Fleming-Mason Energy

A Touchstone Energy Cooperative

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DEC 18 2012

PUBLIC SERVICE COMMISSION

December 19, 2012

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 2012-00369

Dear Mr. Derouen:

Enclosed are the original and ten copies of Fleming-Mason Energy's response to the First Data Request of Commission Staff dated December 5, 2012, for the above referenced case.

Please contact the office if you need further information.

Sincerely,

Joni K Hazelrigg

Joni K. Hazelrigg
CFO

Enclosures

1. Provide the following information in a comparative format:
   a. Average monthly residential usage for each month of the test year. Using these average usage levels, provide the average bill for each month for the Residential and Small Power Rate Class using the present rates and the proposed rates.

      RESPONSE:

	Average kWh	Present Rates	Proposed Rates	Amount	% Diff
Jan	1,517	$ 144.78	$ 142.86	$ (1.92)	-1.3%
Feb	1,147	$ 112.11	$ 111.67	$ (0.43)	-0.4%
Mar	1,047	$ 103.27	$ 103.24	$ (0.03)	0.0%
Apr	755	$ 77.50	$ 78.64	$ 1.14	1.5%
May	850	$ 85.88	$ 86.64	$ 0.76	0.9%
June	1,025	$ 101.33	$ 101.39	$ 0.06	0.1%
July	1,326	$ 127.90	$ 126.75	$ (1.15)	-0.9%
Aug	1,128	$ 110.49	$ 110.13	$ (0.36)	-0.3%
Sep	770	$ 78.80	$ 79.88	$ 1.08	1.4%
Oct	787	$ 80.31	$ 81.33	$ 1.01	1.3%
Nov	911	$ 91.26	$ 91.78	$ 0.52	0.6%
Dec	1,208	$ 117.48	$ 116.81	$ (0.68)	-0.6%
Average	1,039	$ 102.59	$ 102.59	$ 0.00	0.0%

   b. Average monthly residential usage for the years 2007 through 2010.

      RESPONSE:

	Average Monthly Residential Usage
2007	1139
2008	1049
2009	1116
2010	1114

   c. Provide the information requested in part a. of this request for an average residential non-space-heating customer.

RESPONSE:

	Electric Non Space kWH	Present	Proposed	Amount	% Diff
Jan	2372	$ 220.33	$ 214.98	$ (5.35)	-2.4%
Feb	1793	$ 169.23	$ 166.20	$ (3.03)	-1.8%
Mar	1637	$ 155.40	$ 153.01	$ (2.40)	-1.5%
Apr	1181	$ 115.10	$ 114.53	$ (0.57)	-0.5%
May	1329	$ 128.21	$ 127.05	$ (1.16)	-0.9%
June	1603	$ 152.38	$ 150.11	$ (2.26)	-1.5%
July	2073	$ 193.94	$ 189.78	$ (4.15)	-2.1%
Aug	1765	$ 166.70	$ 163.78	$ (2.91)	-1.7%
Sep	1204	$ 117.14	$ 116.48	$ (0.66)	-0.6%
Oct	1230	$ 119.51	$ 118.74	$ (0.77)	-0.6%
Nov	1424	$ 136.63	$ 135.08	$ (1.55)	-1.1%
Dec	1889	$ 177.64	$ 174.23	$ (3.41)	-1.9%
Average	1625	$ 154.35	$ 152.00	$ (2.35)	-1.4%

	Non Electric Non Space kWh	Present	Proposed	Amount	% Diff
Jan	1803	$ 170.05	$ 166.99	$ (3.07)	-1.8%
Feb	1363	$ 131.21	$ 129.91	$ (1.30)	-1.0%
Mar	1244	$ 120.71	$ 119.88	$ (0.82)	-0.7%
Apr	897	$ 90.08	$ 90.65	$ 0.57	0.6%
May	1010	$ 100.04	$ 100.16	$ 0.12	0.1%
June	1218	$ 118.41	$ 117.69	$ (0.72)	-0.6%
July	1576	$ 149.99	$ 147.84	$ (2.15)	-1.4%
Aug	1341	$ 129.29	$ 128.08	$ (1.21)	-0.9%
Sep	915	$ 91.63	$ 92.13	$ 0.50	0.5%
Oct	935	$ 93.42	$ 93.84	$ 0.42	0.4%
Nov	1082	$ 106.44	$ 106.26	$ (0.17)	-0.2%
Dec	1435	$ 137.60	$ 136.01	$ (1.59)	-1.2%
Average	1235	$ 119.91	$ 119.12	$ (0.79)	-0.5%

	Total Non Space kWh	Present	Proposed	Amount	% Diff
Jan	2162	$ 201.77	$ 197.26	$ (4.51)	-2.2%
Feb	1635	$ 155.19	$ 152.80	$ (2.39)	-1.5%
Mar	1492	$ 142.59	$ 140.78	$ (1.82)	-1.3%
Apr	1076	$ 105.86	$ 105.71	$ (0.15)	-0.1%
May	1211	$ 117.81	$ 117.12	$ (0.69)	-0.6%
June	1461	$ 139.83	$ 138.14	$ (1.69)	-1.2%
July	1889	$ 177.71	$ 174.30	$ (3.41)	-1.9%
Aug	1608	$ 152.88	$ 150.60	$ (2.29)	-1.5%
Sep	1097	$ 107.72	$ 107.49	$ (0.23)	-0.2%
Oct	1121	$ 109.88	$ 109.54	$ (0.33)	-0.3%
Nov	1298	$ 125.48	$ 124.44	$ (1.04)	-0.8%
Dec	1721	$ 162.86	$ 160.12	$ (2.74)	-1.7%
Average	$ 1,481.00	$ 141.63	$ 139.86	$ (1.77)	-1.1%

d. Provide the information requested in part a. of this request for an average residential space-heating customer.

RESPONSE:

	Eletric Space kWh	Present	Proposed	Amount	% Diff
Jan	2216	$ 206.54	$ 201.81	$ (4.72)	-2.3%
Feb	1675	$ 158.80	$ 156.24	$ (2.55)	-1.6%
Mar	1529	$ 145.89	$ 143.92	$ (1.97)	-1.3%
Apr	1103	$ 108.24	$ 107.98	$ (0.26)	-0.2%
May	1242	$ 120.48	$ 119.67	$ (0.81)	-0.7%
June	1497	$ 143.06	$ 141.22	$ (1.84)	-1.3%
July	1937	$ 181.88	$ 178.28	$ (3.60)	-2.0%
Aug	1649	$ 156.43	$ 153.99	$ (2.45)	-1.6%
Sep	1124	$ 110.14	$ 109.80	$ (0.34)	-0.3%
Oct	1149	$ 112.35	$ 111.91	$ (0.44)	-0.4%
Nov	1331	$ 128.34	$ 127.17	$ (1.17)	-0.9%
Dec	1764	$ 166.66	$ 163.74	$ (2.91)	-1.7%
Average	1518	$ 144.90	$ 142.98	$ (1.92)	-1.3%

