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Allen Anderson, President & CEO

August 22, 2014

RECEIVED  
AUG 22 2014  
PUBLIC SERVICE  
COMMISSION

Mr. Jeff R. Derouen, Executive Director  
Public Service Commission  
PO Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

RE: PSC Case No. 2014-00051

Dear Mr. Derouen:

Please find enclosed an original and five copies of the response to the Commission Staff's Third Request for Information to East Kentucky Power Cooperative Inc.'s Sixteen Member Distribution Cooperatives order of August 7, 2014.

If additional information is needed, please advise.

Respectfully,

*Michelle D. Herrman*

Michelle D. Herrman  
Vice President of Finance

MDH:ak

Enclosures

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIROMENTAL )  
SURCHARGE MECHANISM OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR THE SIX )  
MONTH BILLING PERIOD ENDING )  
DECEMBER 31, 2013 AND THE PASS THROUGH )  
MECHANISM FOR ITS SIXTEEN MEMBER )  
DISTRIBUTION COOPERATIVES )

CASE NO.  
2014-00051

CERTIFICATE

STATE OF KENTUCKY

COUNTY OF PULASKI

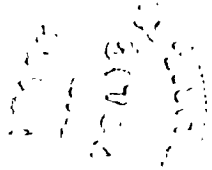
Michelle D. Herrman, being duly sworn, states that she has supervised the preparation of the Responses of South Kentucky RECC to the Public Service Commission Staff's Third Data Request for Information contained in the above-referenced case dated August 7, 2014, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle D. Herrman

Subscribed and sworn before me on the 22 day of August, 2014.

Cathy Jones  
Notary Public

My commission expires 8/19/15.





SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 6:** This question is addressed to all member cooperatives. Refer to each member cooperative's July 31, 2013 monthly pass-through filing.

**Request 6a:** Provide the numerator used in the calculation of the respective member cooperative's pass-through mechanism factor, along with the expense month with which the numerator is associated.

**Response 6a:** The numerator is \$798,026. The numerator is the result of the July 2013 expense month of East Kentucky Power. See item 6 continued, page 2 of 3.

**Request 6b:** Provide the denominator used in the calculation of the respective member cooperative's pass-through mechanism factor, along with the calculations and the months supporting the calculations of the denominator.

**Response 6b:** The denominator is \$9,618,322. The denominator is the twelve month average of South Kentucky's Net Monthly Retail Revenues for the months of July 2012 through June 2013, as shown in the following table. See item 6 continued, page 2 of 3.

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky 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)
Aug-11	11.28%	0.00%	11.28%	\$ 7,355,117		\$ 7,355,117	\$ 6,899,842	\$ 778,280	\$ 260,165	\$ 1,038,445	\$ 10,270,581		\$ 10,270,581	\$ 9,368,585	11.13%
Sep-11	12.01%	0.00%	12.01%	\$ 5,845,122		\$ 5,845,122	\$ 6,915,662	\$ 830,571	\$ 260,165	\$ 1,090,736	\$ 9,536,854		\$ 9,536,854	\$ 9,352,003	11.64%
Oct-11	14.85%	0.00%	14.85%	\$ 5,673,946		\$ 5,673,946	\$ 7,006,173	\$ 1,040,417	\$ 260,165	\$ 1,300,582	\$ 7,318,628		\$ 7,318,628	\$ 9,351,070	13.91%
Nov-11	15.11%	0.00%	15.11%	\$ 6,632,354		\$ 6,632,354	\$ 7,099,874	\$ 1,072,791	\$ 260,165	\$ 1,332,956	\$ 8,039,947		\$ 8,039,947	\$ 9,404,788	14.25%
Dec-11	14.21%	0.00%	14.21%	\$ 7,829,382		\$ 7,829,382	\$ 6,933,485	\$ 985,248	\$ 260,165	\$ 1,245,413	\$ 9,438,041		\$ 9,438,041	\$ 9,402,480	13.24%
Jan-12	12.09%	0.00%	12.09%	\$ 8,445,069		\$ 8,445,069	\$ 6,786,606	\$ 820,501	\$ -	\$ 820,501	\$ 11,260,653		\$ 11,260,653	\$ 9,288,986	8.73%
Feb-12	10.78%	0.00%	10.78%	\$ 7,494,679		\$ 7,494,679	\$ 6,735,803	\$ 726,120	\$ -	\$ 726,120	\$ 10,885,650		\$ 10,885,650	\$ 9,064,730	7.82%
Mar-12	12.92%	0.00%	12.92%	\$ 5,833,422		\$ 5,833,422	\$ 6,683,282	\$ 863,480	\$ -	\$ 863,480	\$ 9,070,418		\$ 9,070,418	\$ 8,966,989	9.53%
Apr-12	14.94%	0.00%	14.94%	\$ 5,039,236		\$ 5,039,236	\$ 6,654,448	\$ 994,174	\$ -	\$ 994,174	\$ 7,707,437		\$ 7,707,437	\$ 8,892,189	11.06%
May-12	16.90%	0.00%	16.90%	\$ 5,774,776		\$ 5,774,776	\$ 6,674,610	\$ 1,128,009	\$ -	\$ 1,128,009	\$ 7,695,942		\$ 7,695,942	\$ 8,941,421	12.69%
Jun-12	15.55%	0.00%	15.55%	\$ 6,377,242		\$ 6,377,242	\$ 6,651,811	\$ 1,034,357	\$ -	\$ 1,034,357	\$ 8,221,562		\$ 8,221,562	\$ 8,943,727	11.57%
Jul-12	14.51%	0.00%	14.51%	\$ 7,269,717		\$ 7,269,717	\$ 6,830,839	\$ 962,135	\$ -	\$ 962,135	\$ 9,657,844		\$ 9,657,844	\$ 9,091,963	10.76%
Aug-12	14.13%	0.00%	14.13%	\$ 6,554,562		\$ 6,554,562	\$ 6,564,126	\$ 927,511	\$ -	\$ 927,511	\$ 9,929,869		\$ 9,929,869	\$ 9,063,570	10.20%
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,667	\$ 6,550,504	\$ 1,063,147	\$ -	\$ 1,063,147	\$ 8,915,852		\$ 8,915,852	\$ 9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 6,548,619	\$ 1,150,592	\$ -	\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$ 9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 6,599,327	\$ 1,203,057	\$ -	\$ 1,203,057	\$ 8,801,431		\$ 8,801,431	\$ 9,081,731	13.34%
Dec-12	14.61%	0.00%	14.61%	\$ 7,914,412		\$ 7,914,412	\$ 6,606,413	\$ 965,197	\$ -	\$ 965,197	\$ 9,605,115		\$ 9,605,115	\$ 9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,605		\$ 8,687,605	\$ 6,626,625	\$ 893,932	\$ -	\$ 893,932	\$ 11,917,064		\$ 11,917,064	\$ 9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854	\$ -	\$ 840,854	\$ 12,507,964		\$ 12,507,964	\$ 9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,515		\$ 8,229,515	\$ 6,867,828	\$ 986,907	\$ -	\$ 986,907	\$ 10,651,391		\$ 10,651,391	\$ 9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 5,856,204		\$ 5,856,204	\$ 6,935,908	\$ 989,754	\$ -	\$ 989,754	\$ 10,003,319		\$ 10,003,319	\$ 9,608,619	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 6,943,240	\$ 1,247,700	\$ -	\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$ 9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 6,435,598		\$ 6,435,598	\$ 6,948,103	\$ 1,187,431	\$ -	\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$ 9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 6,564,126		\$ 6,564,126	\$ 6,889,304	\$ 1,086,443	\$ (288,417)	\$ 798,026					8.30%

**Request 6c:** Provide the month's revenue (amount and month of the year) each member cooperative's pass-through mechanism factor for July 2013 is applied to in arriving at the monthly environmental surcharge revenues recovered.

**Response 6c:** The 8.30% pass-through mechanism was billed to members in September 2013 with Retail Revenues of \$9,129,819.



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 7:** This question is addressed to all member cooperatives. For the month of July 2005, provide the following:

**Request 7a:** Identify the month in which the member cooperative's revenue requirement was used, along with the months in which the member cooperative's 12-months-ended average retail revenue was used in calculating the pass-through mechanism factor.

**Response 7a:** The net revenue requirement for July 2005 was \$255,461. The average 12-months ended average retail revenue used in the July 2005 calculation was \$5,893,664, being the average of July 2004 through June 2005. The resulting factor was applied to members' bills in September 2005. See item 7 continued, page 2 of 3.



