

# **OWEN** *Electric*

A Touchstone Energy Cooperative 

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PUBLIC SERVICE  
COMMISSION

**Case No.  
2014-00051**

**SECOND REQUEST FOR INFORMATION OF THE  
PUBLIC SERVICE COMMISSION**

**OWEN ELECTRIC COOPERATIVE, INC.**

**8205 Hwy 127 N**

**PO Box 400**

**Owenton, KY 40359**

**502-484-3471**

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July 11, 2014

Mr. Jeffrey Derouen  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

RE: PSC Case No. 2014-00051

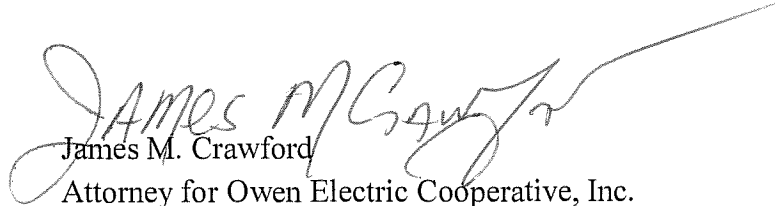
Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and five copies of the responses of Owen Electric Cooperative, Inc. to the Commission Staff's Second Request for Information to East Kentucky Power Cooperative, Inc.'s Sixteen Member Distribution Cooperatives, dated July 1, 2014.

Please contact me with any questions.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.

  
James M. Crawford  
Attorney for Owen Electric Cooperative, Inc.

cc: Parties of Record

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 SIX MONTH BILLING PERIOD ) CASE NO. 2014-00051  
 ENDING DECEMBER 31, 2013 AND THE PASS )  
 THROUGH MECHANISM FOR ITS SIXTEEN )  
 MEMBER DISTRIBUTION COOPERATIVES )

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF OWEN )

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the response of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's Second Request for Information to East Kentucky Power Cooperative, Inc.'s Sixteen Member Distribution Cooperatives dated July 1, 2014 in the above-referenced case, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F Wood

Subscribed and sworn before me on this 10 day of July, 2014.

Pamela R. McCrester  
 Notary Public



**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2014-00051**

**ENVIRONMENTAL SURCHARGE MECHANISM**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO EAST  
KENTUCKY POWER COOPERATIVE, INC.'S SIXTEEN MEMBER DISTRIBUTION  
COOPERATIVES DATED 07/01/2014**

**REQUEST 1**

**RESPONSIBLE PARTY: Ann F. Wood**

**Request 1:** This request 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:** Environmental expenses are not incurred at the distribution cooperative level; rather, EKPC incurs the environmental expenses at the generation and transmission cooperative level, calculates a wholesale environmental surcharge factor based, in part, on these expenses, and calculates a corresponding pass-through factor to the distribution cooperatives. The transactions that impact Owen Electric's financial position are the monthly entries to record over- and under- recoveries.

Pages 4 through 6 of this response show "T-Accounts" representing regulatory assets or liabilities for Case Nos. 2012-00486, 2013-00140, 2013-00324, and 2014-00051. This presentation has been included to aid in the description of the journal entries provided and to show how the regulatory asset balance at December 31, 2012 changed to a regulatory liability by December 31, 2013. Pages 8 and 9 of this response provides journal entries made, along with account numbers and descriptions. Page 7 of this response is included for reference purposes

and represents EKPC's pass-through report provided to Owen Electric for the February 2014 expense month filing.

Effective for the year ending December 31, 2012, Owen Electric began using the regulatory accounting methodology in recording its environmental surcharge over- and under-recoveries, based upon the over- or under- recoveries presented to, and later authorized by, the Commission in each review case. At December 31, 2012, Owen Electric recorded a net regulatory asset and a corresponding increase in revenue in the amount of \$2,365,649 to account for the net under-recovery accumulated in Case Nos. 2012-00486 and 2013-00140. At the time, Owen Electric's main concern was the size of the under-recovery and the impact on its members upon the collection of this under-recovery. For that reason, in Case No. 2012-00486 Owen Electric requested Commission approval to amortize the regulatory asset over a 12-month period. This request was denied and Owen Electric was ordered to collect this amount from its members over a 6-month period. Unfortunately, this 6-month period included January 2014, which was one of the coldest months on record.