	Non Electric Space kWh	Present	Proposed	Amount	% Diff
Jan	1747	$ 165.15	$ 162.31	$ (2.84)	-1.7%
Feb	1321	$ 127.51	$ 126.38	$ (1.13)	-0.9%
Mar	1206	$ 117.33	$ 116.66	$ (0.67)	-0.6%
Apr	870	$ 87.64	$ 88.32	$ 0.68	0.8%
May	979	$ 97.30	$ 97.54	$ 0.24	0.2%
June	1181	$ 115.10	$ 114.53	$ (0.57)	-0.5%
July	1527	$ 145.71	$ 143.75	$ (1.96)	-1.3%
Aug	1300	$ 125.64	$ 124.60	$ (1.05)	-0.8%
Sep	887	$ 89.14	$ 89.75	$ 0.61	0.7%
Oct	906	$ 90.88	$ 91.41	$ 0.53	0.6%
Nov	1049	$ 103.49	$ 103.45	$ (0.04)	0.0%
Dec	1391	$ 133.70	$ 132.29	$ (1.41)	-1.1%
Average	1197	$ 116.55	$ 115.92	$ (0.63)	-0.5%

	Total Space kWh	Present	Proposed	Amount	% Diff
Jan	1898	$ 178.43	$ 174.99	$ (3.45)	-1.9%
Feb	1435	$ 137.55	$ 135.96	$ (1.59)	-1.2%
Mar	1310	$ 126.49	$ 125.40	$ (1.09)	-0.9%
Apr	944	$ 94.25	$ 94.63	$ 0.38	0.4%
May	1063	$ 104.74	$ 104.64	$ (0.10)	-0.1%
June	1282	$ 124.07	$ 123.09	$ (0.98)	-0.8%
July	1659	$ 157.31	$ 154.83	$ (2.49)	-1.6%
Aug	1412	$ 135.52	$ 134.03	$ (1.50)	-1.1%
Sep	963	$ 95.88	$ 96.18	$ 0.31	0.3%
Oct	984	$ 97.77	$ 97.99	$ 0.22	0.2%
Nov	1139	$ 111.47	$ 111.06	$ (0.40)	-0.4%
Dec	1511	$ 144.28	$ 142.38	$ (1.89)	-1.3%
Average	1300	$ 125.65	$ 124.60	$ (1.05)	-0.8%

2. State whether Fleming-Mason has experienced opposition from any of its members to its proposal to recover more of its fixed costs through the customer charge. Include in the explanation whether Fleming-Mason has communicated its proposal to customers in any way other than through its Official Notice; for example, through civic or community group presentations.

RESPONSE:

Immediately following the publication of the proposed rates in the local newspapers, FME did receive a limited number of phone calls from members inquiring about the notice. Prior to publication of the notice, all employees at Fleming-Mason had been trained to correctly respond to potential questions. Once it was explained to the member that this proposed change was not intended to increase rates but to recover more of its fixed costs through the customer charge, members overall were satisfied.

Fleming-Mason has met with all of its 4 Member Advisory Committees and discussed the proposed rate design and explained its purpose and rationale and received no opposition from these groups. One local newspaper did a follow-up story on the proposed rate publication and printed a front page article and the local National Public Radio station also did a follow-up story. Neither of these news stories created any opposition from the members.

3. Refer to Exhibit 2 of the Application, pages 3-6.

   a. Refer to page 3, the Schedule of Hours in the Residential and Small Power – Schedule RSP – Time of Day Tariff.

      i. Explain how the Schedule of Hours including Months, Days, On-Peak and Off-Peak Hours was determined. Include with the explanation all calculations performed and supporting document used in making the determinations.

      RESPONSE:
      The Schedule of Hours was determined by first summing the hourly load research data which calculated the seasonal hourly load. Next, the seasonal peaks were determined and the percent of hourly load to peak was calculated. A threshold of 90% of peak load was used to determine on and off peak hours. Attached, Exhibit A illustrates the hourly loads, Exhibit B the summed hourly peak loads, and Exhibit C calculates the percent of peak load per hour. The highlighted cells indicate those loads that are greater than 90% of peak load.

      ii. Are Fleming-Mason's On-Peak and Off-Peak hours the same as those for East Kentucky Power Company? If not, explain any differences.

      RESPONSE:
      No, Fleming-Mason's On-Peak and Off-Peak hours are not the same as those for East Kentucky Power Cooperative (EKPC). EKPC's peak hours are as follows:

May – September	10 AM – 10 PM	7 days a week
October – April	7 AM – 12 PM	7 days a week
	5 PM – 10 PM	

      FME's peak hours fall within EKPC's peak hours and looking at past peak periods, FME's peak has not occurred outside the proposed TOD time blocks.

   b. Refer to the Energy Charge in the Monthly Rate section on page 5, the Residential and Small Power – Schedule RSP – Inclining Clock tariff. Explain how the inclining energy charge block increments of 0-300 kWh, 301-500 kWh, and over 500 kWh were selected. Include in the explanation all calculations and work papers necessary to justify the block increments selected.

      RESPONSE:

The inclining energy charge block increments of 0-300 kWh, 301-500 kWh, and over 500 kWh were selected to so to stay consistent with other inclining block tariffs, specially Grayson RECC ,Case No 2010-00230 and Owen Energy, Case No 2011-00037.

Exhibit A

	Jan		Feb		Mar		Apr		Oct		Nov		Dec	
	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd
1	901,156	449,513	707,609	296,224	632,235	228,781	378,959	183,252	373,220	222,404	549,598	216,017	727,232	344,574
2	890,034	437,096	692,165	290,084	634,682	227,920	367,275	176,051	359,507	219,930	527,541	205,721	702,249	334,586
3	883,767	439,529	700,928	289,483	646,773	226,427	380,822	180,201	355,255	219,553	522,040	205,391	707,251	332,488
4	914,157	448,060	731,910	298,349	669,953	235,674	399,465	187,926	371,133	229,095	538,550	207,480	713,077	334,816
5	949,696	459,740	756,470	303,574	732,670	243,942	452,942	195,606	417,941	235,118	564,625	214,760	724,794	340,346
6	1,016,016	477,000	833,212	310,649	837,061	254,233	571,410	214,988	499,722	263,453	630,680	225,733	787,139	351,890
7	1,107,476	511,703	930,836	333,768	878,206	282,019	575,310	242,649	531,740	287,941	727,329	238,863	883,828	383,044
8	1,138,075	535,675	934,925	347,846	884,285	318,820	575,873	274,410	515,348	335,734	733,466	261,196	915,130	410,176
9	1,105,386	561,500	934,280	372,447	858,432	332,687	548,895	282,720	536,947	333,554	731,625	281,860	900,502	436,039
10	1,085,762	541,951	895,587	366,084	825,339	323,546	529,841	263,183	531,618	311,747	707,409	268,436	896,800	428,685
11	1,025,629	520,018	846,479	344,727	781,540	304,989	510,159	255,808	518,303	293,387	686,353	251,144	848,852	395,780
12	1,003,791	488,564	815,534	323,374	748,259	292,802	496,825	253,394	502,298	270,210	665,003	233,529	811,888	372,282
1	962,799	456,105	788,278	311,556	700,963	269,889	483,848	247,499	505,209	263,463	654,454	231,783	788,579	342,819
2	919,168	434,404	745,775	292,220	655,593	258,612	462,586	240,618	499,066	258,853	614,313	223,425	765,612	334,930
3	911,448	431,550	720,958	276,676	655,743	250,564	483,818	234,381	525,891	257,950	595,815	215,113	742,127	318,528
4	926,586	418,694	742,561	274,000	687,151	248,345	518,798	242,152	553,289	261,799	602,845	209,346	742,964	305,830
5	979,117	431,000	767,589	268,068	714,622	249,619	527,045	253,013	564,902	269,869	632,303	217,436	789,099	312,345
6	1,041,821	462,291	811,943	282,919	741,348	258,775	542,761	248,942	570,847	270,577	679,894	232,669	849,609	340,729
7	1,077,613	494,924	884,415	295,995	798,842	268,297	559,216	256,267	609,740	278,643	749,097	248,623	898,805	374,369
8	1,099,346	500,653	910,143	310,787	845,277	281,560	595,266	274,049	620,785	288,654	760,660	251,270	909,101	374,238
9	1,096,057	505,908	902,031	306,928	856,975	287,286	626,197	276,950	595,965	286,323	746,376	244,529	907,764	380,979
10	1,062,333	497,920	871,331	299,213	800,358	268,575	552,134	251,343	540,957	267,496	737,418	230,837	885,813	386,090
11	1,002,187	478,022	826,942	296,347	727,156	257,529	472,928	218,451	481,576	247,211	683,539	220,517	836,319	377,999
12	949,691	459,914	775,294	266,766	670,549	239,621	410,740	183,658	425,854	221,539	628,851	197,713	763,839	352,356
Total	24,049,112	11,441,734	19,527,195	7,358,081	17,984,012	6,410,511	12,023,114	5,637,511	12,007,117	6,394,501	15,669,783	5,533,390	19,498,375	8,665,920

