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Commonwealth of Kentucky  
**Public Service Commission**  
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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

June 25, 2014

## PARTIES OF RECORD

Re: Case No. 2014-00051

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter. If you have any questions, please contact Jonathan Beyer, Commission Counsel, at 502/782-2581.

Sincerely,

A handwritten signature in black ink that reads "Stephane Bell to JD".

Jeff Derouen  
Executive Director

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Case File – Case No. 2014-00051

**FROM:** Jonathan Beyer, Staff Attorney

**DATE:** June 25, 2014

**RE:** Informal Conference of June 18, 2014

Pursuant to the Commission's June 10, 2014 Order, an informal conference was held in this matter on June 18, 2014. A list of attendees is attached.

Beginning the conference, Isaac Scott for East Kentucky Power Cooperative ("EKPC") explained that due to certain timing issues with the initiation and conclusion of environmental surcharge cases, its member cooperatives generally experience a rolling under-recovery over-recovery pattern subsequent to each case. Mr. Scott distributed two handouts, copies of which are attached, to illustrate the issue. He stated that due to the manner in which the surcharges and any over or under-recoveries are assessed, the result is that the over or under-recoveries are never fully recovered, but are instead re-amortized in the next environmental surcharge case. In response to Staff questioning, Mr. Scott indicated that each cooperative has unique circumstances that account for the fact that all the cooperatives are not equally impacted by the issue.

Bill Prather, for Farmers Rural Electric Cooperative Corporation ("Farmers RECC") followed with a specific discussion on the impact of the current treatment of the environmental surcharge mechanism on Farmers RECC's operations. He stated that significant swings between cases in over to under-recoveries can cause financial hardship on the utility. He asserted that a normalized surcharge to take into account the significant swings would aid the cooperatives operations and financial conditions.

As one avenue of alleviating the concern, the parties suggested removing the previous over or under-recovered amount from new surcharge cases, before calculating the new over or under-recovery so as to avoid re-amortizing the previous amount in the new case. The parties agreed to submit information regarding the alternative calculation of the surcharge, no later than June 30, 2014, to include revised information from the inception point of the environmental surcharge to the current period, along with testimony, a revised total bill impact for residential customers and the preferred amortization period of each cooperative.

Finally, counsel for EKPC, David Samford, stated that a follow-up informal conference and or a formal hearing may be requested after the information is submitted and reviewed by Staff.

Finding that no party had any further questions, the conference was adjourned.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL ) CASE NO.  
SURCHARGE MECHANISM OF EAST KENTUCKY ) 2014-0051  
POWER COOPERATIVE, INC. FOR THE SIX- )  
MONTH BILLING PERIOD ENDING DECEMBER )  
31, 2013 AND THE PASS THROUGH MECHANISM )  
FOR ITS SIXTEEN MEMBER DISTRIBUTION )  
COOPERATIVES )

June 18, 2014

Please sign in:

NAME	REPRESENTING
<u>David S. Sanford</u>	<u>Goss Sanford - EKPC</u>
<u>William T. Prather</u>	<u>FARMERS RECC</u>
<u>Mike McAlleg</u>	<u>EKPC</u>
<u>ISAAC S. SCOTT</u>	<u>EKPC</u>
<u>Jim Crawb-l</u>	<u>DEC</u>
<u>Ann Wood</u>	<u>Owen Electric</u>
<u>Sharon K. Carson</u>	<u>Jackson Energy Corp</u>
<u>Mark R. Keene</u>	<u>Jackson Energy</u>
<u>Michelle Herrman</u>	<u>South Kentucky</u>
<u>JEFF Greer</u>	<u>South Kentucky</u>
<u>PATRICK WOODS</u>	<u>EKPC</u>
<u>Holly EADES</u>	<u>Clark Energy</u>

Jennie Phelps

Barbara Elliott

Robert Tolliver

Debra Martin

Joni Hazelrigg

JOHN MAY

SHAWN WEST

John Pattesson

Jonathan Beyer

Errol KWagner

Ronald Handlyote

Sheree Gilliam

Billy Frasure

Don Combs

Carol Fraley

Brad Sherry

Farmers RECC

Cumberland Valley Electric

Cumberland Valley Electric

Shelby Energy

Fleming - Mason Energy

LICKING VALLEY RECC

OWEN ELECTRIC

Taylor Co RECC

PSC

KPSC

PSC

Inter-County Energy Cooperative

Big Sandy RECC

Grayson RECC

Grayson RECC

Grayson RECC

via telephone -

1 ESAmortizationSummary.xlsx  
 2 Schedule of Previous Surcharge Amortizations  
 3 Under-Recoveries are Positives; Over-Recoveries are Negatives  
 4  
 5  
 6

