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September 26, 2012

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RECEIVED

SEP 27 2012

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

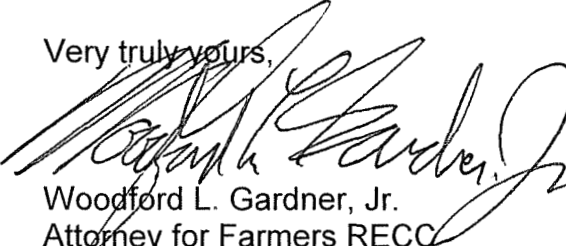
**Re: Application of Farmers Rural Electric Cooperative Corporation for
Approval of a Prepay Metering Program Tariff**

Dear Mr. Derouen:

We enclose for filing the original and 10 copies of the application pertaining to the above. Please notify the undersigned of the case number when it has been assigned.

Thank you for your assistance in this matter.

Very truly yours,



Woodford L. Gardner, Jr.
Attorney for Farmers RECC

RECEIVED

SEP 27 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR APPROVAL OF A PREPAY METERING TARIFF)

APPLICATION

Farmers Rural Electric Cooperative Corporation ("Farmers") respectfully submits this application seeking approval of a prepay metering tariff. The petition respectfully shows:

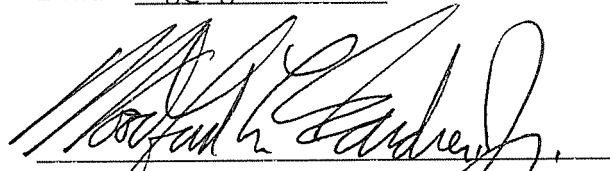
1. Farmers is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Barren, Metcalfe, Hart, Green, Adair, Grayson, LaRue and Edmonson. As of August 31, 2012, Farmers serves 24,783 active services for member-customers and has miles of 3,598.32 distribution lines in its eight country service territory.
2. Farmers' post office address is P.O. Box 1298, Glasgow, Kentucky 42142-1298.
3. The Articles of Incorporation and all amendments thereto for Farmers are filed in Case No. 2008-00030.
4. This Application is for the purpose of requesting approval of a prepay metering program in accordance with the terms set forth in the proposed tariff attached as Exhibit A of this application.
5. The prepay metering program shall be a completely voluntary program. A copy of the "Agreement" for participation in this prepay program is attached as Exhibit B of this application.
6. Farmers further requests a deviation from 807 KAR 5:006, Section 14, which requires a written notice of service termination for non-payment, insofar as such notice would apply to their prepay metering program. It is the understanding of Farmers that such a deviation has previously been approved in PSC Case No. 2010-00210, Jackson Energy Cooperative's tariff filing for prepaid electric service, and PSC Case No. 2012-0620, Blue Grass Energy's tariff filing for prepaid electric service.

7. Farmers request a deviation from 807 KAR 5:006, Section 6, which requires a paper bill to be mailed to members, for this prepay metering program only. It is the understanding of Farmers that such a deviation has previously been approved in PSC Case No. 2012-0620.
8. Additional information in support of this Application is included in Exhibits C and D.

WHEREFORE, Farmers Rural Electric Cooperative Corporation requests that the Public Service Commission of the Commonwealth of Kentucky issue an Order authorizing Farmers the approval of this prepay metering program.

Dated at Glasgow, Kentucky this 26th day of September, 2012.

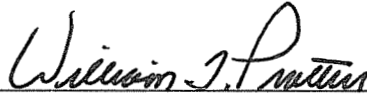
Woodford L. Gardner, Jr.
Richardson, Gardner & Alexander
Attorney for Applicant
117 East Washington Street
Glasgow, Kentucky 42141
Phone: (270) 651-8884
Fax: (270) 651-3662
E-Mail: wlg@rgba-law.com



Woodford L. Gardner, Jr., Attorney for
Farmers Rural Electric Cooperative Corporation

VERIFICATION

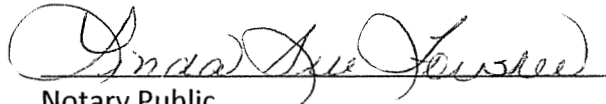
The undersigned, William T. Prather, being first duly sworn states that he is the President and CEO of Farmers Rural Electric Cooperative Corporation; and that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.