Since January 2013, Owen Electric has made monthly journal entries to consider the over- or under- recoveries arising from the difference between EKPC's surcharge billings and Owen Electric's surcharge billings. The entries made between January 2013 and August 2013 did not significantly impact Owen Electric's financial statements. However, after the Commission issued its Order in Case No. 2012-00486 which allowed amortization of this large regulatory asset to begin, Owen Electric began to see the negative impacts on its financial statements. The amortization of the regulatory asset itself was not the issue—when the regulatory asset was amortized, the impact on revenue was zero (see journal entries 3 and 3a, and 4 and 4a), as the amortization of the regulatory asset was offset by that month's additional billing to the members. The issue was the effect this amortization had on the calculation of over- and under- recoveries for the months included in the amortization period. Journal entry 6 shows the negative impact to revenue and, consequently, to operating and net margins. The impact these journal entries had to Owen Electric's margins effectively negated the 2013 impact of the base rate increase effective September 1, 2013 in Case No. 2012-00448. As discussed in the Informal Conference held on June 18, 2014, member distribution cooperatives are passing money back

and forth as a large under-recovery in one period will lead to a large over-recovery in the next period.

Page 6, lines 14-16, of the supplemental testimony of Isaac S. Scott filed with the Commission on June 30, 2014, describes the cooperatives' proposal to remove the amortization of over- or under- recoveries from the review cases. Page 10 of this response illustrates how the removal of the amortization would have drastically modified the over-recovery amount originally filed in this review case and, correspondingly, the impact to Owen Electric's operating and net margins. The cumulative over-recovery of \$169,076 as reflected on page 10 of this response is much more palatable than the cumulative over-recovery of \$1,754,800 as originally presented in this proceeding. Owen Electric respectfully requests that the Commission consider this proposed modification to the monthly over- and under- recovery calculation.

Owen Electric Cooperative, Inc.

"T-Account" Representation of Regulatory Asset/Liability Balances

Note: The numbers in parentheses correspond to the journal entry numbers provided on pages 8 and 9 of this response.

Case 2012-00486 Regulatory Asset--Account 182.40

Dec-12	(1)	\$ 2,417,387.00			
			\$ (402,898.00)	Sep-13	(3)(3a) amortized coincident with billing
			\$ (402,898.00)	Oct-13	(3)(3a)
			\$ (402,898.00)	Nov-13	(3)(3a)
			\$ (402,898.00)	Dec-13	(3)(3a)
			\$ (402,898.00)	Jan-14	(3)(3a)
			\$ (402,898.00)	Feb-14	(3)(3a)

Case No. 2013-00140 Regulatory Asset--Account 182.40

			\$ (51,738.00)	Dec-12	(1)	
Oct-13	(4)(4a)	\$ 8,623.00				amortized coincident with billing
Nov-13	(4)(4a)	\$ 8,623.00				
Dec-13	(4)(4a)	\$ 8,623.00				
Jan-14	(4)(4a)	\$ 8,623.00				
Feb-14	(4)(4a)	\$ 8,623.00				
Mar-14	(4)(4a)	\$ 8,623.00				



Case No. 2013-00324--Account 182.40

			\$ (195,905.00)	Jan-13	(2)	
			\$ (116,130.00)	Feb-13	(2)	
Mar-13	(2)	\$	50,426.00			
Apr-13	(2)	\$	54,532.00			
May-13	(2)	\$	34,064.00			
Jun-13	(2)	\$	55,462.00			\$ (117,551)