	Case No. 2011-00032	Case No. 2012-00486	Case No. 2013-00140	Case No. 2013-00324	- As Filed - Case No. 2014-00051	<b>Net Amounts</b> Case Nos. 2012-00486 & 2013-00140
7 Member						
8						
9						
10 Big Sandy	(\$40,811)	\$110,864	(\$25,665)	(\$32,142)	(\$90,404)	\$85,199
11						
12 Blue Grass	\$1,315,474	(\$1,239,110)	\$333,071	(\$250,083)	\$658,068	(\$906,039)
13						
14 Clark	(\$189,538)	\$337,504	(\$5,610)	(\$17,217)	(\$252,493)	\$331,894
15						
16 Cumberland Valley	\$543,136	(\$519,785)	\$84,550	(\$118,883)	\$307,701	(\$435,235)
17						
18 Farmers	(\$184,825)	\$871,355	\$88,467	(\$60,326)	(\$604,892)	\$959,822
19						
20 Fleming-Mason	\$148,729	\$11,065	(\$249,832)	\$224,864	(\$104,500)	(\$238,767)
21						
22 Grayson	\$42,334	(\$2,927)	(\$36,087)	\$7,911	(\$118,754)	(\$39,014)
23						
24 Inter-County	(\$119,461)	\$320,791	(\$12,367)	(\$27,303)	(\$219,099)	\$308,424
25						
26 Jackson Energy	\$645,121	(\$491,149)	(\$24,892)	\$49,366	\$151,422	(\$516,041)
27						
28 Licking Valley	(\$29,530)	\$48,273	(\$3,106)	(\$701)	(\$93,387)	\$45,167
29						
30 Nolin	(\$354,260)	\$470,315	\$66,259	(\$14,575)	(\$497,051)	\$536,574
31						
32 Owen	(\$809,353)	\$2,417,387	(\$51,738)	(\$117,550)	(\$1,754,800)	\$2,365,649
33						
34 Salt River	\$938,688	(\$698,669)	\$150,490	(\$163,599)	\$219,205	(\$548,179)
35						
36 Shelby	\$249,902	(\$180,054)	\$70,110	(\$69,628)	\$34,990	(\$109,944)
37						
38 South Kentucky	\$1,560,991	(\$1,730,504)	\$169,367	(\$360,764)	\$1,109,224	(\$1,561,137)
39						
40 Taylor County	(\$196,251)	\$292,103	\$29,864	(\$43,006)	(\$247,307)	\$321,967
41						

42 All amounts amortized over 6 month periods.

Under-recoveries are shown as positives because this amount had to be collected from customers.  
 Over-recoveries are shown as negatives because this amount had to be returned to customers.

ESAmortizationSummary.xlsx  
 Comparison of Billing Periods, Review Cases, and Amortization Periods

Month	Case No. 2011-00032	Case No. 2012-00486	Case No. 2013-00140	Case No. 2013-00324	Case No. 2014-00051	
July-10						
August-10						
September-10	Billing Period single 6 Month Review					
October-10						
November-10						
December-10						
January-11						
February-11		Billing Period Last 6 Months of 2 Year Review and two 6 Month Reviews				
March-11	Review Case Processing					
April-11						
May-11						
June-11						
July-11						
August-11						
September-11	Amortization Period					
October-11						
November-11						
December-11						
January-12						
February-12						
March-12						
April-12						
May-12						
June-12						
July-12						
August-12						
September-12			Billing Period single 6 Month Review			
October-12						
November-12		Review Case Processing				
December-12						
January-13						
February-13						
March-13				Billing Period Last 6 Months of 2 Year Review		
April-13						
May-13						
June-13						
July-13			Review Case Processing			
August-13						
September-13					Billing Period single 6 Month Review	
October-13						
November-13		Amortization Period				
December-13						
January-14				Amortization Period	Review Case Processing	
February-14						
March-14						
April-14						
May-14						
June-14						
July-14						
August-14				Amortization Period	Review Case Processing (based on Procedural)	
September-14						
October-14						
November-14						
December-14						