Exhibit A

	May		Jun		Jul		Aug		Sep	
	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd	WkDay	WkEnd
1	424,213	148,876	489,064	194,295	645,035	295,962	555,105	199,892	378,409	163,060
2	398,234	134,960	436,824	170,471	572,273	269,677	500,751	180,730	347,173	149,258
3	390,018	133,027	406,412	153,921	524,994	249,582	463,666	171,438	329,490	137,521
4	392,472	135,505	388,568	149,030	493,125	237,723	445,779	162,710	324,737	136,315
5	433,821	142,259	396,207	142,945	487,116	226,211	451,304	155,173	355,341	136,804
6	539,695	153,100	455,553	150,004	529,928	233,153	513,996	161,443	436,716	146,544
7	563,422	173,534	487,046	163,810	563,618	254,196	548,359	184,149	454,888	159,470
8	550,793	219,420	561,524	201,761	636,347	306,053	574,167	213,128	458,136	194,862
9	565,888	239,247	606,214	233,242	722,190	354,241	630,530	235,831	502,239	216,142
10	589,987	254,528	670,915	256,697	815,530	395,437	702,254	271,732	514,709	230,947
11	610,500	249,614	742,215	275,943	911,232	441,028	790,220	303,725	547,627	240,579
12	630,881	248,654	815,466	297,197	999,068	474,731	887,563	327,725	568,014	249,045
1	648,991	264,145	870,101	314,677	1,073,876	506,020	974,716	357,812	592,556	267,137
2	654,806	270,578	930,609	323,427	1,130,548	540,861	1,038,233	380,068	611,243	267,412
3	678,265	280,057	993,350	348,772	1,175,080	563,533	1,112,872	397,245	643,135	277,465
4	736,275	295,798	1,039,558	358,238	1,232,693	583,643	1,193,670	406,967	678,515	284,462
5	758,984	312,847	1,080,691	370,030	1,265,742	585,526	1,216,917	422,538	696,899	283,686
6	778,223	296,953	1,070,469	375,440	1,239,302	586,643	1,216,836	423,413	696,929	286,589
7	771,520	289,967	1,030,953	360,064	1,215,766	565,113	1,164,633	395,551	702,251	269,490
8	770,400	285,433	980,445	337,012	1,146,805	526,509	1,097,292	369,747	714,327	265,729
9	763,246	286,029	922,284	327,200	1,099,111	502,833	1,052,175	351,511	683,651	257,707
10	685,518	256,410	849,061	308,524	1,007,416	467,625	928,531	325,377	606,381	228,481
11	580,799	213,287	723,385	266,669	885,686	407,274	780,099	269,387	521,573	204,213
12	486,816	177,641	591,947	217,117	747,377	344,262	646,007	226,956	432,284	175,079
Total	14,403,769	5,461,869	17,538,861	6,296,486	21,119,857	9,917,836	19,485,676	6,894,246	12,797,221	5,227,997

EXHIBIT B

	Winter			Summer		
	WkDay	WkEnd	Total	WkDay	WkEnd	Total
1	4,270,010	1,940,764	6,210,774	2,491,827	1,002,085	3,493,912
2	4,173,453	1,891,389	6,064,842	2,255,255	905,097	3,160,352
3	4,196,837	1,893,072	6,089,909	2,114,580	845,490	2,960,069
4	4,338,245	1,941,400	6,279,645	2,044,682	821,283	2,865,964
5	4,599,139	1,993,085	6,592,224	2,123,789	803,392	2,927,181
6	5,175,240	2,097,946	7,273,186	2,475,889	844,245	3,320,133
7	5,634,725	2,279,986	7,914,711	2,617,332	935,159	3,552,491
8	5,697,103	2,483,858	8,180,961	2,780,968	1,135,224	3,916,192
9	5,616,068	2,600,807	8,216,875	3,027,061	1,278,702	4,305,763
10	5,472,357	2,503,631	7,975,988	3,293,395	1,409,341	4,702,736
11	5,217,315	2,365,853	7,583,168	3,601,794	1,510,888	5,112,683
12	5,043,597	2,234,155	7,277,752	3,900,993	1,597,352	5,498,345
1	4,884,130	2,123,113	7,007,244	4,160,239	1,709,790	5,870,029
2	4,662,113	2,043,063	6,705,176	4,365,437	1,782,346	6,147,784
3	4,635,800	1,984,762	6,620,561	4,602,701	1,867,073	6,469,773
4	4,774,194	1,960,165	6,734,360	4,880,711	1,929,107	6,809,819
5	4,974,676	2,001,350	6,976,025	5,019,232	1,974,627	6,993,859
6	5,238,223	2,096,902	7,335,125	5,001,758	1,969,038	6,970,797
7	5,577,729	2,217,118	7,794,847	4,885,123	1,880,185	6,765,309
8	5,740,579	2,281,211	8,021,790	4,709,269	1,784,430	6,493,699
9	5,731,366	2,288,903	8,020,269	4,520,468	1,725,279	6,245,747
10	5,450,344	2,201,474	7,651,818	4,076,906	1,586,417	5,663,323
11	5,030,647	2,096,075	7,126,722	3,491,543	1,360,830	4,852,372
12	4,624,819	1,921,566	6,546,384	2,904,431	1,141,054	4,045,485
TOTALS	120,758,708	51,441,648	172,200,356	85,345,384	33,798,434	119,143,818
Peak:	5,740,579			5,019,232		291,344,174