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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (6)		Col (3) x Col (7)		Col (8) + Col (9)			Col. (11) - Col. (12)		Col (10) / Col (14)
Jun-04				\$3,842,070		\$3,842,070				\$5,203,829			\$5,203,829		
Jul-04				\$4,270,673		\$4,270,673				\$5,652,730			\$5,652,730		
Aug-04				\$3,971,299		\$3,971,299				\$5,353,243			\$5,353,243		
Sep-04				\$3,726,894		\$3,726,894				\$5,412,687			\$5,412,687		
Oct-04				\$3,188,168		\$3,188,168				\$4,604,439			\$4,604,439		
Nov-04				\$3,722,226		\$3,722,226				\$4,764,447			\$4,764,447		
Dec-04				\$5,876,720		\$5,876,720				\$8,306,199			\$8,306,199		
Jan-05				\$6,311,782		\$6,311,782				\$7,376,134			\$7,376,134		
Feb-05				\$5,275,194		\$5,275,194				\$7,292,940			\$7,292,940		
Mar-05				\$5,041,942		\$5,041,942				\$6,949,204			\$6,949,204		
Apr-05				\$3,632,983		\$3,632,983				\$6,543,776			\$6,543,776		
May-05				\$3,636,378		\$3,636,378				\$5,141,007			\$5,141,007	\$5,883,395	
Jun-05	6.28%	0.51%	5.77%	\$4,291,337		\$4,291,337	\$4,412,133	\$254,580		\$254,580	\$5,327,166		\$5,327,166	\$5,893,664	4.33%
Jul-05	6.21%	0.51%	5.70%	\$5,106,444		\$5,106,444	\$4,481,781	\$255,461		\$255,461					4.36%

**Request 7b:** Identify the member cooperative's month revenues (amount and month of the year) the pass-through mechanism factor was applied to arrive at the member cooperative's monthly environmental surcharge revenues.

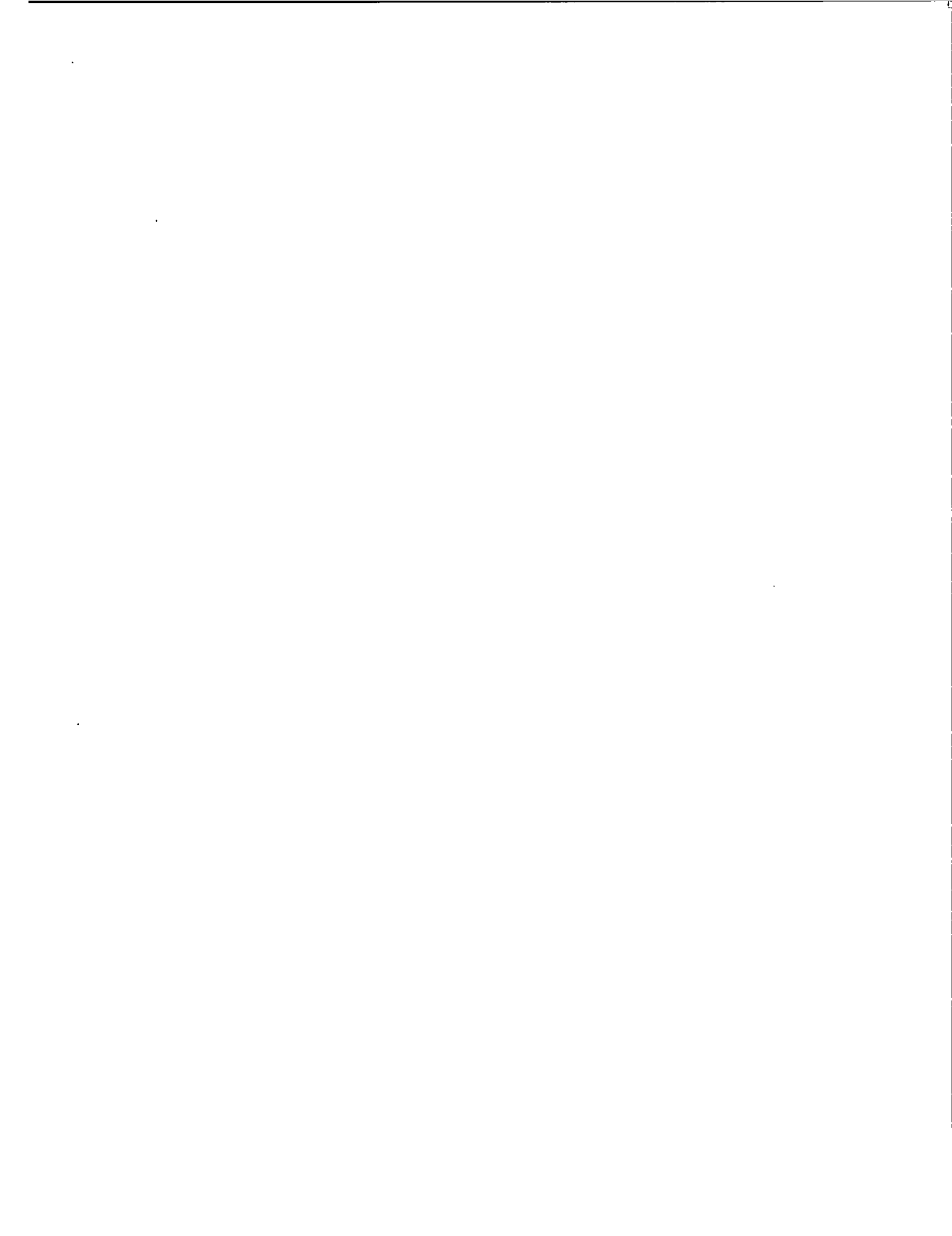
**Response 7b:** The pass-through mechanism factor for July 2005 was billed to members in September 2005 resulting in surcharge revenues of \$289,051 with total net retail revenues for the month of \$6,629,052.

**Request 7c:** Identify the member cooperative's month revenues (amount and month of the year) and the member cooperative's month expense (amount and month of the year) used in calculating any over/under recovery, along with the month the over/under recovery is reflected, in the member cooperative's response to the Information Request of Commission Staff following the June 18, 2014 Informal Conference ("Staff's IC Information Request"), item 2.

**Response 7c:** The first month South Kentucky was billed by East Kentucky Power for the environmental surcharge was July 2005. The first month revenues were received from the member was August 2005.

Month of Expense-	Jul-05 Expense Amount-	\$294,640
Month of Revenue-	Aug-05 Revenue Amount-	\$273,747
	Under Recovery reported in August 2005	\$20,893

The first (over)/ under-recovery that was reported was the offset of the July 2005 expense as compared to the August 2005 revenues. This offset of comparing the prior month expense to the following month revenue was utilized until June 2009. It is important to note that the response to the Staff's IC Information Request, item 2 aligns to the data as reported in the past cases to the Commission beginning with Case No. 2006-00131.



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 8:** This question is addressed to all member cooperatives. For the month of December 2013, provide the following:

**Request 8a:** Identify the month in which the member cooperative's revenue requirement was used, along with the months in which the member cooperative's 12- months-ended average retail revenue was used in calculating the pass-through mechanism factor.

**Response 8a:** The pass-through mechanism factor applied to the member bills for December 2013 was 9.31%. The revenue requirement used in calculating this factor was from the month of October 2013. The months used in the 12 months ended average retail revenue were October 2012 through September 2013. See item 8 continued, page 2 of 4.

**Request 8b:** Provide the member cooperative's month revenues the pass- through mechanism factor was applied to arrive at the member cooperative's monthly environmental surcharge revenues.