Case No. 2014-00051--Account 182.40/254.10

			\$ (123,084.00)	Jul-13	(5)	
Aug-13	(5)	\$	17,377.00	Sep-13	(6)	
			\$ (493,504.00)	Oct-13	(6)	
			\$ (417,041.00)	Nov-13	(6)	
			\$ (253,587.00)	Dec-13	(6)	
			\$ (484,960.83)			\$ (1,754,800)

Balance in account 182.40	
Balance 12/31/12	\$ 2,365,649.00
Balance 1/31/13	\$ 2,169,744.00
Balance 2/28/13	\$ 2,053,614.00
Balance 3/31/13	\$ 2,104,040.00
Balance 4/30/13	\$ 2,158,572.00
Balance 5/31/13	\$ 2,192,636.00
Balance 6/30/13	\$ 2,248,098.00
Balance 7/31/13	\$ 2,125,014.00
Balance 8/31/13	\$ 2,142,391.00
Balance 9/30/13	\$ 1,245,989.00
Balance 10/31/13	\$ 434,673.00
Balance 11/30/13	\$ (213,189.00) *
Balance 12/31/13	\$ (1,092,424.83) *

\*Reclassified to regulatory liability--account 254.10

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(8d)	(8e)	(8f)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
Surcharge Factor	EMPC BEP %	EMPC BEP %	EMPC Monthly Revenues from Sales to Own	On-peak Revenue Adjustment	EMPC Net Monthly Sales to Own	EMPC 12-months Ended Average Monthly Revenue from Sales to Own	Own Revenue Requirement	Gallatin Surcharge Revenue	Amortization of (Over)/Under Recovery of Gallatin Revenues	EKPC Schedule B Surcharge Revenues	Amortization of (Over)/Under Recovery of Revenues	Own Revenue Requirements exclusive of Gallatin and Schedule B	Amortization of (Over)/Under Recovery of Gallatin	Own Net Revenue Requirement exclusive of Gallatin + Sch B	Own Monthly Retail Revenues exclusive of Gallatin + Sch B	On-peak Retail Revenue Adjustment	Own Net Monthly Retail Revenues exclusive of Gallatin + Sch B	12-months ended Avg. Retail Revenues, Net Exclusive of Gallatin + Sch B	Own Pass Through Mechanism Factor/Net of Gallatin + Sch B	
Month	EMPC BEP %	EMPC BEP %	Col (6) - Col (7)	Col (5) - Col (4)	Col (6) - Col (7)	Col (7) - Col (8)	Col (8) - Col (9)	Col (9) - Col (10)	Col (10) - Col (11)	Col (11) - Col (12)	Col (12) - Col (13)	Col (13) - Col (14)	Col (14) - Col (15)	Col (15) - Col (16)	Col (16) - Col (17)	Col (17) - Col (18)	Col (18) - Col (19)	Col (19) - Col (20)	Col (20) - Col (21)	
Mar-12	12.92%	0.00%	\$ 9,180,345	\$ 1,254,754	\$ 360,959	\$ 9,171,721	\$ 1,254,754	\$ 360,959	\$ -	\$ 98,886	\$ -	\$ 764,909	\$ -	\$ 764,909	\$ 7,730,947	\$ 7,730,947	\$ 7,730,947	\$ 7,730,947	\$ 7,730,947	9.84%
Apr-12	14.94%	0.00%	\$ 7,970,314	\$ 1,443,682	\$ 416,940	\$ 9,683,199	\$ 1,443,682	\$ 416,940	\$ -	\$ 107,265	\$ -	\$ 915,577	\$ -	\$ 915,577	\$ 6,451,608	\$ 6,451,608	\$ 6,451,608	\$ 6,451,608	\$ 6,451,608	11.91%