William T. Prather, President & CEO
Farmers Rural Electric Cooperative Corporation

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF BARREN)

Subscribed and sworn to before me by William T. Prather, President and CEO of Farmers Rural Electric Cooperative Corporation this 26 day of September, 2012.



Notary Public
ID: 446566

My Commission Expires: 7-30-2015

VERIFICATION

The undersigned, James Adkins, being first duly sworn states that he is a Consultant for Farmers Rural Electric Cooperative Corporation; and that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.

James Adkins

James Adkins, Consultant

COMMONWEALTH OF KENTUCKY)

)

COUNTY OF BARREN)

Subscribed and sworn to before me by James Adkins, Consultant for Farmers Rural Electric Cooperative Corporation this 26 day of September, 2012.

Jinada Ann Foust

Notary Public

ID: 446566

My Commission Expires: 7-30-2015

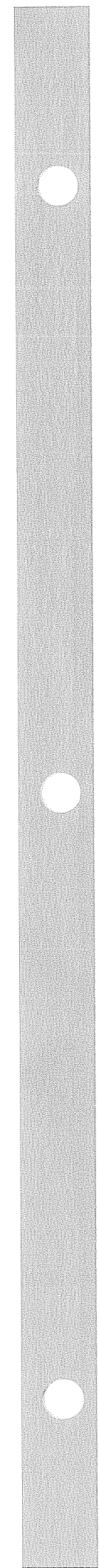
INDEX

Exhibit A Pay-As-You-Go (PrePay) Residential Rider

Exhibit B Agreement for Participation in the Pay-As-You-Go Program

Exhibit C Explanation of Tariff

Exhibit D Cost Support for Adder



FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

Purpose

To provide members with a payment option that may assist them in managing and controlling their energy purchases.

Availability

This is an optional rider to Farmers RECC's Schedule R - Residential tariff and is available to all members being served under that tariff.

Terms and Conditions

Pay-As-You-Go ("prepay") is a voluntary program. Members who qualify for this rider may choose to enroll their electric account(s) in this program. All members who participate in this program are subject to the following:

1. Each member choosing the prepay option will be subject to all other applicable rules and regulations which apply to members using the residential tariff without the prepay rider.
2. Members should have internet access to participate in this voluntary program.
3. A new member will be required to pay the membership fee and be entitled to all member benefits as current members.
4. All members enrolling in the Pay-As-You-Go program shall sign a prepay agreement. The agreement shall be in effect until the member desires to cancel. The member may convert to normal monthly credit/payment terms at any time by request. At this point the member will be subject to conditions of the residential tariff without the prepay rider. This may include the requirement of a deposit. If any special equipment has been issued to the member for participation in this program, the member will be required to return the equipment. Refusal by the member to return all equipment in working order shall result in being charged for replacement cost of the equipment.
5. The Customer Charge will be the same as Farmers RECC's regular residential tariff. The Program Fee shall be \$3.18. Both the Customer Charge and Program Fee will be pro-rated and deducted from the member's account on a daily basis.

DATE OF ISSUE _____
Month/ Date/ Year

DATE EFFECTIVE _____

ISSUED BY _____
(Signature of Officer)

TITLE _____
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

FOR ALL TERRITORY SERVED
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**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

- 6. A one-time service fee of \$30.00 will be charged to install the equipment for prepay use. Should the member cease participation in the program, a one-time fee of \$30.00 will be charged to uninstall the equipment for prepay use.
- 7. The Energy Charge will be the same as Farmers RECC's regular residential tariff.
- 8. The Fuel Adjustment and the Environmental Surcharge will be charged or credited to the account based upon the time of purchase. The Fuel Adjustment and Environmental Surcharge will be the rates in effect for the month of purchase.
- 9. At the time the prepay account is activated, the initial purchase is recommended to be a minimum of \$100.00. Purchases beyond the point of activation will be at an increment of the member's choosing, with a minimum purchase being \$10.00.
- 10. When an existing member chooses to convert to the prepay program and has a deposit on file with the Cooperative, the deposit and accumulated interest will not be refunded, but converted into a credit on the account going forward. No crediting of the deposit to the prepay account shall occur if the deposit is needed to cover a pre-existing indebtedness by the member or the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be transferred as a deposit to the unsecured account(s).
- 11. Once enrolled in the Pay-As-You-Go program, no additional payment arrangements will be made.
- 12. If an agency submits or has already submitted (but not yet paid) a voucher or other financial assistance to an account, the full amount of the assistance will be applied to the prepay account.
- 13. If a member who has not been in the Pay-As-You-Go program is disconnected for non-payment, they may request to be reconnected and enrolled in the program. If they are unable to pay their account balance in full, they will be offered a payment plan whereas future purchases will be split 70/30 until the old debt is retired. Seventy percent (70%) of the payments will be applied to new purchases, and thirty percent (30%) will be applied towards retirement of the previous balance minus any applicable deposit.
- 14. Members may check the status of their account(s) by utilizing the Cooperative's website at any time or by calling the office during normal business hours.

