53_South_Kentucky_2020_COSS_Revised.xlsx, Functional Assignment Tab.

a. Refer to line 471, Poles, Towers, and Fixtures, Functional Vector F002.

(1) Explain why 90 percent of the Functional Vector is applied to the primary distribution plant and 10 percent to secondary distribution plant.

(2) Provide support for the Functional Vector allocations applied to Poles, Towers, and Fixtures.

b. Refer to line 472, Overhead Conductors and Devices. Explain why 90 percent of the Functional Vector is applied to primary distribution plant and 10 percent is applied to secondary distribution plant.

c. Refer to line 473, Underground Conductors and Devices. Explain why 90 percent of the Functional Vector is applied to primary distribution plant and 10 percent is applied to secondary distribution plant.

d. Refer to line 481. Explain why Load Management is 100 percent customer cost related.

29. Provide the average monthly usage for customers receiving assistance.

30. Provide justification for the current pole attachment (CATV) rates.

a. Provide a current calculation of CATV pole attachment rates using the formula prescribed in Administrative Case 251-42.²

b. Explain whether there is subsidization in the pole-attachment rates and the other rate classes.

31. Refer to South Kentucky RECC's Prepay Metering Program, Tariff Sheet T-38. Also refer to the Application filed in Case No. 2013-00198,³ Exhibit E.

a. Provide an update to the cost justification to the monthly program fee.

b. Provide an update to the cost justification to the transaction fee.

c. Provide the monthly average number of transactions of a prepay customer.

32. Provide the number of disconnections and reconnections for the years 2018, 2019, 2020, and monthly for 2021.

33. Provide the annual number of net metering customers for the past five years. Also provide the percent of cumulative generating capacity of net metering

² Administrative Case No. 251-42, *The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments* (Ky. PSC Nov. 15, 1982).

³ Case No. 2013-00198, *Application of South Kentucky Rural Electric Cooperative Corporation for Approval of a Prepay Metering Tariff* (filed Aug. 15, 2013).

systems as compared to South Kentucky RECC's peak load during the previous year for the test period.

34. Provide a list of current monthly customer charges for all electric utilities in the Commonwealth of Kentucky.



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cc: Parties of Record

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