May-12	16.90%	0.00%	\$ 9,111,053	\$ 1,635,946	\$ 464,109	\$ 9,683,199	\$ 1,635,946	\$ 464,109	\$ -	\$ 133,941	\$ -	\$ 1,037,896	\$ -	\$ 1,037,896	\$ 6,318,728	\$ 6,318,728	\$ 6,318,728	\$ 6,318,728	\$ 6,318,728	13.53%
Jun-12	15.55%	0.00%	\$ 9,854,764	\$ 1,504,870	\$ 535,468	\$ 9,677,619	\$ 1,504,870	\$ 535,468	\$ -	\$ 157,568	\$ -	\$ 811,844	\$ -	\$ 811,844	\$ 7,331,378	\$ 7,331,378	\$ 7,331,378	\$ 7,331,378	\$ 7,331,378	10.57%
Jul-12	14.51%	0.00%	\$ 10,833,473	\$ 1,402,518	\$ 489,280	\$ 9,655,870	\$ 1,402,518	\$ 489,280	\$ -	\$ 148,663	\$ -	\$ 755,575	\$ -	\$ 755,575	\$ 8,843,501	\$ 8,843,501	\$ 8,843,501	\$ 8,843,501	\$ 8,843,501	9.83%
Aug-12	14.13%	0.00%	\$ 10,596,976	\$ 1,360,969	\$ 527,282	\$ 9,655,870	\$ 1,360,969	\$ 527,282	\$ -	\$ 138,927	\$ -	\$ 693,760	\$ -	\$ 693,760	\$ 9,128,686	\$ 9,128,686	\$ 9,128,686	\$ 9,128,686	\$ 9,128,686	8.89%
Sep-12	16.23%	0.00%	\$ 8,844,054	\$ 1,599,162	\$ 386,097	\$ 9,600,508	\$ 1,599,162	\$ 386,097	\$ -	\$ 133,137	\$ -	\$ 1,038,928	\$ -	\$ 1,038,928	\$ 7,931,045	\$ 7,931,045	\$ 7,931,045	\$ 7,931,045	\$ 7,931,045	13.43%
Oct-12	17.57%	0.00%	\$ 8,652,155	\$ 1,694,576	\$ 514,869	\$ 9,644,712	\$ 1,694,576	\$ 514,869	\$ -	\$ 153,397	\$ -	\$ 1,026,310	\$ -	\$ 1,026,310	\$ 6,184,112	\$ 6,184,112	\$ 6,184,112	\$ 6,184,112	\$ 6,184,112	13.32%
Nov-12	16.24%	0.00%	\$ 9,144,311	\$ 1,770,307	\$ 672,764	\$ 9,716,018	\$ 1,770,307	\$ 672,764	\$ -	\$ 168,873	\$ -	\$ 928,970	\$ -	\$ 928,970	\$ 7,048,822	\$ 7,048,822	\$ 7,048,822	\$ 7,048,822	\$ 7,048,822	12.10%
Dec-12	14.61%	0.00%	\$ 10,805,911	\$ 1,476,116	\$ 522,128	\$ 9,689,823	\$ 1,476,116	\$ 522,128	\$ -	\$ 146,873	\$ -	\$ 631,260	\$ -	\$ 631,260	\$ 8,727,152	\$ 8,727,152	\$ 8,727,152	\$ 8,727,152	\$ 8,727,152	9.33%
Jan-13	13.49%	0.00%	\$ 11,102,093	\$ 1,304,270	\$ 455,694	\$ 9,689,823	\$ 1,304,270	\$ 455,694	\$ -	\$ 119,325	\$ -	\$ 846,581	\$ -	\$ 846,581	\$ 7,809,284	\$ 7,809,284	\$ 7,809,284	\$ 7,809,284	\$ 7,809,284	8.41%
Feb-13	12.61%	0.00%	\$ 10,340,774	\$ 1,224,600	\$ 444,336	\$ 9,711,344	\$ 1,224,600	\$ 444,336	\$ -	\$ 119,903	\$ -	\$ 846,581	\$ -	\$ 846,581	\$ 8,562,793	\$ 8,562,793	\$ 8,562,793	\$ 8,562,793	\$ 8,562,793	10.65%
Mar-13	14.37%	0.00%	\$ 10,464,263	\$ 1,409,836	\$ 419,659	\$ 9,878,717	\$ 1,409,836	\$ 419,659	\$ -	\$ 142,714	\$ -	\$ 847,463	\$ -	\$ 847,463	\$ 7,637,457	\$ 7,637,457	\$ 7,637,457	\$ 7,637,457	\$ 7,637,457	10.76%