**Response 8b:** The net monthly retail revenues for December 2013 were \$10,585,938.

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

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 South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky 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)
Jan-12	12.09%	0.00%	12.09%	\$ 8,445,069		\$ 8,445,069	\$ 8,786,606	\$ 820,501	\$ -	\$ 820,501	\$11,260,653		\$ 11,260,653	\$9,288,986	8.73%
Feb-12	10.78%	0.00%	10.78%	\$ 7,494,679		\$ 7,494,679	\$ 6,735,803	\$ 728,120	\$ -	\$ 728,120	\$10,885,650		\$ 10,885,650	\$9,064,730	7.82%
Mar-12	12.92%	0.00%	12.92%	\$ 5,833,422		\$ 5,833,422	\$ 6,683,282	\$ 863,480	\$ -	\$ 863,480	\$ 9,070,418		\$ 9,070,418	\$8,988,989	9.53%
Apr-12	14.94%	0.00%	14.94%	\$ 5,039,236		\$ 5,039,236	\$ 6,654,446	\$ 994,174	\$ -	\$ 994,174	\$ 7,707,437		\$ 7,707,437	\$8,892,189	11.06%
May-12	16.90%	0.00%	16.90%	\$ 5,774,776		\$ 5,774,776	\$ 8,674,610	\$ 1,128,009	\$ -	\$ 1,128,009	\$ 7,695,942		\$ 7,695,942	\$8,941,421	12.69%
Jun-12	15.55%	0.00%	15.55%	\$ 6,377,242		\$ 6,377,242	\$ 6,651,811	\$ 1,034,357	\$ -	\$ 1,034,357	\$ 8,221,562		\$ 8,221,562	\$8,943,727	11.57%
Jul-12	14.51%	0.00%	14.51%	\$ 7,269,717		\$ 7,269,717	\$ 6,630,839	\$ 962,135	\$ -	\$ 962,135	\$ 9,657,844		\$ 9,657,844	\$9,091,963	10.76%
Aug-12	14.13%	0.00%	14.13%	\$ 6,554,562		\$ 6,554,562	\$ 6,564,126	\$ 927,511	\$ -	\$ 927,511	\$ 9,929,869		\$ 9,929,869	\$9,063,570	10.20%
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,667	\$ 8,550,504	\$ 1,063,147	\$ -	\$ 1,063,147	\$ 8,915,852		\$ 8,915,852	\$9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 6,548,619	\$ 1,150,592	\$ -	\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 8,599,327	\$ 1,203,057	\$ -	\$ 1,203,057	\$ 8,801,431		\$ 8,801,431	\$9,081,731	13.34%
Dec-12	14.61%	0.00%	14.61%	\$ 7,914,412		\$ 7,914,412	\$ 8,606,413	\$ 965,197	\$ -	\$ 965,197	\$ 8,605,115		\$ 8,605,115	\$9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,605		\$ 8,687,605	\$ 8,628,625	\$ 893,932	\$ -	\$ 893,932	\$11,917,064		\$ 11,917,064	\$9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854	\$ -	\$ 840,854	\$12,507,964		\$ 12,507,964	\$9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,515		\$ 8,229,515	\$ 6,887,828	\$ 988,907	\$ -	\$ 988,907	\$10,651,391		\$ 10,651,391	\$9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 5,856,204		\$ 5,856,204	\$ 8,935,908	\$ 989,754	\$ -	\$ 989,754	\$10,003,319		\$ 10,003,319	\$9,608,619	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 6,943,240	\$ 1,247,700	\$ -	\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 6,435,598		\$ 6,435,598	\$ 6,948,103	\$ 1,187,431	\$ -	\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 6,564,126		\$ 6,564,126	\$ 6,889,304	\$ 1,086,443	\$ (286,417)	\$ 798,026	\$ 9,363,789		\$ 9,363,789	\$9,593,817	8.30%
Aug-13	15.49%	0.00%	15.49%	\$ 6,606,279		\$ 6,606,279	\$ 6,893,613	\$ 1,067,821	\$ (260,189)	\$ 807,632	\$ 9,466,625		\$ 9,466,625	\$9,555,214	8.42%
Sep-13	14.93%	0.00%	14.93%	\$ 5,751,961		\$ 5,751,961	\$ 6,899,471	\$ 1,030,091	\$ (260,189)	\$ 769,902	\$ 9,129,819		\$ 9,129,819	\$9,573,044	8.06%
Oct-13	16.69%	0.00%	16.69%	\$ 5,643,820		\$ 5,643,820	\$ 6,898,846	\$ 1,151,417	\$ (260,189)	\$ 891,228	\$ 7,646,594		\$ 7,646,594	\$9,593,921	9.31%
Nov-13	17.43%	0.00%	17.43%	\$ 7,187,844		\$ 7,187,844	\$ 6,894,429	\$ 1,201,699	\$ (260,189)	\$ 941,510	\$ 8,629,346		\$ 8,629,346	\$9,579,581	9.81%
Dec-13	14.54%	0.00%	14.54%	\$ 8,503,162		\$ 8,503,162	\$ 8,943,491	\$ 1,009,584	\$ (260,189)	\$ 749,395					7.82%

**Request 8c:** Provide the member cooperative's month revenue and the member cooperative's month expense used in calculating any over/under recovery, along with the month the over/under recovery is reflected in the member cooperative's response to Staff's IC Information Request, item 2.

**Response 8c:** For the month of December 2013, South Kentucky had an environmental surcharge expense from the East Kentucky Power Cooperative power bill of \$1,482,101 with surcharge revenue from the members of \$985,851 for the month of December 2013. The monthly amount shown for December 2013 as an under-recovery was \$496,250 which is the difference between the expense for the month of \$1,482,101 and the surcharge revenue of \$985,851. This under-recovery is reflected in December 2013 of South Kentucky's response to Staff's IC Information Request, item 2.

**Request 8d:** If there was a change in the calculations between Item No. 8(c) and Item No.7(c), fully explain the reason for the change and provide any Commission Order supporting authorization for the change.

**Response 8d:** The (over)/under monthly calculation has changed. This change can be seen in Case Number 2009-00317, First Data Request, Request 2, page 16 of 17, for the month of June 2009. The monthly (over)/under for June 2009 of (\$102,395) is the difference between the May 2009 expense from EKP of \$480,465 and the June 2009 amount billed to retail consumers of \$582,860. In July 2009 the monthly (over)/under of (\$66,051) is the result of July 2009 expense billed from East Kentucky Power Cooperative of \$562,242 less the July 2009 amount billed to retail consumers of \$628,293. This change in the calculation is carried forward as seen in Case Number 2010-00021, First Data Request, Request 2, page 16 of 17, and all following review cases.

To further illustrate the following table is presented:

<b>Power Bill Date</b>	<b>EKPC (power bills)</b>	<b>South Kentucky (billed to mems)</b>	<b>(over)/under monthly</b>	<b>(over)/under cumulative</b>	
December-08	\$647,799				
January-09	\$784,179	\$680,225	(\$32,426)	(\$32,426)	
February-09	\$722,685	\$697,828	\$86,351	\$53,925	
March-09	\$622,408	\$671,236	\$51,449	\$105,374	
April-09	\$510,538	\$566,009	\$56,399	\$161,774	<b>Cumulative 6-month</b>
May-09	\$480,465	\$536,244	(\$25,706)	\$136,067	<b>(Over)/Under Recovery</b>
June-09		\$582,860	(\$102,395)	\$33,672	<b>Case No. 2009-00317 \$ 33,672</b>
June-09	\$535,927		\$535,927	\$535,927	
July-09	\$562,242	\$628,293	(\$66,051)	(\$66,051)	
August-09	\$602,525	\$609,518	(\$6,993)	(\$73,044)	
September-09	\$549,447	\$663,886	(\$114,439)	(\$187,483)	
October-09	\$531,528	\$553,552	(\$22,024)	(\$209,507)	<b>Cumulative 6-month</b>
November-09	\$393,253	\$598,616	(\$205,363)	(\$414,870)	<b>(Over)/Under Recovery</b>
December-09	\$659,605	\$363,508	\$296,097	(\$118,772)	<b>Case No. 2010-00021 \$ (73,044)</b>

On page 3 of 10 in the commission’s order dated November 5, 2010, for case 2010-00021, the Commission cites that in case 2009-00039 ”authorization was given for a modification to EKPC’s monthly environmental surcharge calculation to include a two month “true-up” adjustment for over- and under recoveries. EKPC began using this two-month “true-up” adjustment with the November 2009 expense month to include the September 2009 under-recovery in its environmental surcharge calculation. Therefore, July and August 2009 are the only months subject to true-up in this six-month review.” It is our belief that this order was interpreted to require the change. However, this change resulted in the June 2009 expense of \$535,927 to not be included in the review case nor has it been included in subsequent review cases.





SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 9:** This question is addressed to all member cooperatives. In a month when there is an amortization of an over- or under-recovery amount applied in the calculation of the pass-through mechanism factor, do the member cooperatives agree that the pass-through factor is a net factor, and the net factor is a combination of the pass-through factor that is attributed to the member cooperative's revenue requirement divided by the 12-months-ended average retail revenues and the member cooperative's amortization of any over- or under-recovery amount also divided by the 12-months-ended average retail revenues? If not, explain.

**Response 9:** South Kentucky agrees that in a month when there is an amortization of an over- or under-recovery amount applied in the calculation of the pass-through mechanism factor that the pass-through factor is a net factor. However, South Kentucky does not agree with the description of the calculation of the pass-through factor as stated in the request. As clearly shown on the monthly "Pass Through Mechanism Report" filed for South Kentucky, the monthly revenue requirement shown in column 8 is combined with the amortization of over- or under-recovery shown in column 9. The net amount is shown in column 10. The net amount in column 10 is divided by the 12-months ended average net retail revenues shown in column 14, producing the pass-through factor shown in column 15. While the approach described in the request essentially produces the same result mathematically, separate pass-through factor components are not calculated for the monthly revenue requirement and the amortization of the over- or under-recovery.



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 10:** This question is addressed to all member cooperatives.

**Request 10a:** Does each member cooperative have a monthly Fuel Adjustment Clause ("FAC") that contains a prior month over- or under-recovery mechanism in the calculations?

