

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

COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION
TO EAST KENTUCKY POWER COOPERATIVE, INC. AND EACH OF ITS
SIXTEEN MEMBER DISTRIBUTION COOPERATIVES

East Kentucky Power Cooperative, Inc. ("EKPC") and each of its 16 member distribution cooperatives, pursuant to 807 KAR 5:001, are to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 7, 2015. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity, that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which any party fails or refuses to furnish all or part of the requested information, a written explanation shall be provided of the specific grounds for the failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. This question is addressed to South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"). Does South Kentucky agree that it had an over recovery of \$1,730,504 in Case No. 2012-00486,¹ which was to be amortized over six months at \$288,417 per month starting with the July 2013 expense month and continuing through the December 2013 expense month?

¹ Case No. 2012-00486, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Two-Year Billing Period Ending June 30, 2011, for the Six-Month Billing Periods Ending December 31, 2011 and June 30, 2012, and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives* (Ky. PSC Aug. 2, 2013).

2. This question is addressed to South Kentucky. Does South Kentucky agree that it had an under recovery of \$169,367 in Case No. 2013-00140,² which was to be amortized over six months at \$28,228 per month starting with the August 2013 expense month and continuing through the January 2014 expense month?

3. This question is addressed to South Kentucky. Does South Kentucky agree that it had an over recovery of \$360,764 in Case No. 2013-00324,³ which was to be amortized over six months at \$60,127 per month starting with the March 2014 expense month and continuing through the August 2014 expense month?

4. This question is addressed to South Kentucky. Does South Kentucky agree that the three cases addressed in Items 1, 2, and 3 of this Request result in a net over recovery of \$1,921,901, \$852,912 of which was still to be amortized and used in the monthly pass-through mechanism factor calculations starting in January 2014?

5. This question is addressed to South Kentucky. Refer to South Kentucky's response to Staff's request for information from the informal conference held on June 18, 2014. Does South Kentucky agree that it determined that it had an under recovery of \$881,647 since inception through December 31, 2013?

6. This question is addressed to South Kentucky. Confirm that the reason the over recovery of \$852,912, which was reflected in the monthly pass-through mechanism factor calculations starting in January 2014, was added to the under-

² Case No. 2013-00140, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Billing Period Ending December 31, 2012, and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives* (Ky. PSC Sept. 17, 2013).

³ Case No. 2013-00324, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Two-Year Billing Period Ending June 30, 2013, and the Pass Through Mechanism for Its Sixteen Member Distribution Cooperatives* (Ky. PSC Mar. 21, 2014).

recovery amount of \$881,647 to arrive at a total under recovery of \$1,734,559 at December 2013 was because the calculation of the \$852,912 used EKPC's invoiced amounts and South Kentucky's revenues billed to its members between January 1, 2011 and June 30, 2013, and if this \$852,912 over recovery would have been reflected in the revenues South Kentucky billed its customers as of December 31, 2013, the net under recovery would have been \$1,734,559 (\$881,647 +\$852,912)?

7. This question is addressed to South Kentucky. Refer to South Kentucky's response to Commission Staff's Fourth Request for Information ("Staff's Fourth Request"), Item 3.d., page 13 of 17.

a. Confirm that South Kentucky is requesting that the under recovery of \$1,734,559 be amortized over a six-month period and used in future monthly calculations of the monthly pass-through mechanism factor?

b. Does South Kentucky agree that the amortization of \$1,734,559 over six months would raise the average customer using 1,077 kWh per month by \$3.14 per month for the six-month amortization period?

8. This question is addressed to South Kentucky. Refer to South Kentucky's pass-through mechanism report included in EKPC's monthly environmental surcharge filing dated November 20, 2014.

a. In column 9, for the months of November 2013 through August 2014, does South Kentucky agree that the amortization of the monthly over-/under-recovery amounts total \$852,912, which is the same amount shown on the response to Staff's Fourth Request, Item 3.d., page 8 of 17?

b. Does South Kentucky agree that the amount shown in column 9 for the months of November 2013 through August 2014 were used in calculating South Kentucky's pass through factors shown in column 15 for the respective months?

9. This question is addressed to South Kentucky. In what revenue month was August 2014's pass-through factor of 8.69 percent billed to South Kentucky's customers?

10. This question is addressed to South Kentucky. If the August pass-through factor of 8.69 percent was used in calculating the bills for South Kentucky's customers beginning October 2014 or later, does South Kentucky agree that the customers were already billed for the under-collection amount of \$852,912? If not, explain why.

11. This question is addressed to South Kentucky. Refer to South Kentucky's response to Staff's request for information from the informal conference held on June 18, 2014, Schedule A, page 2 of 2, and provide answers to the following:

a. Does South Kentucky agree that the schedule shows a cumulative under collection of \$881,647?

b. Does South Kentucky agree that the impact of the June 2009 EKPC power bill in the amount of \$535,927 is reflected in the cumulative under collection of \$881,647?

c. Does South Kentucky agree that the total EKPC power bill from July 2005 through December 2013 was \$71,102,693? If not, provide the amount.

d. Does South Kentucky agree that the total amount billed by South Kentucky to its members from July 2005 through December 2013 was \$70,221,045? If not, provide the amount.

e. Does South Kentucky agree that the difference between the \$71,102,693 expense billed by EKPC and the \$70,221,045 billed by South Kentucky to its members is \$881,648? If not, provide the difference.