Apr-13	14.27%	0.00%	\$ 8,606,868	\$ 1,793,956	\$ 563,221	\$ 9,983,059	\$ 1,793,956	\$ 563,221	\$ -	\$ 157,420	\$ -	\$ 1,053,315	\$ -	\$ 1,053,315	\$ 6,631,541	\$ 6,631,541	\$ 6,631,541	\$ 6,631,541	\$ 6,631,541	13.20%
May-13	17.09%	0.00%	\$ 10,531,263	\$ 1,715,740	\$ 662,184	\$ 10,039,436	\$ 1,715,740	\$ 662,184	\$ -	\$ 183,585	\$ -	\$ 848,971	\$ -	\$ 848,971	\$ 7,555,898	\$ 7,555,898	\$ 7,555,898	\$ 7,555,898	\$ 7,555,898	10.62%
Jun-13	15.77%	0.00%	\$ 10,541,762	\$ 1,578,365	\$ 594,450	\$ 10,015,126	\$ 1,578,365	\$ 594,450	\$ -	\$ 176,185	\$ -	\$ 808,770	\$ -	\$ 808,770	\$ 8,742,963	\$ 8,742,963	\$ 8,742,963	\$ 8,742,963	\$ 8,742,963	15.11%
Jul-13	15.77%	0.00%	\$ 10,741,227	\$ 1,553,205	\$ 582,148	\$ 10,027,147	\$ 1,553,205	\$ 582,148	\$ -	\$ 153,813	\$ -	\$ 817,244	\$ -	\$ 817,244	\$ 8,725,463	\$ 8,725,463	\$ 8,725,463	\$ 8,725,463	\$ 8,725,463	15.12%
Aug-13	14.93%	0.00%	\$ 9,303,634	\$ 1,501,527	\$ 480,259	\$ 10,057,112	\$ 1,501,527	\$ 480,259	\$ -	\$ 142,241	\$ -	\$ 878,780	\$ -	\$ 878,780	\$ 8,035,455	\$ 8,035,455	\$ 8,035,455	\$ 8,035,455	\$ 8,035,455	15.69%
Sep-13	16.65%	0.00%	\$ 8,185,439	\$ 1,672,041	\$ 433,252	\$ 10,018,119	\$ 1,672,041	\$ 433,252	\$ -	\$ 131,785	\$ -	\$ 1,107,004	\$ -	\$ 1,107,004	\$ 7,022,450	\$ 7,022,450	\$ 7,022,450	\$ 7,022,450	\$ 7,022,450	18.68%
Oct-13	17.43%	0.00%	\$ 9,555,378	\$ 1,737,621	\$ 569,315	\$ 9,969,141	\$ 1,737,621	\$ 569,315	\$ -	\$ 146,758	\$ -	\$ 994,275	\$ -	\$ 994,275	\$ 8,137,456	\$ 8,137,456	\$ 8,137,456	\$ 8,137,456	\$ 8,137,456	17.47%
Nov-13	14.54%	0.00%	\$ 10,927,297	\$ 1,461,890	\$ 609,310	\$ 10,054,265	\$ 1,461,890	\$ 609,310	\$ -	\$ 165,180	\$ -	\$ 687,400	\$ -	\$ 687,400	\$ 6,647,005	\$ 6,647,005	\$ 6,647,005	\$ 6,647,005	\$ 6,647,005	13.29%
Dec-13	10.92%	0.00%	\$ 12,189,045	\$ 1,107,817	\$ 464,733	\$ 10,144,844	\$ 1,107,817	\$ 464,733	\$ -	\$ 142,566	\$ -	\$ 460,528	\$ -	\$ 460,528	\$ 10,066,969	\$ 10,066,969	\$ 10,066,969	\$ 10,066,969	\$ 10,066,969	5.74%
Jan-14	10.92%	0.00%	\$ 12,189,045	\$ 1,107,817	\$ 464,733	\$ 10,144,844	\$ 1,107,817	\$ 464,733	\$ -	\$ 142,566	\$ -	\$ 460,528	\$ -	\$ 460,528	\$ 11,546,443	\$ 11,546,443	\$ 11,546,443	\$ 11,546,443	\$ 11,546,443	1.22%
Feb-14	5.44%	0.00%	\$ 10,659,966	\$ 594,233	\$ 340,150	\$ 10,186,110	\$ 594,233	\$ 340,150	\$ -	\$ 113,157	\$ -	\$ 100,926	\$ -	\$ 100,926	\$ 8,431,277	\$ 8,431,277	\$ 8,431,277	\$ 8,431,277	\$ 8,431,277	1.22%