**Response 10a:** Yes

**Request 10b:** If the answer to 10(a) above is yes, does each member cooperative remove the prior month over- or under-recovery amount in calculating the current month's over- or under-recovery amount?

**Response 10b:** No.

**Request 10c:** If the answer to 10(b) above is no, explain why it is appropriate to remove any over- or under-recovery amount in the environmental surcharge, but it is not required to remove any over/under recovery in the FAC.

**Response 10c:** It should be noted that the environmental surcharge is established by KRS 278.183, while the FAC is established by 807 KAR 5:056 and neither explicitly address how over- and under-recoveries are to be handled.

Under the FAC for the Member Cooperatives, the over- or under-recovery from the second previous month is incorporated into the calculations of the current FAC. The current FAC is applied to retail customer bills rendered two months later. Thus, there is a four month lag from the inception of an over- or under- recovery until it is refunded or collected on the retail customers' bill. Each month the retail customers' bill will include a single month's FAC over- or under-recovery amount. There is no adjustment to remove any previous month's over- or under-recovery amount in calculating the current month's over- or under-recovery.

Under the environmental surcharge, the over- or under-recovery is determined during the periodic six-month and two-year surcharge review cases. Under normal circumstances, the over- or under-recovery determined during a surcharge review case will cover six months of surcharge operation and the amortization period of the over- or under-recovery has been six months. While the amortization results in an equal dollar amount being included in the retail customers' bills during the amortization period, rather than an amount that reflects month to month changes in sales volumes, it is essentially the same approach as the FAC. Each month during the amortization period will reflect a single month's surcharge over- or under-recovery amount. There have been no adjustments to remove any previous month's over- or under-recovery amount when calculating the current month's over- or under-recovery.

However, the processing of Case Numbers 2012-00486 and 2013-00140 were not normal circumstances. Case Number 2012-00486 reviewed the last six months of a two-year review period and two subsequent six-month review periods, for a total of 18 months of surcharge operations. The case was opened on November 16, 2012 and the Commission's final Order was dated August 2, 2013. Although the review period covered 18 months of surcharge operations, the over- and under-recoveries determined for the Member Cooperatives were amortized over six months. The first month of the amortization of the over- and under-recoveries was reflected in the Member Cooperatives' surcharge pass-through factors filed with the Commission on August 20, 2013. Case Number 2013-00140 covered a single six-month review period. This case was opened on May 14, 2013 and the Commission's final Order was dated September 17, 2013. The

over- and under-recoveries determined for the Member Cooperatives were amortized over six months. The first month of the amortization of the over- and under-recoveries was reflected in the Member Cooperatives' surcharge pass-through factors filed with the Commission on September 20, 2013. Because of the number of review periods included in the two cases and the overlapping of the amortization periods for these two cases, over- and under-recoveries resulting from 24 months of surcharge operations were amortized over a total of seven months. Thus, the normal situation where six months of surcharge operations are reflected in six months of over- or under- recovery amortization no longer was in force. Without some adjustment to remove the effects of amortizing over- or under-recoveries resulting from 24 months of surcharge operations over seven months, subsequent surcharge review over- and under-recovery calculations will be skewed.



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 11:** This question is addressed to all member cooperatives.

**Request 11a:** Provide the schedules which support the amount of both the environmental surcharge revenues and the environmental surcharge expenses removed from their cost-of-service on Schedule S for each of their rate filings which cover the period July 2005 through December 2013.

**Response 11a:** See the following schedules for Case Number 2005-00450 with test period ending August 31, 2005, and Case Number 2011-00096 with test period ending September 30, 2014, page 2 through page 8 of this response.

**Request 11b:** Provide an analysis comparing the monthly amounts in 11(a) above with the same monthly amounts the member cooperatives provided in their response to Staff's IC Information Request, Item No. 2.

**Response 11b:** See worksheet analysis titled "South Kentucky RECC Environmental Surcharge," Item 11 continued, page 7 of 8.

South Kentucky Rural Electric  
Case No. 2005-00450  
Statement of Operations, Adjusted

Exhibit S  
page 2 of 4  
Witness: Jim Adkins

	Actual Test Year	Normalized Adjustments	Normalized Test Year	Proposed Increase	Proposed Test Year
<b>Operating Revenues:</b>					
Base rates	\$65,118,449	\$4,429,031	\$69,547,480	\$5,863,053	\$75,410,533
Fuel and surcharge and lag	9,390,935	(9,390,935)	0		0
Other electric revenue	1,696,244	262,510	1,958,754		1,958,754
	<u>76,205,628</u>	<u>(4,699,394)</u>	<u>71,506,234</u>	<u>5,863,053</u>	<u>77,369,287</u>
<b>Operating Expenses:</b>					
<b>Cost of power:</b>					
Base rates	46,784,920	4,424,943	51,209,863		51,209,863
Fuel and surcharge	8,522,054	(8,522,054)	0		0
Distribution - operations	3,130,878	128,062	3,258,940		3,258,940
Distribution - maintenance	4,272,903	76,670	4,349,573		4,349,573
Consumer accounts	3,054,098	64,437	3,118,535		3,118,535
Customer service	372,386	22,104	394,490		394,490
Sales	15,669	573	16,242		16,242
Administrative and general	3,037,191	(173,321)	2,863,870		2,863,870
<b>Total operating expenses</b>	<u>69,190,099</u>	<u>(3,978,586)</u>	<u>65,211,513</u>	<u>0</u>	<u>65,211,513</u>
Depreciation	3,975,366	274,438	4,249,804		4,249,804
Taxes - other	78,215	0	78,215		78,215
Interest on long-term debt	3,844,375	209,567	4,053,942		4,053,942
Interest expense - other	37,416	(2,962)	34,454		34,454
Other deductions	43,539	(43,539)	0		0
<b>Total cost of electric service</b>	<u>77,169,010</u>	<u>(3,541,082)</u>	<u>73,627,928</u>	<u>0</u>	<u>73,627,928</u>
<b>Utility operating margins</b>	<u>(963,382)</u>	<u>(1,158,312)</u>	<u>(2,121,694)</u>	<u>5,863,053</u>	<u>3,741,359</u>
Nonoperating margins, interest	247,061	0	247,061		247,061
Nonoperating margins, other	(40,783)	1,443	(39,340)		(39,340)
<b>Patronage Capital Credits:</b>					
G & T		0	0		0
Other	104,862	0	104,862		104,862
<b>Net Margins</b>	<u>(\$652,242)</u>	<u>(\$1,156,869)</u>	<u>(\$1,809,111)</u>	<u>\$5,863,053</u>	<u>\$4,053,942</u>
<b>TIER</b>	0.83		0.55		2.00



Exhibit 13  
page 3 of 3  
Witnesses: Jim Adkins

South Kentucky Rural Electric  
Case No. 2005-00450  
Analysis of Fuel Adjustment and Environmental Surcharge  
August 31, 2005

An analysis of fuel adjustment and environmental surcharge as purchased and passed on to consumers is as follows:

Month	Sales		Purchased	
	Fuel Adjustment	Environmental Surcharge	Fuel Adjustment	Environmental Surcharge
September, 2004	427,124		542,948	
October	358,156		394,160	
November	545,839		397,115	
December	629,941		883,153	
January, 2005	605,322		1,383,051	
February	681,369		1,312,915	
March	1,041,990		853,348	
April	1,241,810		604,801	
May	734,745		597,242	
June	700,042		154,897	
July	1,118,144		518,359	
August	174,617	277,033	585,425	294,640
Total	<u>8,259,099</u>	<u>277,033</u>	<u>8,227,414</u>	<u>294,640</u>

The fuel purchased and environmental surcharge from East Kentucky Power Cooperative is passed on to the consumers using the Fuel Adjustment Procedures established by this Commission.