DATE OF ISSUE _____

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_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

15. Members may apply funds to their prepay account(s) by mail, telephone, or via the Cooperative's website by E-Check, Visa, MasterCard, or Discover credit cards. Payment may also occur in person during the Cooperative's regular office hours.
16. If a payment on a prepay account is returned for any reason, the account is subject to the service charge listed in Farmers RECC's Rules and Regulations.
17. Members who present a Winter Hardship Reconnect, Certificate of Need, or Medical Certificate as outlined in 807 KAR 5:006, Sections 13,14,and 15 will be removed from the program and the account will become a post-pay account.
18. A monthly paper bill will not be mailed to members who elect to receive the Pay-As-You-Go program. However, the member may view their prepay account status on the Cooperative's website. Due to the Pay-As-You-Go status of an account, a delinquent notice will not be mailed as the account should never be in arrears.
19. If a member elects to enroll an account in prepay, the total amount of any existing payment arrangements/contracts will be applied to the account so the full unpaid balance will be reflected on the prepay account.
20. When the amount of funds remaining in a prepay account reaches the threshold of \$25.00, automated message(s) will be sent to the member rather than a written notice sent by U.S. Mail.
21. A Pay-As-You-Go account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperature as the member is responsible for ensuring that the prepay account is adequately funded. If the member cannot ensure proper funding, Farmers RECC recommends the member not utilize the prepay service.
22. If a prepay account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applies funds to the account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected.
23. Prepay accounts will be billed at least once a day to show the remaining funds on the account. If a meter reading is not available, the account will not be billed until a reading is available. In addition, a month-end billing will be done to "true up" any unbilled charges. Charges such as the customer charge, kWh, fuel adjustment and environmental surcharge, franchise fee, security lights and applicable taxes will be prorated daily. Charges such as Operation WarmHearts (Roundup), EnviroWatts, etc. will be charged during the first billing of each month.

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**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

Pay-As-You-Go (PrePay) Residential Rider

24. When a member requests to have the power disconnected and they have a credit balance on their prepay account, their remaining balance will be refunded. If the member has another account the credit will be transferred to that account, otherwise, the refund will be issued to the member in the form of a check.
25. The member will be billed for replacement cost of any damaged equipment such as the meter or meter collar, when such damage occurs as a result of malice or neglect by the member.

DATE OF ISSUE _____

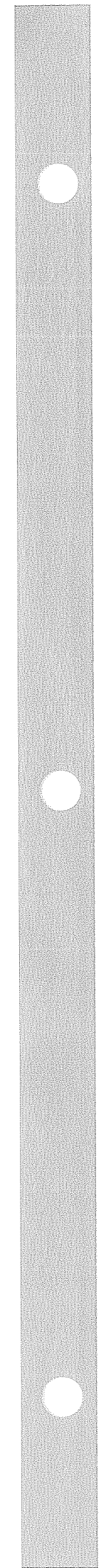
Month/ Date/ Year

DATE EFFECTIVE _____

ISSUED BY _____

(Signature of Officer)

TITLE _____
BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
AGREEMENT FOR PARTICIPATION IN THE PAY-AS-YOU-GO PROGRAM**

Member Name _____	Home Phone _____
Account No. _____	Cell Phone _____
Service Address _____	Cell Phone Carrier _____
E-mail _____	

