

Hinton, Daniel E (PSC)

From: PSC - Tariffs
Sent: Wednesday, December 4, 2019 4:11 PM
To: Hinton, Daniel E (PSC); Ripy, Zachary (PSC)
Subject: FW: Owen Electric Tariff Filing
Attachments: Exhibit_3_Calculations_Unprotected.xlsx

From: Shannon Chappell
Sent: Wednesday, December 4, 2019 4:08:09 PM (UTC-05:00) Eastern Time (US & Canada)
To: PSC - Tariffs
Cc: Ripy, Zachary (PSC); Mike Cobb
Subject: RE: Owen Electric Tariff Filing

Daniel,

Please see the below answers to Staff's questions concerning Owen's Special Outdoor Lighting tariff filing.

1. Account 107, Indirect Labor – Construction Overhead and Account 107.2, Labor for Construction Work in Progress are the accounts assigned by RUS Bulletin 1767B-1. Force account construction costs and the associated indirect labor costs are accounted for and transferred to the electric plant in service accounts under the work order procedure.
2. Total O&M and A&G costs, plus depreciation are based upon a percentage of average gross distribution plant to show the maintenance and replacement costs of the distribution plant.

The Interest and Equity Computations considers the average debt and equity (excluding Generation & Transmission Capital Credits – GTCCs) when making the computations for cost of capital. Under the computation, the total for interest and margins (\$3,804,853 +\$3,804,853) is divided by the average total capital structure (\$132,048,523) providing the total cost of capital of 5.76% (average percentage of 2.881% for interest and 2.881% for margins). The main driver for the interest and equity computations is the ability to make a healthy TIER which honors the debt covenants set by the lending institutions.

Under Section 5.1 of the RUS Loan Documentation: "The borrower shall design and implement rates for utility service furnished by it to provide sufficient revenue... (iii) to maintain, on an annual basis, the Coverage Ratios".

3. Please see attached Excel workbook of Exhibit 3, Schedules A, B, C, and D.

Please let us know if this satisfactorily answers Staff's questions. We welcome any additional comments or questions regarding this tariff filing.

Thank you,
Shannon Chappell

Shannon K. Chappell
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