12. This question is addressed to EKPC and all of the member distribution cooperatives. If the Commission approves the since inception methodology proposed by South Kentucky, does EKPC and each member distribution cooperative agree that the since inception methodology should be applied to calculate the over-/under-recovery amount for all of the member distribution cooperatives, for this proceeding only, and adopt the amortization exclusion methodology for future proceedings?

13. This question is for all of the member distribution cooperatives. Refer to South Kentucky's response to Staff's Fourth Request, Item 3.d., pages 6 - 13 of 17. Should the Commission elect to approve the since inception methodology in calculating the over/under balance at December 31, 2013, do the member distribution cooperatives agree with the information in Items 13.a. - 13.p. below? If not, provide the correct information along with supporting calculations in electronic format with all cells and formulas intact.

a. Big Sandy Rural Electric Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$21,734) [(\$29,756) - (\$8,022)], with an average decrease in the residential bill of \$0.21 per month.

b. Blue Grass Energy Cooperative Corporation will have a net under recovery at December 31, 2013 of \$1,192,382 [\$695,796 - (\$496,586)], with an average increase in the residential bill of \$2.57 per month.

c. Clark Energy Cooperative, Inc. will have a net over recovery at December 31, 2013 of (\$209,981) [(\$117,498) - \$92,483], with an average decrease in the residential bill of \$1.10 per month.

d. Cumberland Valley Electric, Inc. will have a net under recovery at December 31, 2013 of \$483,180 [\$233,310 – (\$249,870)], with an average increase in the residential bill of \$2.44 per month.

e. Farmers Rural Electric Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$199,796) [\$74,567 - \$274,363], with an average decrease in the residential bill of \$0.95 per month.

f. Fleming-Mason Energy Cooperative, Inc. will have a net under recovery at December 31, 2013 of \$70,071 [\$173,704 - \$103,633], with an average increase in the residential bill of \$0.95 per month.

g. Grayson Rural Electric Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$163,499) [(\$174,606) – (\$11,107)] with an average decrease in the residential bill of \$2.56 per month.

h. Inter-County Energy Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$98,333) [(\$24,892) - \$73,441], with an average decrease in the residential bill of \$0.54 per month.

i. Jackson Energy Cooperative Corporation will have a net under recovery at December 31, 2013 of \$151,196 [\$24,401 - (\$126,795)], with an average increase in the residential bill of \$0.73 per month.

j. Licking Valley Rural Electric Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$105,831) [(\$91,995) - \$13,836], with an average decrease in the residential bill of \$0.80 per month.

k. Nolin Rural Electric Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$193,680) [(\$18,353) - \$175,327], with an average decrease in the residential bill of \$0.74 per month.

l. Owen Electric Cooperative, Inc. will have a net over recovery at December 31, 2013 of (\$1,036,800) [(\$374,425) - \$662,375], with an average decrease in the residential bill of \$1.94 per month.

m. Salt River Electric Cooperative Corporation will have a net under recovery at December 31, 2013 of \$987,455 [\$666,215 - (\$321,240)], with an average increase in the residential bill of \$2.45 per month.

n. Shelby Energy Cooperative Inc. will have a net under recovery at December 31, 2013 of \$182,309 [\$87,716 - (\$94,593)], with an average increase in the residential bill of \$1.17 per month.

o. South Kentucky will have a net under recovery at December 31, 2013 of \$1,734,560 [\$881,648 - (\$852,912)], with an average increase in the residential bill of \$3.14 per month.

p. Taylor County Rural Electric Cooperative Corporation will have a net over recovery at December 31, 2013 of (\$260,793) [(\$191,502) - \$69,291], with an average decrease in the residential bill of \$1.46 per month.

14. This question is addressed to South Kentucky. At the hearing held on December 16, 2014, Michelle Herrman stated that if the since inception model is not

approved, South Kentucky would have to write off \$1.694 million. Provide the journal entry that would be made to record the transaction.

15. This question is addressed to South Kentucky. Refer to the response to Staff's Fourth Request, Item 3.d., pages 10 - 12.

a. Does the analysis of Account 142.32 - Accounts Receivable - Environmental Surcharge shown on these pages represent the actual entries made since the inception of EKPC's environmental surcharge, or is it a depiction of the account as if the entries had been made since inception?

b. Explain the rationale for recording the over/under amounts in this manner.

c. Explain the rationale for recording the authorized case amortization amounts and the amortization amounts billed to customers in this manner given that they are offsetting amounts and ultimately do not impact the account balance.

d. Are the over/under amounts recorded in this account being refunded to or collected from customers?

(1) If the response is yes, explain how the entries to refund or bill customers is recorded as a transaction in Account 142.32.

(2) If the response is no, explain why the over/under amounts are not being refunded to or collected from customers.

e. Explain why the over/under amounts recorded in Account 142.32 for July 2005 through July 2009 do not agree with the amounts shown for the same months in South Kentucky's response to Staff's request for information from the informal conference held on June 18, 2014.



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