The undersigned (hereinafter called the “member”) hereby applies for participation in the voluntary Pay-As-You-Go Electric Service Program offered to members of Farmers Rural Electric Cooperative Corporation (hereinafter called the “Cooperative”), and agrees to the following terms and conditions:

1. The member shall purchase electric energy from the Cooperative in accordance with the present and any future rate schedule of the Cooperative on a Pay-As-You-Go basis for the above referenced account.
2. The member understands that the terms and conditions set forth in the member’s Application for Membership continue to apply in addition to the terms and conditions of this Agreement for Pay-As-You-Go Electric Service, subject, however, to any changes set forth in this agreement.
3. The member shall pay any membership and fees as applicable by the Cooperative bylaws and the Cooperative Rules and Regulations as approved by the Kentucky Public Service Commission as may be required for the member to participate in the Pay-As-You-Go Electric Service Program.
4. Any deposit on the above referenced account will be applied to the account before the account changes to Pay-As-You-Go. Any credit remaining on the account will be applied to the Pay-As-You-Go account. However, if the member has another account(s) which does not have a satisfactory credit history, the remaining credit will be transferred as a deposit to the unsecured account(s). The deposit will only be refunded by applying it to the member’s account(s) as described.
5. As a result of participation in the Pay-As-You-Go Program, the member will not be mailed a monthly paper bill for electric usage or other applicable fees or charges.
6. The member shall pay an additional daily program fee. This amount will be in addition to the charges included in the Cooperative’s Residential rate schedule.
7. If a member changes any of the contact information (i.e. e-mail address, phone number, etc.) provided on this agreement, it is the responsibility of the member to notify the Cooperative of any such changes immediately. It is the member’s responsibility to manage their own communication devices.
8. When the amount of funds remaining on a Pay-As-You-Go account reaches the established threshold of \$25.00, an automated message will be sent to the member rather than a traditional, written notice sent by U.S. Mail. Farmers will not be responsible for any failure of the member to receive the automated message for any reason(s).
9. The member shall be responsible for regularly monitoring the balance on the Pay-As-You-Go account and understands that the electric service will be subject to disconnection without any written notification from the Cooperative to the member once the balance of the account reaches zero (\$0.00), or goes negative. If the member cannot ensure proper funding, Farmers RECC recommends the member not utilize the Pay-As-You-Go service.
10. Levelized budget billing, automatic payment draft and net metering are not eligible for Pay-As-You-Go.
11. Should the member have a payment returned for any reason, the returned payment will be charged to the Pay-As-You-Go account. The member’s account shall also be charged a return payment fee in addition to

the returned payment amount. If there are not sufficient funds to cover the returned item and fee, the account will be disconnected immediately.

12. If a Pay-As-You-Go account is disconnected due to lack of funds or any other reason, the Cooperative shall be held harmless for any damages due to loss of energy services. Likewise, if the account is disconnected and the member applied funds to the Pay-As-You-Go account thus causing the account to be reconnected, the member accepts full responsibility for any damages to the location caused by the account being reconnected and holds the Cooperative harmless from any damages arising from such a reconnection.
13. By signing this agreement, the member affirms there are no residents in the home currently that have medical conditions that will be impacted by loss of service. Should this status change, the member shall contact the Cooperative in writing, upon which the account will be removed from the Pay-As-You-Go program. It is the responsibility of the member to confirm the Cooperative is in receipt of the written request for removal from the program.
14. A Pay-As-You-Go account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperatures as the member is responsible for ensuring that the Pay-As-You-Go account is adequately funded. Pay-As-You-Go accounts shall not be eligible for payment arrangements with the Cooperative and energy assistance shall not be applied until received as payment on the member's Pay-As-You-Go account.
15. If a member on a Pay-As-You-Go account presents a Certificate of Need, a Medical Certificate or qualifies for a Winter Hardship Reconnect, the member will be required to transfer to a post pay account.
16. The member authorizes the Cooperative to transfer the unpaid balance of \$_____ from the member's post pay account to the Pay-As-You-Go account. The member also authorizes the kWh used since the last bill date until the meter is changed to Pay-As-You-Go meter be calculated and transferred to the Pay-As-You-Go account. The member further agrees that thirty percent (30%) of any payments made on this account in the future shall be applied to the balance until said balance is paid in full. Any fees/penalties (returned payment, meter tampering, etc.) shall be paid before any payments are applied to the member's Pay-As-You-Go account.
17. If a member wishes to disconnect service, the member shall be refunded any balance on the Pay-As-You-Go account. Any refund will be processed in the same manner as post pay account refunds
18. The member is required to confirm that he/she can receive electronic communications to be eligible for the Pay-As-You-Go program.
19. The Pay-As-You-Go agreement shall be in effect until the member desires to cancel. If discontinuing, the member will have to meet the requirements of a post-pay member for continued service.

