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July 8, 2014

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

Re: Case No. 2014-00051

Dear Mr. Derouen:

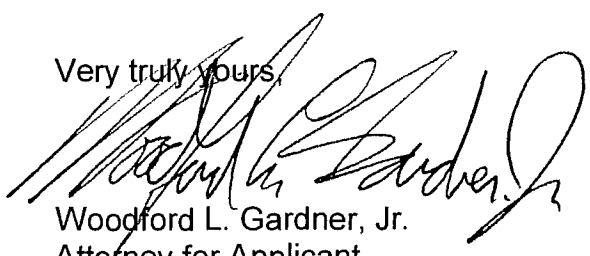
Enclosed for filing is the original and five (5) copies of the response to Commission Staff's Second Request for Information, regarding the Examination of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. and the Pass Through Mechanism for its Sixteen Member Distribution Cooperative.

The applicant, Farmers Rural Electric Cooperative Corporation ("Farmers"), makes the following response as follows:

1. The witness who is prepared to answer questions concerning the request is William T. Prather.
2. William T. Prather, President & CEO of Farmers, is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and exhibit are attached hereto and incorporated by referenced herein.

Thank you for your assistance.

Very truly yours,


Woodford L. Gardner, Jr.
Attorney for Applicant

Enclosures

RECEIVED

JUL 09 2014

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION)	
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF)	
EAST KENTUCKY POWER COOPERATIVE, INC. FOR THE)	CASE NO.
SIX-MONTH BILLING PERIOD ENDING DECEMBER 31, 2013)	2014-00051
AND THE PASS THROUGH MECHANISM FOR ITS)	
SIXTEEN MEMBER DISTRIBUTION COOPERATIVES)	

CERTIFICATE

William T. Prather, being duly sworn, states that he has supervised the preparation of the response of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff’s Second Request for Information in regards to East Kentucky Power Cooperative, Inc.’s Sixteen Member Distribution Cooperatives in the above-referenced case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

William T. Prather

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF BARREN)

Subscribed and sworn to before me by William T. Prather, President & CEO of Farmers Rural Electric Cooperative Corporation this 8th day of July, 2014.

Jeff Inman
Notary Public
ID: 466934

My Commission Expires: 6/18/16

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00051
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Request 1.

This question is addressed to each of the member distribution cooperatives. To further Staff's understanding of how environmental surcharge expenses and revenues impact a cooperative's financial position, explain how the transactions are recorded on your books and provide representative journal entries showing account numbers and descriptions.

Response 1.

As of December 31, 2011, the EKPC power bill is recorded in the month in which the cost is incurred. For example, on the Farmers RECC books, the power bill for July 2013 was recorded in July 2013 with the following account numbers and descriptions:

		<u>Debit</u>	<u>Credit</u>
555.00	Purchased Power	\$xxx.xx	
232.31	Accounts Payable		\$xxx.xx

The environmental surcharge billed to members is recorded when the invoice is issued to the member. The revenue is classified by member classes, using the following account numbers and descriptions:

		<u>Debit</u>	<u>Credit</u>
142.10	Customer Accts Receivable	\$xxx.xx	
440.10	Residential Sales		\$xxx.xx
442.10	Small Commercial		\$xxx.xx
442.20	Large Commercial		\$xxx.xx
444.00	Public Street & Highway Lighting		\$xxx.xx

Witness: William T. Prather

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00051
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Request 2.

This question is addressed to each of the member distribution cooperatives. Refer to the responses to the Commission Staff's First Request for information, Item 2.a., for your cooperative.

Request 2a.

Using the month of July 2013 as an example, for the amount shown in the column titled "EKPC Invoice Month recorded on Member's Books," for your cooperative, provide the month in which the expenses are incurred by EKPC and when this amount was billed to the member cooperative.

Response 2a.

The amount shown for July 2013 reflected EKPC's expensed incurred for June 2013. This amount was passed to distribution members for bills dated on or after August 1, 2013. Based on cycle billing, members could have usage in July, August, or both months.

Witness: William T. Prather

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2014-00051
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Request 2b.