South Kentucky R Electric  
 Case No. 2005-00450  
 Revenue Analysis  
 August 31, 2005

Rate Schedule	Kwh Usage	Test Year Revenue	Percent of Total	Normalized Case No. 2004-00482 Revenue	Percent of Total	Proposed Revenue	Percent of Total	Increase Amount	Increase Percent
A, Residential, Farm and Non-Farm Service	706,078,436	\$43,978,882	68%	\$46,846,925	67%	\$50,898,693	67%	\$4,051,768	8.6%
A, ETS	11,489,483	387,078	1%	421,319	1%	445,401	1%	24,082	5.7%
B, Small Commerical Rate	59,473,163	4,015,825	6%	4,249,966	6%	5,100,349	7%	850,383	20.0%
B, ETS	13,330	493	0%	533	0%	599	0%	67	12.5%
LP, Large Power Rate	142,895,983	8,097,863	12%	8,665,601	12%	8,718,467	12%	52,866	0.6%
LP-1, Large Power Rate (500 to 4,999kw)	38,541,750	1,695,575	3%	1,850,764	3%	1,850,764	2%	0	0.0%
LP-2, Large Power Rate (5,000 to 9,999kw)	43,520,610	1,887,837	3%	2,060,035	3%	2,060,035	3%	0	0.0%
LP-3, Large Power Rate (500 to 4,999kw)	46,317,855	1,772,023	3%	1,962,168	3%	2,067,309	3%	105,142	5.4%
Special Contract	287,800	42,907	0%	44,320	0%	44,414	0%	94	0.2%
OPS, Optional Power Service	16,741,932	1,182,897	2%	1,250,199	2%	1,348,459	2%	98,261	7.9%
AES, All Electric Schools	8,365,440	444,386	1%	480,361	1%	480,361	1%	0	0.0%
OL, Outdoor Lighting Service	18,275,214	1,543,608	2%	1,643,394	2%	2,301,297	3%	657,903	40.0%
STL, Street Lighting	696,922	36,019	0%	38,839	0%	58,265	0%	19,426	50.0%
DTSL, Decorative Street Lighting	207,230	33,061	0%	33,061	0%	36,366	0%	3,305	10.0%
Rounding differences						(243)		(243)	
<b>Total from base rates</b>	<b><u>1,092,905,148</u></b>	<b>65,118,453</b>	<b>100%</b>	<b><u>\$69,547,484</u></b>	<b>100%</b>	<b><u>\$75,410,537</u></b>	<b>100%</b>	<b><u>\$5,863,053</u></b>	<b>8.4%</b>
Fuel		8,259,099							
Environmental surcharge		<u>277,033</u>							
<b>Total revenue from billings</b>		<b>73,654,585</b>							
Increase				<b><u>\$4,429,031</u></b>		<b><u>\$5,863,053</u></b>			
Recognize billing lag		269,376							
Fuel charge adjustment lag		<u>585,427</u>							
<b>Total revenue per general ledger</b>		<b><u>\$74,509,388</u></b>							

South Kentucky Rural Electric Cooperative  
Case No. 2011-00096

Exhibit S  
page 1 of 4

Statement of Operations, Adjusted

Witness: Jim Adkins

	<u>Actual</u> <u>Test Year</u>	<u>Normalized</u> <u>Adjustments</u>	<u>Normalized</u> <u>Test Year</u>	<u>Proposed</u> <u>Increase</u>	<u>Proposed</u> <u>Test Year</u>
<b>Operating Revenues:</b>					
Base rates	122,474,242	5,237,525	127,711,767	8,900,000	136,611,767
Fuel and surcharge	(2,964,439)	2,964,439	-		-
Other electric revenue	<u>3,218,398</u>	<u>58,365</u>	<u>3,274,763</u>		<u>3,274,763</u>
	<u>122,728,201</u>	<u>8,258,329</u>	<u>130,986,530</u>	<u>8,900,000</u>	<u>139,886,530</u>
<b>Operating Expenses:</b>					
Cost of power	91,617,995	5,144,971	96,762,966		96,762,966
Fuel and surcharge	(2,445,262)	2,445,262	-		-
Distribution - operations	3,541,520	84,493	3,626,013		3,626,013
Distribution - maintenance	6,825,070	55,087	6,880,157		6,880,157
Consumer accounts	4,119,541	36,162	4,155,703		4,155,703
Customer service	717,597	10,560	728,157		728,157
Sales	22,271	2,218	24,489		24,489
Administrative and general	<u>3,959,964</u>	<u>(457,855)</u>	<u>3,502,109</u>		<u>3,502,109</u>
Total operating expenses	<u>108,358,698</u>	<u>7,320,699</u>	<u>115,679,595</u>	<u>-</u>	<u>115,679,595</u>
Depreciation	5,618,934	3,551,492	9,170,426		9,170,426
Taxes - other	112,330	-	112,330		112,330
Interest on long-term debt	6,087,075	207,638	6,294,713		6,294,713
Interest expense - other	59,074	-	59,074		59,074
Other deductions	<u>65,474</u>	<u>(60,790)</u>	<u>4,684</u>		<u>4,684</u>
Total cost of electric service	<u>120,301,583</u>	<u>11,019,239</u>	<u>131,320,822</u>	<u>-</u>	<u>131,320,822</u>
Utility operating margins	<u>2,426,618</u>	<u>(2,760,910)</u>	<u>(334,292)</u>	<u>8,900,000</u>	<u>8,565,708</u>
Nonoperating margins, Interest	100,164	-	100,164		100,164
Income from equity investment	(100)	-	(100)		(100)
Nonoperating margins, other	93,247	-	93,247		93,247
G & T capital credits	4,918,417	(4,918,417)	-		-
Patronage capital credits	<u>261,565</u>	<u>-</u>	<u>261,565</u>		<u>261,565</u>
Net Margins	<u>7,799,911</u>	<u>(7,679,327)</u>	<u>120,584</u>	<u>8,900,000</u>	<u>9,020,584</u>
TIER	2.28		1.02		2.43
OTIER	1.44		0.99		2.40

**SOUTH KENTUCKY RECC**  
**CASE NO. 2011-00096**

**RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST**

**Item 18 e & f - Reconciliation of the Fuel Adjustment Clause and the Environmental Surcharge**

<u>Month</u>				<u>Environmental Surcharge (ES)</u>			
	<u>Revenue</u>	<u>Expense</u>	<u>Difference</u>	<u>Revenue</u>	<u>Expense</u>	<u>Difference</u>	
October	\$ (861,986)	\$ (991,581)	\$ 129,595	October	\$ 553,552	\$ 531,528	\$ 22,024
November	\$ (687,025)	\$ (979,569)	\$ 292,544	November	\$ 598,616	\$ 393,253	\$ 205,363
December	\$ (1,419,229)	\$ (1,273,438)	\$ (145,791)	December	\$ 363,508	\$ 659,605	\$ (296,097)
January	\$ (1,597,209)	\$ (748,096)	\$ (849,113)	January	\$ 660,707	\$ 1,370,361	\$ (709,654)
February	\$ (1,052,087)	\$ (520,488)	\$ (531,599)	February	\$ 975,929	\$ 1,250,125	\$ (274,196)
March	\$ (60,521)	\$ (877,886)	\$ 817,365	March	\$ 1,184,994	\$ 723,543	\$ 461,451
April	\$ (306,987)	\$ (1,078,027)	\$ 771,040	April	\$ 487,512	\$ 226,193	\$ 261,319
May	\$ (639,866)	\$ (1,248,573)	\$ 608,907	May	\$ 489,611	\$ 321,488	\$ 168,123
June	\$ (1,420,226)	\$ (1,065,910)	\$ (354,316)	June	\$ 901,243	\$ 718,352	\$ 182,891
July	\$ (1,963,522)	\$ (772,712)	\$ (1,190,810)	July	\$ 923,722	\$ 942,282	\$ (18,560)
August	\$ (897,941)	\$ (870,631)	\$ (27,310)	August	\$ 417,383	\$ 922,180	\$ (504,797)
September	\$ (245,043)	\$ (717,168)	\$ 472,125	September	\$ 630,226	\$ 639,907	\$ (9,681)
<b>Total</b>	<b>\$ (11,151,441)</b>	<b>\$ (11,144,079)</b>	<b>\$ (7,362)</b>	<b>Total</b>	<b>\$ 8,187,002</b>	<b>\$ 8,698,817</b>	<b>\$ (511,815)</b>

	<u>Revenue</u>
Amount per Books	119,509,803
Plus FAC Revenue Credit	\$ (11,151,441)
Less ES Revenue	\$ 8,187,002
Revenue from Base Rates	\$ 122,474,242
Post Test Year Rate Increase	5,237,525
<b>Normalized Revenue</b>	<b>\$ 127,711,767</b>

	<u>Power Cost</u>
Amount per Books	89,172,733
Plus FAC Revenue Credit	\$ (11,144,079)
Less ES Revenue	\$ 8,698,817
Cost of Purchased Power Base Rates	\$ 91,617,995
Post Test Year Purchased Power Increase	5,144,971
<b>Normalized Purchased Power Expense</b>	<b>\$ 96,762,966</b>

**South Kentucky RECC ENVIRONMENTAL SURCHARGE**

**Staff's IC Information Request, Item No. 2**

<b>Accounting Period</b>	<b>Power Bill Date</b>	<b>EKPC (power bills)</b>	<b>South Kentucky (billed to mems)</b>
<i>Environmental Surcharge started July 2005</i>			
July-05	July-05	\$294,640	\$0
August-05	August-05	\$296,332	\$273,747

**Case No. 2005-00450**

<b>Accounting Period</b>	<b>Power Bill Date</b>	<b>EKPC (power bills)</b>	<b>South Kentucky (billed to mems)</b>
August-05	August-05	\$294,640	\$277,033