Notes:  
Owen Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.  
Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.  
In September 2011 discovered an error in the Owen Revenues reported in Column 11 for April 2011; corrected revenues included in this schedule. Correction for the period May - August 2011 will be addressed in six-month review.

Owen Electric Cooperative, Inc.  
Journal Entries

Note: Journal entry numbers correspond to the parenthetical numbers on pages 4 through 6 of this response. Owen Electric has summarized the revenue accounts affected by reflecting the 3-digit RUS account numbers only (440, 442, 444, 445).

(1) To record the net under-recovery as filed in the records of Case Nos. 2012-00486 and 2013-00140 to reflect the future net refund to members.

Posted December 31, 2012

182.40	Regulatory Asset	\$ 2,365,649.00	
	Revenue 440, 442, 444, 445		\$ (2,365,649.00)

(2) To record monthly over- or under recoveries occurring in the normal course of business, which later became a part of the record in Case No. 2013-00324.

Posted January and February 2013:

Revenue 440, 442, 444, 445		\$ 312,035.00	
182.4	Regulatory Asset		\$ (312,035.00)

Posted March through June 2013

182.4	Regulatory Asset	\$ 194,484.00	
	Revenue 440, 442, 444, 445		\$ (194,484.00)

(3) To record monthly amortization of the regulatory asset as approved by the Commission's Order dated August 2, 2013 in Case No. 2012-00486. The amortization corresponds with the period billed as discussed in the description to journal entry (3a).

Monthly entry of \$402,898 made September 2013-February 2014

Revenue 440, 442, 444, 445		\$ 2,417,388.00	
182.4	Regulatory Asset		\$ (2,417,388.00)

(3a) Coincident with the timing of amortization outlined in journal entry (3), Owen Electric billed the environmental surcharge factor which included the monthly amortization. See Page 7 of this response which reflects EKPC's pass-through calculation. The July through December 2013 pass-through calculations were billed (in the form of a collection) by Owen Electric September 2013 through February 2014.

While not a manual journal entry, the following occurred through the monthly billings September 2013-February 2014.

142	Accounts Receivable	\$ 2,417,388.00	
	Revenue 440, 442, 444, 445		\$ (2,417,388.00)

(4) To record monthly amortization of the regulatory liability as approved by the Commission's Order

dated September 17, 2013 in Case No. 2013-00140. The amortization corresponds with the period billed as discussed in the description to journal entry (4a).

Monthly entry of \$8,623 made October 2013-March 2014

182.4	Regulatory Asset	\$	51,738.00	
	Revenue 440, 442, 444, 445			\$ (51,738.00)

(4a) Coincident with the timing of amortization outlined in journal entry (4), Owen Electric billed the environmental surcharge factor which included the monthly amortization. See Page 7 of this response which reflects EKPC's pass-through calculation. The August 2013 through January 2014 pass-through calculations were billed (in the form of a refund) by Owen Electric October 2013 through March 2014.