EXHIBIT C

	Winter		Summer	
	WkDay	WkEnd	WkDay	WkEnd
1	74.38%	33.81%	49.65%	19.96%
2	72.70%	32.95%	44.93%	18.03%
3	73.11%	32.98%	42.13%	16.84%
4	75.57%	33.82%	40.74%	16.36%
5	80.12%	34.72%	42.31%	16.01%
6	90.15%	36.55%	49.33%	16.82%
7	98.16%	39.72%	52.15%	18.63%
8	99.24%	43.27%	55.41%	22.62%
9	97.83%	45.31%	60.31%	25.48%
10	95.33%	43.61%	65.62%	28.08%
11	90.88%	41.21%	71.76%	30.10%
12	87.86%	38.92%	77.72%	31.82%
1	85.08%	36.98%	82.89%	34.06%
2	81.21%	35.59%	86.97%	35.51%
3	80.75%	34.57%	91.70%	37.20%
4	83.17%	34.15%	97.24%	38.43%
5	86.66%	34.86%	100.00%	39.34%
6	91.25%	36.53%	99.65%	39.23%
7	97.16%	38.62%	97.33%	37.46%
8	100.00%	39.74%	93.82%	35.55%
9	99.84%	39.87%	90.06%	34.37%
10	94.94%	38.35%	81.23%	31.61%
11	87.63%	36.51%	69.56%	27.11%
12	80.56%	33.47%	57.87%	22.73%

4. Refer to Item 18 on page 2 of the Application. Explain why the 12-month period ending December 2011 was selected as the test year when more recent data is available.

RESPONSE:

2011 has been selected as the test year for a couple of reasons. One, a calendar year is considered to be a better test year because of the comprehensive detail accounting information that is accumulated at year end. And two this test year was selected early in 2012 but this application was not filed until East Kentucky Power Cooperative ("EKPC") had completed their rate study.

5. Refer to Exhibit 7A, page 2 of the Application. Explain whether Fleming-Mason anticipates the need for a base rate increase during the next 5 years and, if so, the likelihood that the rate increase will be assigned entirely to the customer charge.

RESPONSE:

Fleming-Mason anticipates that it will need a base rate increase within the next 5 years. It has not been determined that any increase requested would all be assigned to the customer charge. FME is reviewing many rate structures for future use including margin stabilization factors, power cost adjustments, DSM surcharges, Pre-Pay metering and any other rate structures that would help minimize the impact of declining kWh usage and sales.

6. Refer to the response to Item 16 on page 3 of Exhibit 7A.
   a. Provide, as a percentage, the ratio of Fleming-Mason's annual investment in energy efficiency/demand-side management ("DSM") relative to its annual electric sales revenue for the years 2010 and 2011.

      RESPONSE:
      (Because FME has a large commercial & industrial load, percentages are more relevant based on the residential & small power customers only.)

      2010: .15% overall electric revenue
      .33% residential & small power revenue only

      2011: .16% overall electric revenue
      .38% residential & small power revenue only

   b. Provide, as a percentage, the ratio of Fleming-Mason's annual energy-efficiency savings relative to its total electric sales (in kWh) for the years 2010 and 2011.

      RESPONSE:
      2010: .06% overall electric revenue
      .17% residential & small power kWh usage only

      2011: .07% overall electric revenue
      .23% residential & small power revenue only

   c. Provide the information requested in parts a. and b. above, based on current estimates, for years 2012 through 2015.

      RESPONSE:

2012	part a. overall revenue:	.17%	residential/small power revenue only:	.42%
	part b. overall kWh:	.08%	residential/small power kwh only:	.28%
2013	part a. overall revenue:	.18%	residential/small power revenue only:	.45%
	part b. overall kWh:	.09%	residential/small power kwh only:	.32%

2014	part a. overall revenue:	.18%	residential/small power revenue only:	.47%
	part b. overall kWh:	.10%	residential/small power kwh only:	.35%
2015	part a. overall revenue:	.19%	residential/small power revenue only:	.52%
	part b. overall kWh:	.11%	residential/small power kwh only:	.40%

d. Identify and explain what steps Fleming-Mason is taking to find new or expanded cost-effective DSM programs for implementation.

RESPONSE:

Fleming-Mason will be capable of expanding its Direct Load control program with the implementation of AMI beginning in year 2013. FME actively works with the East Ky Power DSM Steering Committee in developing new programs as well as expanding and enhancing current programs. FME has filed for a permanent tariff for the KY How$mart program and plans to advertise and promote this program heavily once a final tariff is approved. FME plans to continue its member education programs and perform energy audits as requested.

7. Refer to the response to Item 24 on page 7 of Exhibit 7A and Exhibits 14 and 15 filed with the application filed in Case No. 2011-00037.

   a. Explain the similarities in the DSM plans in Fleming-Mason's current application to the plans contained in Case No. 2011-00037.

      RESPONSE:
      Fleming-Mason does promote most of the same DSM programs as Owen EC as supported by our mutual G & T, East Kentucky Power. Please refer to the response to question 9, part d, for a complete listing. FME is limited in some DSM areas since we do not currently have an AMI system in place. FME was recently granted a CPCN from the Kentucky Public Service Commission to implement an AMI program and hopes to be fully deployed by the spring of 2015. Once an AMI system is in place, Fleming-Mason intends to use this technology to promote more sophisticated programs.

   b. Provide a comparison of the long-term DSM plans and targets in Fleming-Mason's current application, versus those contained in Case No. 2011-00037.

      RESPONSE:
      Fleming-Mason, like Owen EC and other utilities across the nation, is attempting to be in a financially stable enough position to help members save kilowatt hours through DSM programs and alternative rate structures. Fleming-Mason is committed to utilizing current DSM programs to their fullest potential as well as growing new programs such as Pre-Pay metering. In the near future, once Fleming-Mason's AMI is in place, a campaign will be launched to aggressively pursue direct load control devices on as many air conditioners, water heaters and pool pumps as possible. Once approved for a permanent tariff for the KY How$mart program, Fleming-Mason plans to grow this program in an effort to help members save on their kWh usage.

8. Refer to the response to Item 17 on page 5 of Exhibit 7A. It sates, in relevant part, that the current retail rate designs provide disincentives for Fleming-Mason to aggressively pursue energy innovation, efficiency, conservation and demand response efforts with its members. Explain whether Fleming-Mason agrees that, through a DSM surcharge, it can recover all costs as well as lost revenues resulting from commission-authorized, cost-effective DSM programs.

RESPONSE:
Yes. Fleming-Mason agrees, in theory, that, through a DSM surcharge, it can recover all costs as well as lost revenues resulting from Commission-authorized, cost effective DSM programs. However, Fleming-Mason is concerned that all lost revenues will be truly recovered as this component of the DSM surcharge is determined by engineering estimates with timing lags. The Louisville Gas and Electric Company's ("LGE") Demand-Side Management Cost Recovery Mechanism tariff references this lag. The "DRLS=DSM Revenue from Lost Sales" rate component section of the LGE tariff, subpart 2) states: "Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for thirty-six (36) months or until implementation of new rates pursuant to a general rate case, whichever comes first." Although there is the impression that lost revenues are recovered in a timely manner, in practice the recovery of the full amount can take much longer. As stated in testimony, Fleming-Mason must protect the financial integrity of the cooperative.