Member Signature: _____ SSN: _____ Date: _____

Member Signature: _____ SSN: _____ Date: _____

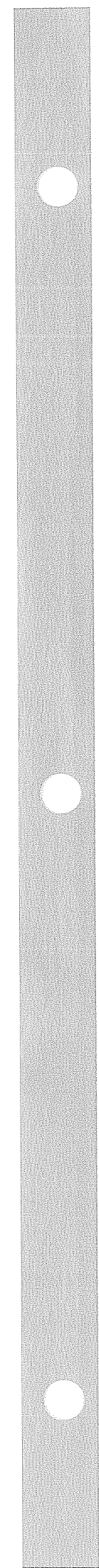
CSR Signature: _____ Date: _____

OFFICE USE ONLY

SO Number _____ Date Installed _____

Customer NO. _____ Initials _____

Comments _____



FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PREPAY PROGRAM FILING

1. How the Prepay Tariff Program works

Farmers Rural Electric Cooperative Corporation's ("Farmers RECC") customer information system ("CIS") and automated metering infrastructure ("AMI") software are multi-speak compliant and interface seamless. The interface allows the member to deposit money to their electric account through all methods used by current post pay members and as listed on Farmers RECC's website. The amount deposited is then available for viewing on the internet usage webpage. Prepay accounts will be billed electronically at least once a day to show the remaining funds on the account. This daily balance is available for the member to view on the internet usage webpage. When the amount of funds remaining on a prepay account reaches the established threshold of \$25.00, automated message(s) will be sent to the member through texting and/or email alerting the member. The member then deposits more into the account. If the account balance runs to \$0.00, service will be disconnected. Once a deposit is made, service will be reconnected. Service disconnection and reconnection will be automatic with the installation of a collar. This collar interfaces with the AMI system and is remotely activated with a reconnect if an amount is applied to the account or disconnected when the account balance reaches zero.

2. Basis for the rates contained in the proposed tariff

The basis for the rate found in this tariff is an estimate of the annual expenses for this program based on the additional investment required for each customer that may participate in this program. It calculated in a manner similar to how the rates were calculated for other prepay filings. Exhibit D contains the calculations for the proposed rate.

3. Who is eligible

Rate schedule R – Residential Service accounts within the territory serviced by the Cooperative is eligible except the following:

- Accounts on Levelized Budget Billing
- Three phase accounts
- Due to restraints of the AMI switches, those accounts greater than 400 amp service

4. Balance monitoring and explanation of balance alerts

The member shall be responsible for regularly monitoring the balance on the Prepay account. The account will be adjusted daily and will be available for viewing on the internet usage webpage. The webpage will be updated once daily. When the amount of funds remaining on the Prepay account reaches the established threshold of \$25.00,

automated message(s) will be sent to the member. An established threshold amount was chosen because it is a uniformed amount across the program for all users. The amount of \$25.00 was determined to be the cost of an average of four days' estimated usage. A monthly paper bill will not be mailed to members who receive prepay service. However, they may request a copy of their monthly bill or may view it online through Farmers RECC's website. In addition, a delinquent notice will not be mailed on prepay accounts.