While not a manual journal entry, the following occurred through the monthly billings October 2013-March 2014.

	Revenue 440, 442, 444, 445	\$	51,738.00	
142	Accounts Receivable			\$ (51,738.00)

(5) To record monthly over- or under recoveries occurring in the normal course of business, which later became a part of the record in Case No. 2014-00051.

Posted July and August 2013 (net reflected):

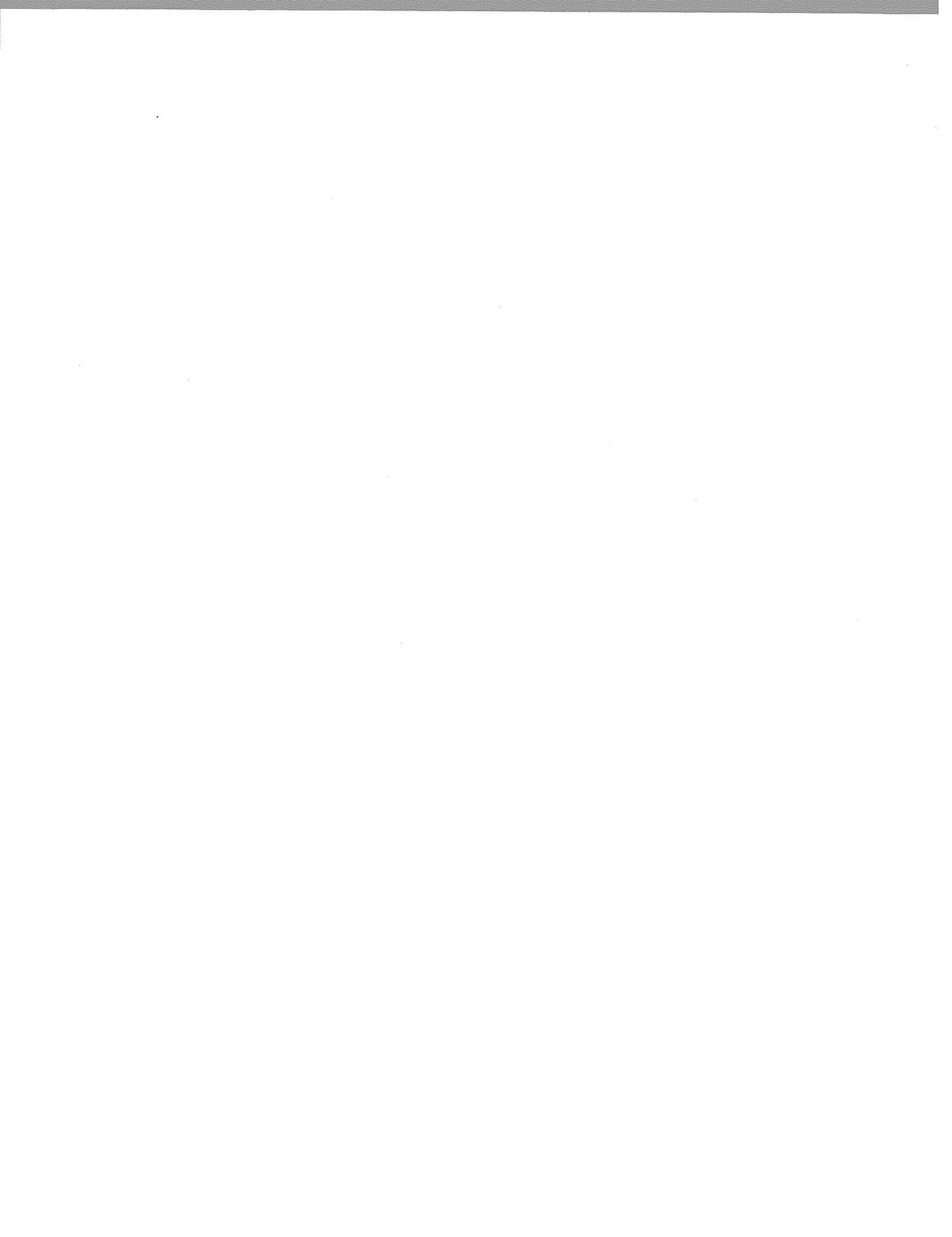
	Revenue 440, 442, 444, 445	\$	105,707.00	
182.4	Regulatory Asset			\$ (105,707.00)