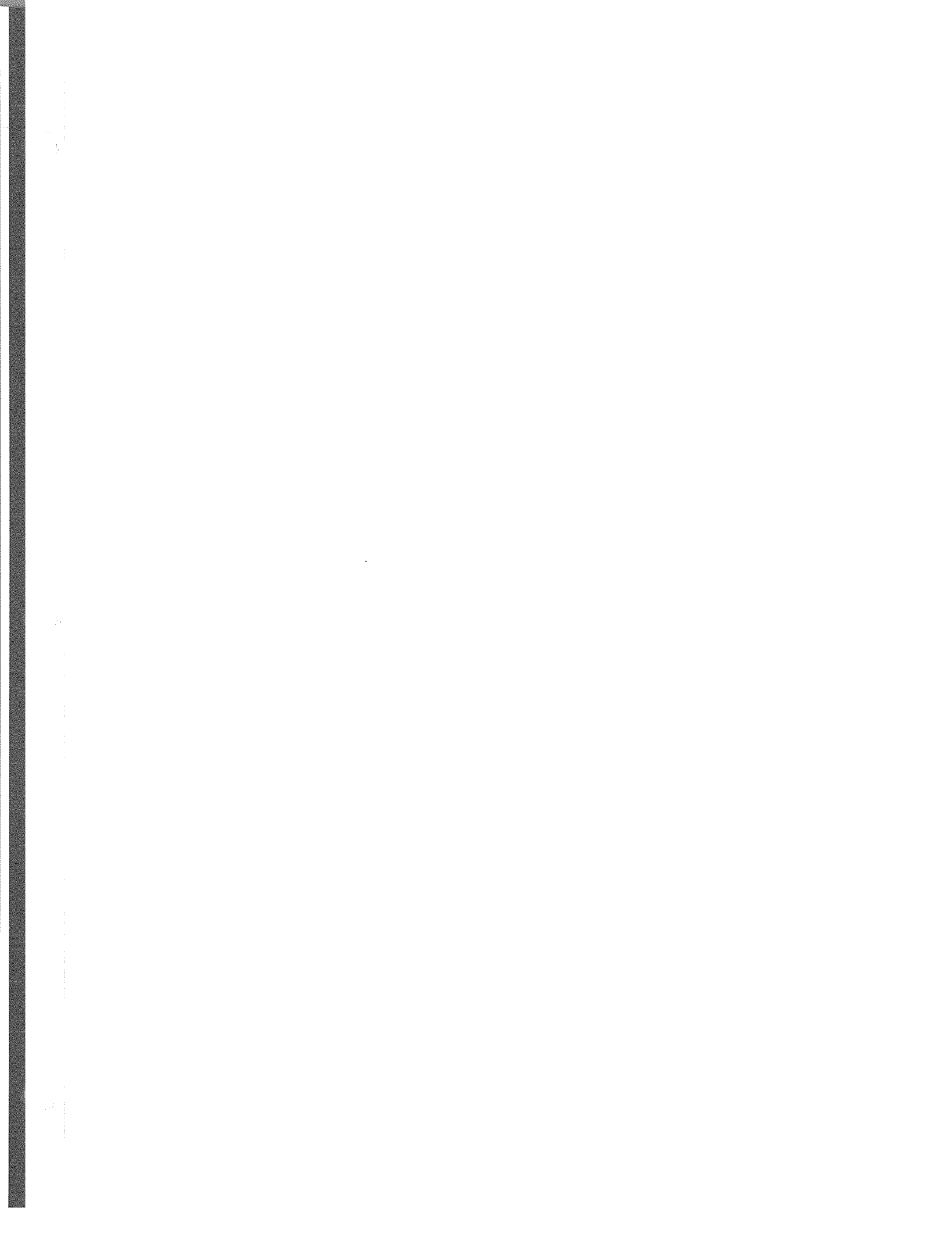
Using the month of July 2013 as an example, for the amount shown in the column titled "Billed to Retail Consumer & Recorded on Member's Books," for your cooperative, provide the pass-through factor and the revenue amount to which it was applied to arrive at the amount shown.

Response 2b.

For July 2013, the pass-through factor was 12.90%. Farmers' net revenue requirements for the month totaled \$474,826.00.

See Exhibit A.

Witness: William T. Prather



East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
Pass Through Mechanism Report for Farmers RECC