5. Disconnects

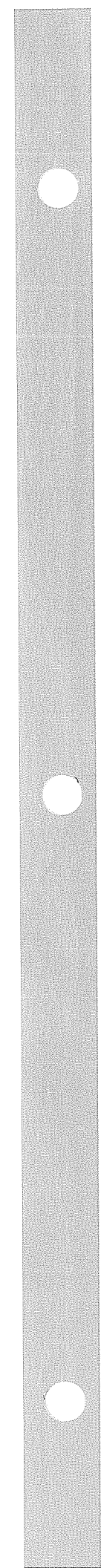
A prepay account will be disconnected if the balance of the account becomes negative. The account will be disconnected regardless of weather/temperature as the member is responsible for ensuring that the prepay account is adequately funded. Service will be reconnected once the prepay account is funded. Disconnects will not occur over the weekend. If the balance falls to zero over a weekend, service will continue until noon the following Monday.

6. Winter Hardships and Medical

All voluntary prepay accounts will not be eligible for a Winter Hardship Reconnect, Certificate of Need, or Medical Certificate as outlined in 807 KAR 5:006, Sections 13, 14, and 15. If a member on a prepay account presents a Certificate of Need, a Medical Certificate or qualifies for a Winter Hardship Reconnect, the member will be required to transfer to a post pay account.

7. Benefits

There are several benefits associated with the prepay program. The first is that members will have an additional choice which leads to a higher satisfaction level. Another benefit is that prepay is an option that does not require a deposit, which also leads to greater satisfaction with the cooperative. In addition, there is a conservation benefit. Studies have shown that the prepay program reduces energy consumption up to 12 percent. This helps to reduce the carbon footprint and supports the demand side management initiatives of Farmers RECC. Finally the program will allow Farmers RECC to lower expenses by reducing operating costs associated with connect/disconnect trips, write-offs and delinquent department.



FARMERS RURAL ELECTRIC COOPERATIVE			
DEVELOPMENT OF ADDER FOR ADDITIONAL METER COSTS			
<u>Data comes from 2011 Cooperative's Form 7 except CP data</u>			
<u>A. Development of a Fixed Charge Rate (Excludes Purchased Power Costs):</u>			
	Expense		Fixed Rate
1	Depreciation		0.035064
2	Distribution Operations & Maintenance		0.061990
3	Administrative & General		0.050885
4	Total Costs - Distribution		0.147939
5	Return		0.072241
6	Annual Revenue Requirements		0.220180
	Monthly Fixed Rate (Excludes purchased power costs)		0.018348
<u>B. Basis for Fixed Charge Rate Percentages:</u>			
1. Depreciation Rate is the actual depreciation expense divided by year end investment in distribution plant as provided on RUS Form 7.			
	Depreciation Expense	Dist Plant	Ratio
	\$2,298,810	\$65,560,973	0.0351
2. Distribution O & M rate is the actual distribution O & M expense divided by the year end investment in distribution plant as provided on RUS Form 7.			
	Dist O&M	Dist Plant	Ratio
	\$4,064,116	\$65,560,973	0.0620
3. Admin & General expenses are divided by the year end investment in distribution plant.			
	A & G Exp	Dist Plant	Ratio
	\$3,336,090	\$65,560,973	0.0509

FARMERS RURAL ELECTRIC COOPERATIVE			
DEVELOPMENT OF ADDER FOR ADDITIONAL METER COSTS			
<u>Data comes from 2011 Cooperative's Form 7 except CP data</u>			
4. Return is based Actual Debt and Interest for the Test Year and Return on Equity based on TIER of 2.00. (Margins equal Interest Costs).			
<u>Capital Structure</u>			<u>%</u>
Debt	\$ 41,241,592		74.96%
Equity (Excludes GTCC)	13,777,251		25.04%
	55,018,843		100.00%
<u>Interest and Equity Computations</u>			
Interest on LTD Using Interest Costs for 2011		\$ 1,987,320	
Margins Would be Equal to Interest for 2.0 TIER		\$ 1,987,320	
		\$ 3,974,640	
<u>Return on Capital</u>			<u>Composite</u>
Return on Debt	4.82%		3.61%
Return on Equity	14.42%		3.61%
			7.22%
<u>C. Customer Charge Adder</u>			
1. Incremental Costs Associated with Prepay		\$ 151.38	
2. Annual Fixed Charge Rate from A. above			22.02%
3. Annual Costs for Distribution Lines		\$ 33.33	
4. Divide by 12 for monthly rate		\$ 2.78	
5. Plus Monthly Communication Fees (4 @ 10 Cents Each)			0.40
6. Monthly Customer Cost		\$ 3.18	