**Case No. 2011-00096**

October-09	October-09	\$531,528	\$553,552
November-09	November-09	\$393,253	\$598,616
December-09	December-09	\$659,605	\$363,508
January-10	January-10	\$1,370,361	\$660,707
February-10	February-10	\$1,250,125	\$975,929
March-10	March-10	\$723,543	\$1,184,988
April-10	April-10	\$226,193	\$487,517
May-10	May-10	\$321,488	\$489,611
June-10	June-10	\$718,352	\$904,424
July-10	July-10	\$942,282	\$923,722
August-10	August-10	\$922,180	\$417,383
September-10	September-10	\$639,907	\$630,226
<b>Total</b>		<b>\$8,698,817</b>	<b>\$8,190,182</b>

October-09	October-09	\$531,528	\$553,552
November-09	November-09	\$393,253	\$598,616
December-09	December-09	\$659,605	\$363,508
January-10	January-10	\$1,370,361	\$660,707
February-10	February-10	\$1,250,125	\$975,929
March-10	March-10	\$723,543	\$1,184,988
April-10	April-10	\$226,193	\$487,517
May-10	May-10	\$321,488	\$489,611
June-10	June-10	\$718,352	\$901,243
July-10	July-10	\$942,282	\$923,722
August-10	August-10	\$922,180	\$417,383
September-10	September-10	\$639,907	\$630,226
		<b>\$8,698,817</b>	<b>\$8,187,001</b>

**Request 11c.** If there is a difference in the monthly revenue and/or expense amounts in the response to 11(b) above, provide a complete explanation of the reason(s) for the difference.

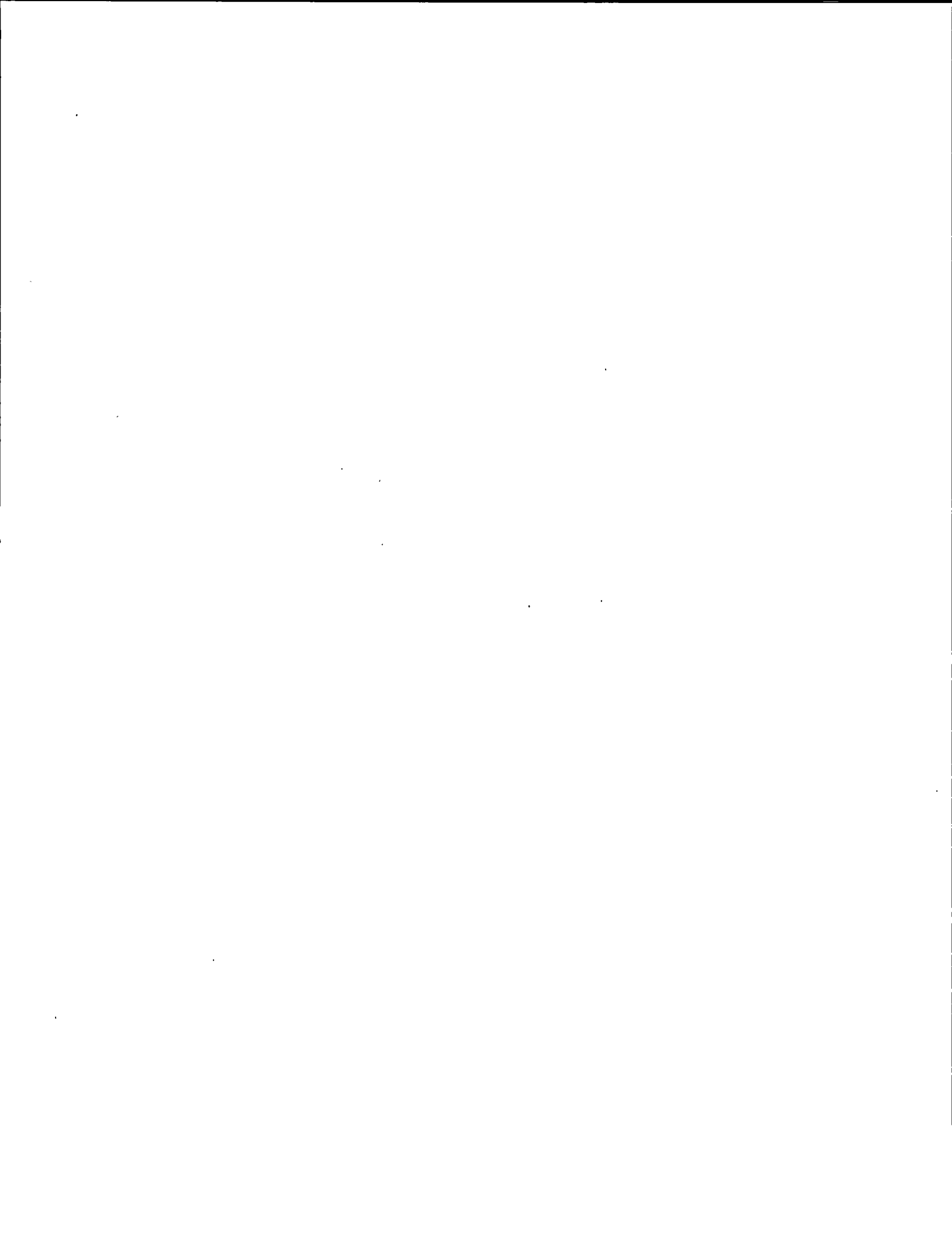
**Response 11c:**

**Case Number 2005-00450**

The difference between the Staff's Informal Information Request (Item No. 2), and Rate Case Number 2005-00450 is the amount of the Surcharge on the August 2005 power bill that was recorded to a Miscellaneous Deferred Debit account for the month of August 2005. The amount billed to members in the rate case did not have billing adjustments for the surcharge of \$3,286.

Case Number 2011-00096

The difference in the total amount billed to members is due to \$3,180 of billing adjustments not being included in the June 2010 amount billed to members in Item No. 2.



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE

PSC CASE NO. 2014-00051

ENVIRONMENTAL SURCHARGE MECHANISM

RESPONSE TO COMMISSION STAFF'S THIRD REQUEST

FOR INFORMATION DATED AUGUST 7, 2014

**Request 12:** This question is addressed to all member cooperatives. For each of the member cooperatives, provide the following:

**Request 12a:** The cumulative over/ under -recovery for the 24-month period ending December 31, 2013.

**Response 12a:** South Kentucky's under-recovery for 24 months ending December 31, 2013, is \$160,880.

However, when the unrecovered amount from June 2009 is added to this period, the under recovery is \$696,807.

**Request 12b:** If the amount provided in 12(a) above is amortized over a six-month period, provide the bill impact on the average residential customer.

**Response 12b:** We are presenting the amortization for both under-recovery amounts, \$160,880 and \$696,807, respectively. See Item #12 Continued, page 2 of 5.



**South Kentucky RECC  
Impact on Average Residential Consumer's Bill**

Average Residential Account:	<b>Actual</b>	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,077	\$92.01
Fuel Adjustment	-\$0.00390	-\$4.20
		\$100.63
*Environmental Monthly Charge	7.82%	\$7.87
School Tax	3.00%	\$3.26
<b>Total Monthly Bill</b>		<b>\$111.76</b>

\* Based on Item #12 page 3 of 5 Rate

Average Residential Account:	<b>6 Month Recovery</b>	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,077	\$92.01
Fuel Adjustment	-\$0.00390	-\$4.20
		\$100.63
*Environmental Monthly Charge	8.10%	\$8.15
School Tax	3.00%	\$3.26
<b>Total Monthly Bill</b>		<b>\$112.04</b>
	<b>Impact</b>	<b>\$0.28</b>

\* Based on Item #12 page 4 of 5 Rate  
Additional Monthly Recovery of \$26,813 for six months  
Under Recovery for 24 Months of \$160,880/6

Average Residential Account:	<b>6 Month Recovery</b>	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,077	\$92.01
Fuel Adjustment	-\$0.00390	-\$4.20
		\$100.63
*Environmental Monthly Charge	9.04%	\$9.10
School Tax	3.00%	\$3.29
<b>Total Monthly Bill</b>		<b>\$113.02</b>
	<b>Impact</b>	<b>\$1.26</b>

\* Based on Item #12 page 5 of 5 Rate  
Additional Monthly Recovery of \$116,135 for six months  
Under Recovery For 24 Months plus June 09 of \$696,807/6  
\$160,880 + \$535,927 = \$696,807