For the Month Ending May 2013

Surcharge Factor Expense Month	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Farmers	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Farmers	EKPC 12-months Ended Average Monthly Revenue from Sales to Farmers	Farmers Revenue Requirement	Amortization of (Over)/Under Recovery	Farmers Net Revenue Requirement	Farmers Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Farmers Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	Farmers Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col. (3) x Col. (7)		Col. (8) + Col. (9)			Col. (11) - Col. (12)		Col. (10) / Col. (14)
Jun-11	13.99%	0.00%	13.99%	\$ 2,677,507		\$ 2,677,507	\$ 2,575,351	\$ 360,292	\$ -	\$ 360,292	\$ 3,260,194		\$ 3,260,194	\$ 3,805,833	8.87%
Jul-11	13.15%	0.00%	13.15%	\$ 3,079,925		\$ 3,079,925	\$ 2,585,312	\$ 339,989	\$ (30,804)	\$ 309,165	\$ 4,323,049		\$ 4,323,049	\$ 3,615,834	8.57%
Aug-11	11.28%	0.00%	11.28%	\$ 2,989,363		\$ 2,989,363	\$ 2,589,961	\$ 292,148	\$ (30,804)	\$ 261,344	\$ 3,890,821		\$ 3,890,821	\$ 3,609,569	7.23%
Sep-11	12.01%	0.00%	12.01%	\$ 2,327,029		\$ 2,327,029	\$ 2,596,484	\$ 311,838	\$ (30,804)	\$ 281,034	\$ 2,894,220		\$ 2,894,220	\$ 3,604,027	7.79%
Oct-11	14.85%	0.00%	14.85%	\$ 2,126,204		\$ 2,126,204	\$ 2,626,376	\$ 390,017	\$ (30,804)	\$ 359,213	\$ 3,193,574		\$ 3,193,574	\$ 3,612,083	9.97%
Nov-11	15.11%	0.00%	15.11%	\$ 2,431,137		\$ 2,431,137	\$ 2,859,391	\$ 401,834	\$ (30,804)	\$ 371,030	\$ 3,740,379		\$ 3,740,379	\$ 3,625,030	10.27%
Dec-11	14.21%	0.00%	14.21%	\$ 2,813,245		\$ 2,813,245	\$ 2,618,360	\$ 372,069	\$ (30,804)	\$ 341,265	\$ 4,150,036		\$ 4,150,036	\$ 3,603,123	9.41%
Jan-12	12.09%	0.00%	12.09%	\$ 3,030,904		\$ 3,030,904	\$ 2,578,406	\$ 311,729	\$ -	\$ 311,729	\$ 4,108,627		\$ 4,108,627	\$ 3,553,768	8.65%
Feb-12	10.78%	0.00%	10.78%	\$ 2,697,925		\$ 2,697,925	\$ 2,560,389	\$ 276,010	\$ -	\$ 276,010	\$ 3,575,840		\$ 3,575,840	\$ 3,521,771	7.77%
Mar-12	12.92%	0.00%	12.92%	\$ 2,199,686		\$ 2,199,686	\$ 2,546,831	\$ 328,051	\$ -	\$ 329,051	\$ 2,945,368		\$ 2,945,369	\$ 3,496,512	9.34%
Apr-12	14.94%	0.00%	14.94%	\$ 1,939,493		\$ 1,939,493	\$ 2,538,522	\$ 379,255	\$ -	\$ 379,255	\$ 2,968,246		\$ 2,968,246	\$ 3,514,864	10.85%
May-12	16.90%	0.00%	16.90%	\$ 2,381,701		\$ 2,381,701	\$ 2,556,177	\$ 431,994	\$ -	\$ 431,994	\$ 3,359,278		\$ 3,359,278	\$ 3,534,136	12.29%
Jun-12	15.55%	0.00%	15.55%	\$ 2,658,075		\$ 2,658,075	\$ 2,554,557	\$ 397,234	\$ -	\$ 397,234	\$ 3,970,742		\$ 3,970,742	\$ 3,593,348	11.24%
Jul-12	14.51%	0.00%	14.51%	\$ 3,080,477		\$ 3,080,477	\$ 2,554,803	\$ 370,673	\$ -	\$ 370,673	\$ 4,096,807		\$ 4,096,807	\$ 3,574,495	10.32%
Aug-12	14.13%	0.00%	14.13%	\$ 2,699,968		\$ 2,699,968	\$ 2,532,154	\$ 357,793	\$ -	\$ 357,793	\$ 3,548,260		\$ 3,548,260	\$ 3,545,948	10.01%
Sep-12	16.23%	0.00%	16.23%	\$ 2,279,035		\$ 2,279,035	\$ 2,528,154	\$ 410,319	\$ -	\$ 410,319	\$ 2,843,720		\$ 2,843,720	\$ 3,541,740	11.57%
Oct-12	17.57%	0.00%	17.57%	\$ 2,132,758		\$ 2,132,758	\$ 2,528,700	\$ 444,293	\$ -	\$ 444,293	\$ 3,342,760		\$ 3,342,760	\$ 3,554,172	12.54%
Nov-12	18.23%	0.00%	18.23%	\$ 2,615,595		\$ 2,615,595	\$ 2,544,072	\$ 483,784	\$ -	\$ 483,784	\$ 3,543,393		\$ 3,543,393	\$ 3,537,756	13.05%
Dec-12	14.81%	0.00%	14.81%	\$ 2,854,676		\$ 2,854,676	\$ 2,547,524	\$ 372,193	\$ -	\$ 372,193	\$ 4,302,313		\$ 4,302,313	\$ 3,550,446	10.52%
Jan-13	13.49%	0.00%	13.49%	\$ 3,119,470		\$ 3,119,470	\$ 2,554,905	\$ 344,657	\$ -	\$ 344,657	\$ 4,555,242		\$ 4,555,242	\$ 3,587,664	9.71%
Feb-13	12.61%	0.00%	12.61%	\$ 2,861,265		\$ 2,861,265	\$ 2,568,517	\$ 323,890	\$ -	\$ 323,890	\$ 4,026,058		\$ 4,026,058	\$ 3,625,182	9.03%
Mar-13	14.37%	0.00%	14.37%	\$ 2,893,886		\$ 2,893,886	\$ 2,826,367	\$ 377,409	\$ -	\$ 377,409	\$ 3,537,316		\$ 3,537,316	\$ 3,674,511	10.41%
Apr-13	14.27%	0.00%	14.27%	\$ 2,227,407		\$ 2,227,407	\$ 2,650,359	\$ 378,206	\$ -	\$ 378,206	\$ 3,032,999		\$ 3,032,999	\$ 3,678,907	10.29%
May-13	17.97%	0.00%	17.97%	\$ 2,285,310		\$ 2,285,310	\$ 2,642,327	\$ 474,826	\$ -	\$ 474,826					12.90%

Note:
Farmers Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.