9. Refer to the response to Item 21 on page 6 of Exhibit 7A wherein Fleming-Mason discusses whether a lower customer charge combined with a higher energy charge would benefit fixed and low-income members.

   a. Provide the annual number of Fleming-Mason members who received Low Income Home Energy Assistance Program ("LIHEAP") assistance from 2009 through 2011.

      RESPONSE: 2009 1,034
      2010 815
      2011 877

   b. Provide the average usage of members who received LIHEAP assistance from 2009-2011.

      RESPONSE: 2009 Data not available
      2010 1392 kWh/month
      2011 1247.5 kWh/month

   c. Provide the average usage for non-LIHEAP residential members for 2009-2011.

      RESPONSE: 2009 1049 kWh/month
      2010 1139 kWh/month
      2011 1053 kWh/month

   d. Identify and describe all DSM programs Fleming-Mason makes available to fixed and low-income members, and explain how these members are made aware of these programs or other available energy-efficiency measures.

      RESPONSE: As filed with the PSC:

      - DSM Direct Load Control
      - DSM-01 Electric Thermal Storage Incentive Program
      - DSM-02 Button-Up Weatherization Program
      - DSM-03 Heat Pump Retrofit Program
      - DSM-04 HVAC Duct Sealing Program
      - DSM-05 Commercial & Industrial Advanced Lighting Program
      - DSM-06 Industrial Compressed Air Program
      - DSM-07 Touchstone Energy Home Program
      - Ky Retrofit Rider: KY How$mart Program – currently in Pilot project status – permanent status requested in PSC Case no. 2012-00484.

Fleming-Mason primarily communicates with its members through the monthly KY Living Magazine where different programs are routinely discussed. As members call in about high usage or ask about payment extensions, CSR's are trained to ask pertinent questions about the residences or structures to determine if they may qualify for any program. FME's website also contains information about the various programs offered.

10. Refer to the response to Item 23 on page 7 or Exhibit 7A. Explain whether the rates of Alabama cooperatives, Harrison County REMC, or Tennessee Valley Authority cooperatives in Kentucky are regulated by state public service commissions.

RESPONSE:
There are no cooperatives in Alabama, Indiana, or in the Tennessee Valley Authority footprint in Kentucky that are regulated by a state public service commission concerning rates or rate structures. . Fleming-Mason is only using those examples to illustrate the current trend in rate design for cooperative utilities. As stated in the response to Item 23 on page 7 of Exhibit 7A, Fleming-Mason believes that a balance must be struck between protecting the financial integrity of the cooperative without unduly impacting low-usage members. As usage continues to be flat and the limited growth anticipated in the short-term forecasts, Fleming-Mason is concerned about margin deterioration. The foundation of this rate case is to provide more accurate recovery of costs while giving members additional options concerning rate structures.

11. Refer to the response to Item 9 on pages 3 through 4 on Exhibit 7B, the Prepared Testimony of James R. Adkins, where it states the "[t]he off-peak energy rates is $0.06000 per kWh. The on-peak energy rate is then calculated so that if the average customer does not change his or her usage patterns, the bill remains revenue neutral." Provide the calculations for determining these rates, including any supporting work papers.

RESPONSE:
To calculate the on-peak energy rate:

- Used the hourly load research data to calculate the hourly seasonal load. See Exhibit A for data.

Pk Hrs	5-11 AM	2-9 PM	
WkDays	5-10 PM		Total
	Winter	Summer	
Peak	60,551,049	33,619,263	94,170,312
Off Peak	111,649,307	85,524,555	197,173,862
	172,200,356	119,143,818	291,344,174

- Using current rates, calculated revenue from the residential class. This was calculated to be $28,768,260.

Customers		280,401		
	Current		Revenue	
Customer charge	$	10.83	$	3,036,743
kWh rate	$	0.08832	$	25,731,517
kWh		291,344,174	$	28,768,260

- Determined a customer charge of $20.00. This charge is higher than the proposed $15.00 Residential and Small Power customer charge but allows for a peak and off peak rates that encourages usage in off peak hours. Using the test year customer count, determined the revenue received from a customer charge of $20.00 to be $5,608,020.

Customers	280,401

	Proposed
Customer Charge	$ 20.00
Revenue	$ 5,608,020

- Summed the total Off-Peak kWh and multiplied this by the Off-Peak rate of $0.06000 to determine the revenue received from Off-Peak usage to be $11,830,432.

	Proposed
Off Peak Charge	$ 0.06000
Off Peak kWh	197,173,862
Revenue	$ 11,830,432

- Found the On-Peak revenue by subtracting from the total residential revenue the customer charge and Off-Peak revenue. This amount is $11,329,809. Found the On-Peak rate of $0.12031 by dividing the On-Peak revenue by the summed On-Peak revenue.

Total Revenue	$ 28,768,260
Customer Charge Revenue	$ 5,608,020
Off Peak Revenue	$ 11,830,432
Total Revenue from off -Peak	$ 11,329,809
On-Peak kWh	94,170,312
Rate	$ 0.12031

12. Refer to the response Item 9 on page 4 of Exhibit 7B where is discusses the rates applicable to the inclining block increments. Provide the calculations for determining these rates, including any supporting work papers.

RESPONSE:
The inclining block rates were developed as follows:

- The blocks were chosen based on other approved inclining block tariffs, specifically Owen Energy, Case No. 2011-00037 and Grayson RECC, Case No. 2010-00230. The blocks are 0-300 kWh, 301-500 kWh and greater than 500 kWh.
- In developing the rate, the incentive is to encourage small usage and to target those members who consistently use 800 kWh per month or less. Given this incentive, a rate needs to be developed so that those members who use less than 800 kWh per month have a bill that is less than a member who is on the traditional Residential and Small Power (Schedule RSP) tariff. Therefore, 800 kWh is established as a breakeven point.
- The customer charge was determined from the COSS and is consistent with the proposed Residential and Small Power (Schedule RSP) tariff.
- The first block is given the greatest incentive for conservation. Therefore a decrease of 1.75 cents per kWh is calculated. This is consistent with previous filings listed above. This results in a first block rate of $0.06681.
- The next block, 301-500 kWh is given a rate reduction also, but not quite as much. This rate reduction is 0.75 cents less than the proposed residential kWh and results in a rate of $0.07681. As with the first block, this reduction is consistent with previous approved filings.
- Finally, the third block was calculated so that at 800 kWh, the difference between the inclining block rate and proposed residential rate is zero. This was determined to be 3 cents higher than the second block. The calculations are in Exhibit D.