(6) This set of entries led to Owen Electric's margin instability concerns as stated in the response to Request 2 of Commission Staff's First Request for Information filed April 4, 2014. The amortization of the under-recovery described in journal entry (3) [the impact of journal entry (4) was immaterial] caused a huge over-recovery. The booking of these journal entries effectively negated Owen Electric's base rate increase that was effective September 1, 2013.

	Revenue 440, 442, 444, 445	\$	1,649,093.00	
254.1	Regulatory Liability			\$ (1,649,093.00)

Owen Electric Cooperative, Inc.--(Over)/Under--All Others

Mo/Yr	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Remove Amortizations of Previous (Over)/Under Recoveries in Case Nos. 2012- 00486 and 2013- 00140	Net Billed to Retail Consumer	Monthly (Over) or Under Recovery	Cumulative (Over) or Under Recovery
Jul-13	\$ 1,030,973.00	\$ 1,154,057.00	\$ -	\$ 1,154,057.00	\$ (123,084.00)	\$ (123,084.00)
Aug-13	\$ 957,932.00	\$ 940,554.00	\$ -	\$ 940,554.00	\$ 17,378.00	\$ (105,706.00)
Sep-13	\$ 818,365.00	\$ 1,311,869.00	\$ (402,898.00)	\$ 908,971.00	\$ (90,606.00)	\$ (196,312.00)
Oct-13	\$ 657,050.00	\$ 1,074,091.00	\$ (394,275.00)	\$ 679,816.00	\$ (22,766.00)	\$ (219,078.00)
Nov-13	\$ 878,717.00	\$ 1,132,304.00	\$ (394,275.00)	\$ 738,029.00	\$ 140,688.00	\$ (78,390.00)
Dec-13	\$ 1,130,138.00	\$ 1,615,099.00	\$ (394,275.00)	\$ 1,220,824.00	\$ (90,686.00)	\$ (169,076.00)



**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2014-00051**

**ENVIRONMENTAL SURCHARGE MECHANISM**

**RESPONSE TO INFORMATION REQUEST**

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO EAST  
KENTUCKY POWER COOPERATIVE, INC.'S SIXTEEN MEMBER DISTRIBUTION  
COOPERATIVES DATED 07/01/2014**

**REQUEST 2**

**RESPONSIBLE PARTY: Ann F. Wood**

**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:** Using July 2013 as an example, the amount shown in the column titled "EKPC Invoice Month Recorded on Member's Books" represents June expenses incurred by EKPC. This amount was billed to Owen Electric on August 1, 2013 and represents the billing for the environmental surcharge for service rendered during the month of July.

**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 Gallatin Steel and Owen Electric's Schedule B customers, the amounts in the column titled "Billed to Retail Consumer & recorded on Member's Books" represent a direct pass-through of the amounts billed by EKPC for service rendered during the month of July. These amounts are based on the EKPC's wholesale factor of 17.09% (filed for the June 2013 expense month.) For all other customers of Owen Electric, the pass-through factor billed was 13.20% on total revenues of \$8,742,963. (Note:  $13.2\% \times \$8,742,963 = \$1,154,071$ . The difference is due to rounding, as amount filed in EKPC's response to Request 2a for Owen Electric reflected \$1,154,057.) The 13.20% pass-through factor was filed by EKPC on Owen Electric's behalf as part of the May 2013 expense month filing. Please see page 7 of the response to Request 1.