

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

IN THE MATTER OF NOTICE AND )  
APPLICATION OF JACKSON PURCHASE )  
ELECTRIC COOPERATIVE CORPORATION )  
FOR PERMISSION TO FLOW THROUGH A )  
PORTION OF THE GENERAL RATE ) CASE NO. 97-224  
DECREASE FILED BEFORE THE KENTUCKY )  
PUBLIC SERVICE COMMISSION BY BIG )  
RIVERS ELECTRIC CORPORATION, CASE )  
NO. 97-204 )

O R D E R

IT IS ORDERED that the Attorney General ("AG") and Kevin Cherry shall file the original and 8 copies of the following information with the Commission by December 31, 1997, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. Where 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 Order.

The following questions are addressed to the AG:

1. a. Why is a Times Interest Earned Ratio ("TIER") of 1.50 the appropriate TIER level for Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase")?

b. What analyses has Mr. Morgan performed to determine the appropriate TIER level for Jackson Purchase? Provide all such analyses.

2. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-1. Provide all workpapers which show how the proposed decrease of \$4,377,845 was calculated.

3. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-1. Explain how all the Operating, Modified and Total TIER are calculated and compare that calculation with the Commission's calculation.

4. a. (1) List all cases in which a state utility regulatory commission has included customer deposits as a component of a utility's rate base.

(2) For each case listed above, indicate the type of utility involved (e.g., investor-owned utility, member-owned cooperative, governmental district).

(3) Provide the final order or decision issued in each case listed above.

b. (1) List all cases in which this Commission has included customer deposits as a component of a utility's net investment rate base.

(2) For each case listed above, indicate the type of utility involved (e.g., investor-owned utility, member-owned cooperative, governmental district).

(3) Provide the final order or decision issued in each case listed above.

5. At page 7 of his direct testimony, Mr. Morgan refers to a "1986 proceeding involving JPECC." Provide the case number of that proceeding.

6. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-9. Provide all workpapers that show how "Depreciation Expense Per Company" of \$3,084,353 was calculated.

7. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-10. In Jackson Purchase's Response to the Commission's Order of September 19, 1997, Exhibit 8(c)(6), Jackson Purchase states that the correct interest rate for Loan 9001 is 6.20 percent. Why did Mr. Morgan use the interest rate of 6.550 percent?

8. Refer to the Direct Testimony of L. K. Morgan at 9. Explain why annualized payroll is based upon the number of employees during the test year.

9. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-11. Provide the workpapers which show how the following items were calculated:

- a. Test year normalized payroll of \$3,225,176.
- b. Terminated employees adjustment of \$(355,479).
- c. Replacement employees adjustment of \$302,144.
- d. Expense Ratio of 59.32 percent.
- e. Annualized payroll expense of \$2,024,180.
- f. Company FICA Adjustment of \$10,181.

10. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-13.

a. Provide the workpapers which show how the following items were calculated:

- (1) Expense Ratio of 59.32 percent.
- (2) Total pension expense per company of \$140,027.

b. Why was the test year expense of \$77,924 not used to calculate the adjustment to pension expense?

11. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-15. Provide the workpapers which show how the following items were calculated:

- a. New General Manager Search expense of \$7,200.
- b. Big Rivers Bankruptcy Costs of \$27,293.

12. Refer to the Direct Testimony of L. K. Morgan at 14. Why was an adjustment to uncollectibles expense based upon a three year average?

13. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-17.

a. Provide the workpapers which show how the 3 year average of \$92,737 was calculated:

b. What is the source of "Test Year Board of Directors fees and Expenses" of \$122,623? Provide the references within the existing record which Mr. Morgan used to derive this expense level.

14. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-20. Provide the workpapers which show how the following items were calculated:

- a. Expense Ratio of .5932.
- b. "Total Auto and Property Insurance Costs Per Books" of \$150,745.

15. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-6 and Schedule LKM-21.

a. What is the amount of the proposed adjustment to association dues? Schedule LKM-6 shows this adjustment as \$5,066. Schedule LKM-21 shows this adjustment as (\$507).

b. If the adjustment is (\$507), revise all schedules that the adjustment affects.

16. Refer to the Direct Testimony of L. K. Morgan, Schedule LKM-6 and Schedule LKM-22.

a. What is the amount of the proposed adjustment to PSC Fees? Schedule LKM-6 shows this adjustment as \$2,493. Schedule LKM-22 shows this adjustment as (\$2,992).

b. If the adjustment is (\$2,992), revise all schedules that the adjustment affects.

17. List all cases in which Mr. Morgan presented testimony in oral or written form to a state or federal regulatory body. For each case, identify the party whom Mr. Morgan represented and the issues which his testimony addressed.

18. At page 6 of his testimony, Mr. Morgan proposes an alternative method of revenue annualization:

a. What state regulatory bodies, if any, use Mr. Morgan's proposed method?

b. List all cases in which a state utility regulatory commission has accepted Mr. Morgan's proposed method and provide the final order or decision from those cases.

c. In his testimony, Mr. Morgan states that Jackson Purchase's "approach does not result in the proper level of annualized revenues for ratemaking purposes." Explain this statement.

d. Given Mr. Morgan's emphasis on end of test-year data, how are normal weather variations considered in his method?

The following questions are addressed to Kevin Cherry:

1. Refer to the Direct Testimony of Kevin Cherry at 3. What is Jackson Purchase's cost to print the newsletter?

2. Refer to Direct Testimony of Kevin Cherry at 4. Provide a breakdown of the costs associated with Big Rivers Electric Corporation's bankruptcy which Mr. Cherry proposes to disallow for rate-making purposes.

3. Refer to the Direct Testimony of Kevin Cherry at 4. Provide a breakdown of the amounts of the Manager Search Expense which Mr. Cherry proposes to disallow for rate-making purposes.

4. Refer to the Direct Testimony of Kevin Cherry at 4. Provide a breakdown of the amounts of the Manpower Study which Mr. Cherry proposes to disallow for rate-making purposes.

5. Refer to the Direct Testimony of Kevin Cherry at 4. Provide a breakdown of the amounts of the Paducah Power Territory Dispute which Mr. Cherry proposes to disallow for rate-making purposes.

6. Refer to the Direct Testimony of Kevin Cherry at 4. Why should property tax expense of \$34,031.18 be removed from test year expense?

7. Refer to the Direct Testimony of Kevin Cherry at 4. What issues should be reviewed in regard to the tree trimming expense adjustment?

8. Refer to the Direct Testimony of Kevin Cherry at 4.

a. Explain why the proposed telephone lease adjustment should not be accepted.

b. What is the appropriate level of depreciation expense for the new telephone system? Provide workpapers showing the calculation of the depreciation expense on the system.

9. Refer to the Direct Testimony of Kevin Cherry at 4. Provide the amount from the sale of the electric grills which should not be allowed for rate-making purposes. Provide all workpapers addressing this proposed adjustment.

10. Refer to the Direct Testimony of Kevin Cherry at 4. Provide a breakdown of the amount of KTI expenses that should not be allowed for rate-making purposes.

11. Refer to the Direct Testimony of Kevin Cherry at 5. List all board expenses which should not be allowed for rate-making purposes. For each expense listed, state the amount of the expense and explain why it should not be allowed for rate-making purposes.

12. Refer to the Direct Testimony of Kevin Cherry at 5. Show all calculations which were made to derive the average meeting fee of \$175.

13. At page 5 of his direct testimony, Mr. Cherry states that "[t]here are many other issues" which the Commission should address. What are these other issues?

14. Refer to the Direct Testimony of Kevin Cherry at 5. What are Mr. Cherry's recommendations regarding a capital credit refund policy for Jackson Purchase?

Done at Frankfort, Kentucky, this 19th day of December, 1997.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director