EXHIBIT D

Customer Charge	$	15.00
kWh	$	0.08431

Cust Chrge	$	15.00
1st 300 kWh	$	0.06681
Next 200	$	0.07681
Over 500	$	0.10681

RATE COMPARISON

kwh Usage	Monthly Bill			Difference	
				Inclining Minus	
	Current	Proposed Customer	Proposed Inclining	Current	Prop. Cust
0	$ 10.83	$ 15.00	$ 15.00	$ 4.17	$ -
25	$ 13.04	$ 17.11	$ 16.67	$ 3.63	$ (0.44)
50	$ 15.25	$ 19.22	$ 18.34	$ 3.09	$ (0.88)
75	$ 17.45	$ 21.32	$ 20.01	$ 2.56	$ (1.31)
100	$ 19.66	$ 23.43	$ 21.68	$ 2.02	$ (1.75)
150	$ 24.08	$ 27.65	$ 25.02	$ 0.94	$ (2.63)
200	$ 28.49	$ 31.86	$ 28.36	$ (0.13)	$ (3.50)
250	$ 32.91	$ 36.08	$ 31.70	$ (1.21)	$ (4.38)
300	$ 37.33	$ 40.29	$ 35.04	$ (2.28)	$ (5.25)
350	$ 41.74	$ 44.51	$ 38.88	$ (2.86)	$ (5.63)
400	$ 46.16	$ 48.72	$ 42.72	$ (3.44)	$ (6.00)
450	$ 50.57	$ 52.94	$ 46.56	$ (4.01)	$ (6.38)
500	$ 54.99	$ 57.15	$ 50.40	$ (4.59)	$ (6.75)
550	$ 59.41	$ 61.37	$ 55.74	$ (3.66)	$ (5.63)
600	$ 63.82	$ 65.58	$ 61.08	$ (2.74)	$ (4.50)
650	$ 68.24	$ 69.80	$ 66.42	$ (1.81)	$ (3.38)
700	$ 72.65	$ 74.01	$ 71.76	$ (0.89)	$ (2.25)
750	$ 77.07	$ 78.23	$ 77.10	$ 0.03	$ (1.13)
800	$ 81.49	$ 82.45	$ 82.45	$ 0.96	$ -

13. Provide separately the total number of Residential and Small Power customers that Fleming-Mason estimates will experience increase in bills due to its proposed changes in rate design.

RESPONSE:
The total number that will experience an increase in their bill is 150,729. However, it will be encouraged and expected that those that use an average of 800 kWh per month or less will move to the inclining block rate. In addition, 19,028 of these 150,729 customers use zero kWh. If those customers move to an inclining block rate 24,298 or only 0.5% will see an increase. A bill frequency can be viewed in Exhibit F.

EXHIBIT F

	Rates	Present	Proposed
Cust		$ 10.83	$ 15.00
kWh		$ 0.08832	0.084306629

kWh	No	Present	Proposed	Amount	% Diff
0	19028	$ 10.83	$ 15.00	$ 4.17	38.5%
5	6490	$ 11.27	$ 15.42	$ 4.15	36.8%
10	2523	$ 11.71	$ 15.84	$ 4.13	35.3%
15	2096	$ 12.15	$ 16.26	$ 4.11	33.8%
20	1803	$ 12.60	$ 16.69	$ 4.09	32.5%
25	1625	$ 13.04	$ 17.11	$ 4.07	31.2%
50	6923	$ 15.25	$ 19.22	$ 3.97	26.0%
75	5983	$ 17.45	$ 21.32	$ 3.87	22.2%
100	5238	$ 19.66	$ 23.43	$ 3.77	19.2%
150	7729	$ 24.08	$ 27.65	$ 3.57	14.8%
200	622	$ 28.49	$ 31.86	$ 3.37	11.8%
250	5348	$ 32.91	$ 36.08	$ 3.17	9.6%
300	5139	$ 37.33	$ 40.29	$ 2.97	7.9%
350	5063	$ 41.74	$ 44.51	$ 2.77	6.6%
400	5097	$ 46.16	$ 48.72	$ 2.56	5.6%
450	5206	$ 50.57	$ 52.94	$ 2.36	4.7%
500	5357	$ 54.99	$ 57.15	$ 2.16	3.9%
550	5483	$ 59.41	$ 61.37	$ 1.96	3.3%
600	5669	$ 63.82	$ 65.58	$ 1.76	2.8%
650	5899	$ 68.24	$ 69.80	$ 1.56	2.3%
700	5717	$ 72.65	$ 74.01	$ 1.36	1.9%
750	5987	$ 77.07	$ 78.23	$ 1.16	1.5%
800	6206	$ 81.49	$ 82.45	$ 0.96	1.2%
850	6189	$ 85.90	$ 86.66	$ 0.76	0.9%
900	6224	$ 90.32	$ 90.88	$ 0.56	0.6%
950	6022	$ 94.73	$ 95.09	$ 0.36	0.4%
1000	6063	$ 99.15	$ 99.31	$ 0.16	0.2%
1100	11688	$ 107.98	$ 107.74	$ (0.24)	-0.2%
1200	11014	$ 116.81	$ 116.17	$ (0.65)	-0.6%
1300	10558	$ 125.65	$ 124.60	$ (1.05)	-0.8%
1400	9313	$ 134.48	$ 133.03	$ (1.45)	-1.1%
1500	8719	$ 143.31	$ 141.46	$ (1.85)	-1.3%
1600	7881	$ 152.14	$ 149.89	$ (2.25)	-1.5%
1700	7015	$ 160.97	$ 158.32	$ (2.65)	-1.6%
1800	6140	$ 169.81	$ 166.75	$ (3.05)	-1.8%
1900	5621	$ 178.64	$ 175.18	$ (3.46)	-1.9%
2000	4863	$ 187.47	$ 183.61	$ (3.86)	-2.1%
2100	4273	$ 196.30	$ 192.04	$ (4.26)	-2.2%
2200	3775	$ 205.13	$ 200.47	$ (4.66)	-2.3%
2300	3294	$ 213.97	$ 208.91	$ (5.06)	-2.4%
2400	2913	$ 222.80	$ 217.34	$ (5.46)	-2.5%
2500	2613	$ 231.63	$ 225.77	$ (5.86)	-2.5%
2600	2290	$ 240.46	$ 234.20	$ (6.26)	-2.6%
2700	2149	$ 249.29	$ 242.63	$ (6.67)	-2.7%
2800	1839	$ 258.13	$ 251.06	$ (7.07)	-2.7%