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

For the Month Ending December 2013

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (6)		Col. (8) x Col. (7)		Col. (9) + Col. (8)			Col. (11) - Col. (12)		Col. (10) / Col. (14)
Jan-12	12.09%	0.00%	12.09%	\$ 8,445,069		\$ 8,445,069	\$ 8,786,806	\$ 820,501	\$ -	\$ 820,501	\$ 11,260,653		\$ 11,260,653	\$ 9,288,986	8.73%
Feb-12	10.76%	0.00%	10.76%	\$ 7,494,679		\$ 7,494,679	\$ 8,735,803	\$ 728,120	\$ -	\$ 728,120	\$ 10,885,650		\$ 10,885,650	\$ 9,064,730	7.82%
Mar-12	12.92%	0.00%	12.92%	\$ 5,833,422		\$ 5,833,422	\$ 6,683,282	\$ 883,480	\$ -	\$ 883,480	\$ 9,070,418		\$ 9,070,418	\$ 8,886,989	9.53%
Apr-12	14.94%	0.00%	14.94%	\$ 5,039,236		\$ 5,039,236	\$ 8,654,446	\$ 894,174	\$ -	\$ 894,174	\$ 7,707,437		\$ 7,707,437	\$ 8,892,189	11.06%
May-12	18.90%	0.00%	18.90%	\$ 5,774,778		\$ 5,774,778	\$ 8,874,810	\$ 1,128,009	\$ -	\$ 1,128,009	\$ 7,695,942		\$ 7,695,942	\$ 8,941,421	12.69%
Jun-12	15.55%	0.00%	15.55%	\$ 6,377,242		\$ 6,377,242	\$ 6,651,811	\$ 1,034,357	\$ -	\$ 1,034,357	\$ 8,221,562		\$ 8,221,562	\$ 8,943,727	11.57%
Jul-12	14.51%	0.00%	14.51%	\$ 7,269,717		\$ 7,269,717	\$ 8,630,839	\$ 962,135	\$ -	\$ 962,135	\$ 9,657,844		\$ 9,657,844	\$ 9,091,963	10.78%
Aug-12	14.13%	0.00%	14.13%	\$ 8,554,562		\$ 8,554,562	\$ 8,564,128	\$ 827,511	\$ -	\$ 827,511	\$ 9,829,869		\$ 9,829,869	\$ 9,063,570	10.20%
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,667	\$ 8,550,504	\$ 1,063,147	\$ -	\$ 1,063,147	\$ 8,815,852		\$ 8,815,852	\$ 9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 8,548,819	\$ 1,150,592	\$ -	\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$ 9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 8,589,327	\$ 1,203,057	\$ -	\$ 1,203,057	\$ 8,601,431		\$ 8,601,431	\$ 9,081,731	13.34%
Dec-12	14.81%	0.00%	14.81%	\$ 7,914,412		\$ 7,914,412	\$ 8,606,413	\$ 965,197	\$ -	\$ 965,197	\$ 9,605,115		\$ 9,605,115	\$ 9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,606		\$ 8,687,606	\$ 8,626,625	\$ 893,932	\$ -	\$ 893,932	\$ 11,917,064		\$ 11,917,064	\$ 9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854	\$ -	\$ 840,854	\$ 12,507,964		\$ 12,507,964	\$ 9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,516		\$ 8,229,516	\$ 6,867,628	\$ 986,907	\$ -	\$ 986,907	\$ 10,651,391		\$ 10,651,391	\$ 9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 6,856,204		\$ 6,856,204	\$ 6,835,908	\$ 989,754	\$ -	\$ 989,754	\$ 10,003,319		\$ 10,003,319	\$ 9,608,819	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 8,943,240	\$ 1,247,700	\$ -	\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$ 9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 8,435,598		\$ 8,435,598	\$ 8,948,103	\$ 1,187,431	\$ -	\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$ 9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 8,564,128		\$ 8,564,128	\$ 8,889,304	\$ 1,086,443	\$ (288,417)	\$ 798,028	\$ 8,363,789		\$ 8,363,789	\$ 9,593,817	8.30%
Aug-13	15.49%	0.00%	15.49%	\$ 8,606,279		\$ 8,606,279	\$ 8,893,813	\$ 1,067,821	\$ (260,189)	\$ 807,632	\$ 9,468,625		\$ 9,468,625	\$ 9,555,214	8.42%
Sep-13	14.93%	0.00%	14.93%	\$ 5,751,961		\$ 5,751,961	\$ 6,899,471	\$ 1,030,091	\$ (260,189)	\$ 769,902	\$ 9,129,819		\$ 9,129,819	\$ 9,573,044	8.06%
Oct-13	16.69%	0.00%	16.69%	\$ 5,643,820		\$ 5,643,820	\$ 6,898,846	\$ 1,151,417	\$ (260,189)	\$ 891,228	\$ 7,646,594		\$ 7,646,594	\$ 9,593,921	9.31%
Nov-13	17.43%	0.00%	17.43%	\$ 7,187,844		\$ 7,187,844	\$ 8,894,429	\$ 1,201,699	\$ (260,189)	\$ 941,510	\$ 8,629,346		\$ 8,629,346	\$ 9,579,581	9.81%
Dec-13	14.54%	0.00%	14.54%	\$ 8,503,162		\$ 8,503,162	\$ 6,943,491	\$ 1,009,564	\$ (260,189)	\$ 749,385					7.82%

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives  
Pass Through Mechanism Report for South Kentucky RECC  
For the Month Ending December 2013

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky 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)
Aug-12	14.13%	0.00%	14.13%	\$ 6,554,562		\$ 6,554,562	\$ 6,564,126	\$ 927,511	\$ -	\$ 927,511	\$ 9,929,869		\$ 9,929,869	\$ 9,063,570	10.20%
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,667	\$ 6,550,504	\$ 1,063,147	\$ -	\$ 1,063,147	\$ 8,915,852		\$ 8,915,852	\$ 9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 6,548,619	\$ 1,150,592	\$ -	\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$ 9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 6,599,327	\$ 1,203,057	\$ -	\$ 1,203,057	\$ 8,801,431		\$ 8,801,431	\$ 9,081,731	13.34%
Dec-12	14.61%	0.00%	14.61%	\$ 7,914,412		\$ 7,914,412	\$ 6,606,413	\$ 965,197	\$ -	\$ 965,197	\$ 9,605,115		\$ 9,605,115	\$ 9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,605		\$ 8,687,605	\$ 6,626,625	\$ 893,932	\$ -	\$ 893,932	\$ 11,917,064		\$ 11,917,064	\$ 9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854	\$ -	\$ 840,854	\$ 12,507,964		\$ 12,507,964	\$ 9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,515		\$ 8,229,515	\$ 6,867,828	\$ 986,907	\$ -	\$ 986,907	\$ 10,651,391		\$ 10,651,391	\$ 9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 5,856,204		\$ 5,856,204	\$ 6,935,908	\$ 989,754	\$ -	\$ 989,754	\$ 10,003,319		\$ 10,003,319	\$ 9,608,619	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 6,943,240	\$ 1,247,700	\$ -	\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$ 9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 6,435,598		\$ 6,435,598	\$ 6,948,103	\$ 1,187,431	\$ -	\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$ 9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 6,564,126		\$ 6,564,126	\$ 6,889,304	\$ 1,086,443	\$ (288,417)	\$ 798,026	\$ 9,363,789		\$ 9,363,789	\$ 9,593,817	8.30%
Aug-13	15.49%	0.00%	15.49%	\$ 6,606,279		\$ 6,606,279	\$ 6,893,613	\$ 1,067,821	\$ (260,189)	\$ 807,632	\$ 9,466,625		\$ 9,466,625	\$ 9,555,214	8.42%
Sep-13	14.93%	0.00%	14.93%	\$ 5,751,961		\$ 5,751,961	\$ 6,899,471	\$ 1,030,091	\$ (260,189)	\$ 769,902	\$ 9,129,819		\$ 9,129,819	\$ 9,573,044	8.06%
Oct-13	16.69%	0.00%	16.69%	\$ 5,643,820		\$ 5,643,820	\$ 6,898,846	\$ 1,151,417	\$ (260,189)	\$ 891,228	\$ 7,646,594		\$ 7,646,594	\$ 9,593,921	9.31%
Nov-13	17.43%	0.00%	17.43%	\$ 7,187,844		\$ 7,187,844	\$ 6,894,429	\$ 1,201,699	\$ (260,189)	\$ 941,510	\$ 8,629,346		\$ 8,629,346	\$ 9,579,581	9.81%
Dec-13	14.54%	0.00%	14.54%	\$ 8,503,162		\$ 8,503,162	\$ 6,943,491	\$ 1,009,584	\$ (233,376)	\$ 776,208					8.10%

Monthly Amortization	
CN 2012-00486	\$ (288,417)
CN 2013-00140	\$ 28,228
Total	\$ (260,189)
CN 2014-00051	\$ 160,880/6
Total	\$ 26,813
June 2009	\$ 535,927/6
Total	\$ 89,321
Total	\$ (144,055)