kWh	No	Present	Proposed	Amount	% Diff
2000	4863	$ 187.47	$ 183.61	$ (3.86)	-2.1%
2100	4273	$ 196.30	$ 192.04	$ (4.26)	-2.2%
2200	3775	$ 205.13	$ 200.47	$ (4.66)	-2.3%
2300	3294	$ 213.97	$ 208.91	$ (5.06)	-2.4%
2400	2913	$ 222.80	$ 217.34	$ (5.46)	-2.5%
2500	2613	$ 231.63	$ 225.77	$ (5.86)	-2.5%
2600	2290	$ 240.46	$ 234.20	$ (6.26)	-2.6%
2700	2149	$ 249.29	$ 242.63	$ (6.67)	-2.7%
2800	1839	$ 258.13	$ 251.06	$ (7.07)	-2.7%
2900	1556	$ 266.96	$ 259.49	$ (7.47)	-2.8%
3000	1461	$ 275.79	$ 267.92	$ (7.87)	-2.9%
3100	1313	$ 284.62	$ 276.35	$ (8.27)	-2.9%
3200	1159	$ 293.45	$ 284.78	$ (8.67)	-3.0%
3300	1026	$ 302.29	$ 293.21	$ (9.07)	-3.0%
3400	931	$ 311.12	$ 301.64	$ (9.48)	-3.0%
3500	863	$ 319.95	$ 310.07	$ (9.88)	-3.1%
3600	764	$ 328.78	$ 318.50	$ (10.28)	-3.1%
3700	664	$ 337.61	$ 326.93	$ (10.68)	-3.2%
3800	572	$ 346.45	$ 335.37	$ (11.08)	-3.2%
3900	531	$ 355.28	$ 343.80	$ (11.48)	-3.2%
4000	446	$ 364.11	$ 352.23	$ (11.88)	-3.3%
4100	419	$ 372.94	$ 360.66	$ (12.28)	-3.3%
4200	398	$ 381.77	$ 369.09	$ (12.69)	-3.3%
4300	373	$ 390.61	$ 377.52	$ (13.09)	-3.4%
4400	326	$ 399.44	$ 385.95	$ (13.49)	-3.4%
4500	279	$ 408.27	$ 394.38	$ (13.89)	-3.4%
4600	231	$ 417.10	$ 402.81	$ (14.29)	-3.4%
4700	212	$ 425.93	$ 411.24	$ (14.69)	-3.4%
4800	203	$ 434.77	$ 419.67	$ (15.09)	-3.5%
4900	168	$ 443.60	$ 428.10	$ (15.50)	-3.5%
5000	148	$ 452.43	$ 436.53	$ (15.90)	-3.5%
5500	579	$ 496.59	$ 478.69	$ (17.90)	-3.6%
6000	375	$ 540.75	$ 520.84	$ (19.91)	-3.7%
6500	222	$ 584.91	$ 562.99	$ (21.92)	-3.7%
7000	185	$ 629.07	$ 605.15	$ (23.92)	-3.8%
7500	111	$ 673.23	$ 647.30	$ (25.93)	-3.9%
8000	75	$ 717.39	$ 689.45	$ (27.94)	-3.9%
8500	55	$ 761.55	$ 731.61	$ (29.94)	-3.9%
9000	39	$ 805.71	$ 773.76	$ (31.95)	-4.0%
9500	24	$ 849.87	$ 815.91	$ (33.96)	-4.0%
10000	23	$ 894.03	$ 858.07	$ (35.96)	-4.0%
15000	44	$ 1,335.63	$ 1,279.60	$ (56.03)	-4.2%
20000	14	$ 1,777.23	$ 1,701.13	$ (76.10)	-4.3%
25000	1	$ 2,218.83	$ 2,122.67	$ (96.16)	-4.3%
30000	1	$ 2,660.43	$ 2,544.20	$ (116.23)	-4.4%

14. Refer to the response to Item 11 on page 4 of Exhibit 7B where it discusses the basis for the development of the rates in Fleming-Mason's proposal. Identify the development date for the load research data was developed that Fleming-Mason relied on in developing this proposal.

RESPONSE:
The development date for the load research data is concurrent with the test year.

15. Refer to Exhibit 7B, page 6 of the Application. Fleming-Mason describes how it will inform customers of the optional rate riders. If a customer does not choose an optional rate, explain whether Fleming-Mason intends to have the customer default to the standard Residential and Small Power rate without exception.

    RESPONSE:

Fleming-Mason plans to educate all customer service representatives on the new rate structures and how each will impact customers at various usage levels. It is our intention to promote the different rates and educate our customers as to the rate that would be most beneficial to their circumstance. In addition to employee education, Fleming-Mason plans to utilize the website, social media, messages on bills, and customer interactions such as energy audits to present different rate structures. However, if the customer does not respond, then they will be placed on the default residential rate with the higher customer charge.

16. Question

a. For an average customer to be served under the proposed RSP – Time of Day tariff, provide a comparison of the customer's bill under existing rates with the bill as it would be calculated under RSP – Time of Day tariff.

RESPONSE:

	average use	Peak	Off Peak	Current	TOD	Amount	% Diff
Jan	1,517	507	1,010	$ 144.78	$ 141.55	$ (3.23)	-2.2%
Feb	1,147	416	731	$ 112.11	$ 113.90	$ 1.79	1.6%
Mar	1,047	391	656	$ 103.27	$ 106.36	$ 3.10	3.0%
Apr	755	264	490	$ 77.50	$ 81.24	$ 3.74	4.8%
May	850	225	625	$ 85.88	$ 84.55	$ (1.33)	-1.6%
June	1,025	306	719	$ 101.33	$ 99.94	$ (1.39)	-1.4%
July	1,326	358	968	$ 127.90	$ 121.10	$ (6.80)	-5.3%
Aug	1,128	345	784	$ 110.49	$ 108.48	$ (2.01)	-1.8%
Sep	770	206	564	$ 78.80	$ 78.58	$ (0.22)	-0.3%
Oct	787	260	527	$ 80.31	$ 82.86	$ 2.55	3.2%
Nov	911	339	572	$ 91.26	$ 95.08	$ 3.82	4.2%
Dec	1,208	415	792	$ 117.48	$ 117.50	$ 0.01	0.0%
Average	1,039	336	703	$ 102.59	$ 102.59	$ 0.00	0.0%

b. Provide the same analysis as requested in part a. above using kWh levels that might be experienced during a peak month.

RESPONSE:

Please see Jan in response 16(a) above.

17. Fleming-Mason's current tariff includes a reconnect charge of $25. State whether, due to the increased monthly customer charge, low-usage or seasonal customers may choose to disconnect during periods of low or no usage and reconnect when service is needed.

RESPONSE:

FME has considered that some customers may choose to disconnect due to a higher customer charge. However, most tobacco barns that were only used seasonally have already disconnected due to agricultural economics. Based on the customer charge increase that FME implemented in January, 2008, only 75 seasonal customers actually disconnected that year. Since then, the number of low-usage or seasonal accounts have increased well beyond that number and we are anticipating that only a very few will choose to disconnect. If a customer calls in to disconnect, CSR's will be trained to offer the Inclining Block Rate in an effort to keep the meter active. The $25 reconnect charge will apply should a seasonal or low-usage customer want to be reconnected.

18. Provide on CD-ROM all schedules in Exhibit 10 in Microsoft Excel format with all formulas intact and unprotected.

RESPONSE:

Please see the attached CD ROM for the electronic version of Exhibit 10.

19. Provide an electronic copy in spreadsheet formal of Exhibit 11 with all formulas intact and unprotected, and with all columns and rows accessible. If it is necessary to Update Exhibit 11 in response to questions contained in this information request, provide the updated version instead of the original version in both hard copy and electronically.

    RESPONSE:

    Attached is a copy of Exhibit 11 in electronic form with revisions. It is in four Excel files and is identified as listed below.

    - EX11R-1-FME- Test Year with Adjustments
    - EX11R-2-FME – Functionallization
    - EX11R-3-FME – Classification
    - EX11R-4-FME-Allocation

20. Refer to Exhibit 11 of the application, page 9 of 32.

a. Account 403.6, Depreciation Distribution Plant, is shown as being allocated using Footnote 6, which is the Net Plant percentages found in the Rate Base Schedule. Account 403.6 was actually allocated using Footnote 7. State whether Account 403.6 was allocated using Footnote 7 in error, and explain why the Distribution Plant percentages found on page 12, the Rate Base Schedule, would not be more appropriate for allocating this expense.

RESPONSE:

The allocation using Footnote 7 is in error and the proper allocation would use the Distribution Plant percentages found on page 12, the Rate Base Schedule.

b. Explain the rationale for allocating the various 408 Tax accounts using Footnote 7.