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

For the Month Ending December 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 South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky 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)
Sep-12	16.23%	0.00%	16.23%	\$ 5,681,667		\$ 5,681,687	\$ 6,550,504	\$ 1,063,147	\$ -	\$ 1,063,147	\$ 8,915,852		\$ 8,915,852	\$ 9,011,820	11.73%
Oct-12	17.57%	0.00%	17.57%	\$ 5,651,327		\$ 5,651,327	\$ 6,548,619	\$ 1,150,592	\$ -	\$ 1,150,592	\$ 7,396,071		\$ 7,396,071	\$ 9,018,274	12.77%
Nov-12	18.23%	0.00%	18.23%	\$ 7,240,850		\$ 7,240,850	\$ 6,599,327	\$ 1,203,057	\$ -	\$ 1,203,057	\$ 8,801,431		\$ 8,801,431	\$ 9,081,731	13.34%
Dec-12	14.61%	0.00%	14.61%	\$ 7,914,412		\$ 7,914,412	\$ 6,608,413	\$ 965,197	\$ -	\$ 965,197	\$ 9,605,115		\$ 9,605,115	\$ 9,095,654	10.63%
Jan-13	13.49%	0.00%	13.49%	\$ 8,687,605		\$ 8,687,605	\$ 6,626,625	\$ 893,932	\$ -	\$ 893,932	\$ 11,917,064		\$ 11,917,064	\$ 9,150,355	9.83%
Feb-13	12.61%	0.00%	12.61%	\$ 7,993,024		\$ 7,993,024	\$ 6,668,153	\$ 840,854	\$ -	\$ 840,854	\$ 12,507,964		\$ 12,507,964	\$ 9,285,547	9.19%
Mar-13	14.37%	0.00%	14.37%	\$ 8,229,515		\$ 8,229,515	\$ 6,867,828	\$ 986,907	\$ -	\$ 986,907	\$ 10,651,391		\$ 10,651,391	\$ 9,417,295	10.63%
Apr-13	14.27%	0.00%	14.27%	\$ 5,856,204		\$ 5,856,204	\$ 6,935,908	\$ 989,754	\$ -	\$ 989,754	\$ 10,003,319		\$ 10,003,319	\$ 9,608,619	10.51%
May-13	17.97%	0.00%	17.97%	\$ 5,862,754		\$ 5,862,754	\$ 6,943,240	\$ 1,247,700	\$ -	\$ 1,247,700	\$ 7,640,542		\$ 7,640,542	\$ 9,604,002	12.99%
Jun-13	17.09%	0.00%	17.09%	\$ 6,435,598		\$ 6,435,598	\$ 6,948,103	\$ 1,187,431	\$ -	\$ 1,187,431	\$ 8,393,400		\$ 8,393,400	\$ 9,618,322	12.36%
Jul-13	15.77%	0.00%	15.77%	\$ 6,564,126		\$ 6,564,126	\$ 6,889,304	\$ 1,086,443	\$ (268,417)	\$ 798,026	\$ 9,363,789		\$ 9,363,789	\$ 9,593,817	8.30%
Aug-13	15.49%	0.00%	15.49%	\$ 6,606,279		\$ 6,606,279	\$ 6,893,813	\$ 1,067,821	\$ (260,189)	\$ 807,632	\$ 9,466,825		\$ 9,466,825	\$ 9,555,214	8.42%
Sep-13	14.93%	0.00%	14.93%	\$ 5,751,961		\$ 5,751,961	\$ 6,899,471	\$ 1,030,091	\$ (260,189)	\$ 789,902	\$ 9,129,819		\$ 9,129,819	\$ 9,573,044	8.06%
Oct-13	16.69%	0.00%	16.69%	\$ 5,643,820		\$ 5,643,820	\$ 6,898,848	\$ 1,151,417	\$ (260,189)	\$ 891,228	\$ 7,646,594		\$ 7,646,594	\$ 9,593,921	9.31%
Nov-13	17.43%	0.00%	17.43%	\$ 7,187,844		\$ 7,187,844	\$ 6,894,429	\$ 1,201,699	\$ (260,189)	\$ 941,510	\$ 8,629,346		\$ 8,629,346	\$ 9,578,581	9.81%
Dec-13	14.54%	0.00%	14.54%	\$ 8,503,182		\$ 8,503,182	\$ 6,943,491	\$ 1,009,584	\$ (144,055)	\$ 865,529					9.04%

Monthly Amortization	
CN 2012-00486	\$ (288,417)
CN 2013-00140	\$ 28,228
Total	\$ (260,189)
CN 2014-00051	\$ 160,880/6
Total	\$ (233,376)
June 2009	\$ 535,927/6
Total	\$ (144,055)



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2014-00051  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S THIRD REQUEST  
FOR INFORMATION DATED AUGUST 7, 2014

**Request 13.** This question is addressed to all member cooperatives.

**Request 13a:** Provide the billing cycles and billing dates for each cycle in the month of July 2013.

**Response 13a:** See Item #13 Continued, page 2 and 3.

**Request 13b:** For each billing cycle in July 2013, provide the environmental surcharge factor that was billed to customers.

**Response 13b:** See Item #13 Continued, page 2 and 3.

South Kentucky RECC  
Billing Cycles

<b>Bill Date</b>	<b>Cycles</b>	<b>Environmental Surcharge Factor</b>
7/2/2013	101,121,141,161,181,201,221 (53),301,321,401,501	12.99%
7/3/2013	102,122,142,162,182,202 222,302,322,402,502	12.99%
7/5/2013	103,123,143,163,183,203 223,303,323,403,503	12.99%
7/8/2013	104,124,144,164,184,204 224,304,324,404,504	12.99%
7/9/2013	605,105,125,145,165,185,205 305,325,405,425,505	12.99%
7/10/2013	106,126,146,166,186,206 306,326,406,426,506,50	12.99%
7/11/2013	107,127,147,167,187,207 307,327,407,427,507	12.99%
7/12/2013	608,108,128,148,168,188,208 308,328,408,428,508	12.99%
7/15/2013	109,129,149,169,189,209 309,329,409,429,509	12.99%
7/16/2013	110,130,150,170,190,210 310,410,430,510,530	12.99%
7/17/2013	111,131,151,171,191,211 311,411,431,511,531	12.99%

<b>Bill Date</b>	<b>Cycles</b>	<b>Environmental Surcharge Factor</b>
7/18/2013	112,132,152,172,192,212 312,412,432,512,532	12.99%
7/19/2018	113,133,153,173,193,213 313,413,433,513,533	12.99%
7/22/2013	341,342,114,134,154,174 194,214,314,414,434,514	12.99%
7/23/2014	343,344,115,135,155,175 195,215,315,415,435,515	12.99%
7/24/2013	345,346,116,136,156,176 196,216 316,416,436,516	12.99%
7/25/2013	347,348,117,137,157 197,217,317,417,517 349,350,618,118,138,158,198	12.99%
7/26/2013	349,350,618,118,138,158,198 218,318,418,518,11-15,18,800	12.99%
7/29/2013	351,352,119,159,199 219,319,419,519	12.99%
7/30/2013	353,354,355,8,200 120,140,160	12.99%





SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2014-00051  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S THIRD REQUEST  
FOR INFORMATION DATED AUGUST 7, 2014

**Request 25.** This question is addressed to South Kentucky Rural Electric Cooperative Corporation ("South Kentucky").

**Request 25a:** Refer to the response to Staff's Second Request, item 1. Explain the disposition of the amounts accumulated in account 142.32 Accounts Receivable - Environmental Surcharge.

**Response 25a:** The amount in account 142.32 Accounts Receivable – Environmental Surcharge is a journal entry used to accrue the under- collection or over-collection of environmental surcharge revenue based upon the difference between the power bill expense and the billing revenue from the member for the month. This entry affects both the balance sheet and the income statement. The balance of this account at December 31, 2013 was \$881,647 and aligns with South Kentucky's historical under-recovery from July 2005 through December 2013, as reported in South Kentucky's response to Commission Staff's IC data request Item #2, in Schedule A.

**Request 25b:** Refer to the response to Commission Staff's Informal Conference Information Request, item 2. Explain why South Kentucky changed its method of calculating the monthly environmental surcharge over-/under-recovery amount beginning in June 2009.

**Response 25b:** On page 3 of 10 in the commission's order dated November 5, 2010, for case 2010-00021, the Commission cites that in case 2009-00039 "authorization was given for a modification to EKPC's monthly environmental surcharge calculation to include a two month "true-up" adjustment for over- and under recoveries. EKPC began using this two-month "true-up" adjustment with the November 2009 expense month to include the September 2009 under-

recovery in its environmental surcharge calculation. Therefore, July and August 2009 are the only months subject to true-up in this six-month review.” It is our belief that this order was interpreted to require the change. However, this change resulted in the June 2009 expense of \$535,927 to not be recovered. This amount was not included in Case No. 2009-00317, nor was it included in Case No. 2010-00021 or any subsequent cases.