RESPONSE:

See the response to Item 20b above.

c. The 427, 430, and 431 Interest Expense accounts are shown as being allocated using Footnote 5, which is the Rate Base percentages found in the Rate Base Schedule on page 12 of 32. The accounts were actually allocated using Footnote 7. State whether the interest expense accounts were allocated using Footnote 7 in error.

RESPONSE:

The Interest Expense accounts were allocated in error using Footnote 7. They should have been allocated on the basis of the Net Investment Rate Base percentages.

21. Refer to Exhibit 11 of the application, page 10 or 32.

a. Under Footnote 1, the Poles and Conductor total of $69,476,017 includes Accounts 364, 365, and 368 from page 12 of 32. Explain why 368, Transformers, should be included with Poles and Conductor when using Plant Investment to allocate expenses between Lines and Services.

RESPONSE:

It was included in error.

b. In the "Actual" Column under Footnote 2, explain why $1,046,370 appears as the total for Lines and $0 for Services when page 8 of 32 shows that accounts 580-589, $968,252 is assigned to Lines and $78,118 is assigned to Services.

RESPONSE:

The data for Footnote 2 comes from the actual expenses and is used in the allocation of Accounts 580 – Supervision and Engineering, 588 – Miscellaneous Distribution Expenses, and 589 - Rents to the various functions. The amounts of $968
252 and $78,118 is based on the allocations. The page 8 allocations is based on the footnotes.

c. In the "Actual" Column under Footnote 3, explain why the $231,614 appears as the total for Customer Service when page 8 of 32 shows that amount as Maintenance of Security Lights and is directly assigned to Security Lighting.

RESPONSE:

This line should have been identified as Maintenance of Security Lights.

22. Refer to Exhibit 11 of the application, page 21 of 32, the table at the bottom of the page. Confirm that the consumer-related and demand-related allocation percentages shown on the first row for Account 264 are actually the allocation percentages that should be used for Account 365 on the second row, and vice versa. If this cannot be confirmed, explain why the percentage amounts for each account differ from those shown on the middle of page 19 for Account 364 and the top of page 21 for Account 365.

RESPONSE:

The allocation percentages on page 21 of 32 of Exhibit 11 should list Account 364 on the second row and Account 365 on the first row.

23. Refer to Exhibit 11 of the Application, pages 26-29 of 32. Explain what each of these pages represents.

RESPONSE:

Pages 26 through 29 represent specific load research data used in allocation of certain costs. Page 26 represents the monthly retail energy sales for each rate class. Page 27 represents the monthly class contribution of each rate class to EKPC's coincident (billing) peak demand. Page 28 represents the monthly peak demand for each rate class. Page 30 represents the monthly sum of the peak demands for the individual consumers in each rate class.

24. Refer to paragraph 12 of The Application and Exhibit 4. Fleming-Mason states that a copy of the notice given is provided in Exhibit 4.

    a. State the manner in which Fleming-Mason gave notice – i.e., publication or mailing.

    RESPONSE: Publication in local newspapers that are distributed in our service territory.

    b. If the notice was published, pursuant to 807 KAR 5:001 Section 10 (4)(d), provide an affidavit from the publisher verifying the notice was published, including the dates of publication with an attached copy of the published notice, no later than 45 days of the filed date of the application.

    RESPONSE: Affidavits of publication and a copy of the published notice will be mailed under separate cover upon receipt of all the affidavits.

    c. If the notice was mailed, pursuant to 807 KAR 5:001 Section 10 (4)(e), provide a written statement signed by the utility's chief officer in charge of Kentucky operations verifying the notice was mailed no later than 30 days of the filed date of the application.

    RESPONSE: N/A

25. Refer to Fleming-Mason's filing of October 23, 2012. Fleming-Mason identifies as Exhibit 4 – corrected copy of official notice given.

    a. State the manner in which Fleming-Mason provided notice to its customers of its corrected Exhibit 4.

    RESPONSE: Publication in local newspapers that are distributed in our service territory.

    b. If the corrected Exhibit 4 was published, pursuant to 807 KAR 5:001 Section 10 (4)(d), provide an affidavit from the publisher verifying the notice was published, including the dates of publication with an attached copy of the published notice, no later than 45 days of the filed date of the application.

    RESPONSE: Affidavits of publication and a copy of the published notice will be mailed under separate cover upon receipt of all the affidavits.

    c. If notice was mailed, pursuant to 807 KAR 5:001 Section 10(4)(e), provide a written statement signed by the utility's chief officer in charge of Kentucky operations verifying the notice was mailed not later than 30 days of the filed date of the application.

    RESPONSE: N/A

26. Provide a listing, with descriptions, of all activities, initiatives or programs undertaken or continued by Fleming-mason since its last general rate case for the purpose of minimizing costs or improving the efficiency of its operations or maintenance activities.

RESPONSE:

Reduced Benefit Costs. At the time of the last general rate case, there were two benefit issues that were beginning to increase at a level that was of great concern. The first was the increase in medical coverage for employees and the other was the defined benefit plan that was subject to the Pension Protection Act (PPA). To moderate future rate impacts on members, Fleming-Mason decided to make significant changes to these benefits. The medical plan was converted to a high-deductible plan and increased healthy lifestyle awareness. The medical benefit cost for Fleming-Mason was reduced significantly and continues to be below costs in the prior plan. The defined benefit plan was falling below thresholds outlined in the PPA that would restrict future payouts of the plan to retiring employees. Fleming-Mason modified the plan to reduce the benefit level by 10% and eliminate lump-sum payouts for future benefits. These modifications have reduced the liability, moderated yearly cost impacts, and returned the plan to a 100% funding level.

Maintained Employment Level. Fleming-Mason has maintained the same level employment since the last general rate case at 52 employees. However, that number is deceiving. The staffing level did fall to below 50 employees for a large portion of the period since the rate case. Due to the expected retirements of several line personnel over the next two years, Fleming-Mason decided to hire three inexperienced line technicians to begin training to replace the retiring employees. There will be no replacements of staff retiring in the short-term due to slow customer growth.

Reduced Capital Spending. Historically, Fleming-Mason was adding approximately $4 to $5 million to plant every year. When the economy began to slow and it became apparent that increased load from forecasts would not materialize, Fleming-Mason began to reduce capital spending on projects that were needed to meet additional demand. In 2011, only $1.6 million was added to total plant. Many projects have either been deferred or completely eliminated from the capital budget.

Reuse of Transformers. Fleming-Mason continues to reinsulate and convert many portions of the distribution system to 25 KV. The benefits of this conversion include reduced losses and improved voltage support. However, this conversion can be very expensive and drain on cash resources because of the purchase of additional dual-voltage transformers to be used during the conversion. Fleming-Mason made an assessment of existing inventory levels and dual-voltage transformers in the field that could be better utilized in voltage conversion jobs by recovering them from inactive accounts or locations that would not be converted. This has been successful

by minimizing transformer purchases, preserving cash for operations, and keeping line personnel productive.

Refinanced Older Debt. Interest rates are at historic low-levels and the opportunity to refinance older RUS debt offers savings on interest costs. Fleming-Mason evaluated and received proposals from two supplemental lenders, Cobank and CFC. Fleming-Mason was successful in reducing yearly interest costs through a refinancing program with Cobank.