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PUBLIC SERVICE
COMMISSION

November 1, 2016

Talina R. Mathews
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: PSC Case No. 2016-00335

Dear Ms. Mathews:

Please find enclosed for filing with the Commission in the above-referenced case, and original and eight (8) copies of the responses of Taylor County Rural Electric Cooperative, Corporation to the Commission's Appendix B First Information Requests, contained in the Commission's Order dated October 12, 2016 and the Prepared Testimony of Patsy R. Walters on behalf of Taylor County RECC.

Please let me know if additional information is needed.

Sincerely,

TAYLOR COUNTY RURAL ELECTRIC
COOPERATIVE CORPORATION

Patsy Walters
Accounting Supervisor

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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NOV 03 2016

**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 ENDING)	CASE NO.
JUNE 30, 2016, AND THE PASS THROUGH)	2016-00335
MECHANISM FOR ITS SIXTEEN MEMBER)	
DISTRIBUTION COOPERATIVES)	

DIRECT TESTIMONY OF PATSY R. WALTERS
ON BEHALF OF TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE, CORPORATION

Filed: November 1, 2016

Q. In its October 12, 2016 Order the Commission directed that each Member Cooperative file prepared testimony explaining: a) whether it has considered being billed a direct amount for environmental costs based on its monthly purchased power costs or, otherwise, why it has not been considered; b) whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor; and c) whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to its member customers to be less volatile and result in more timely recovery of environmental costs. Would you address the first question concerning billing the environmental costs as a direct amount?

A. Taylor County Rural Electric Cooperative, Corporation has never considered being billed its environmental costs as a direct amount based on its monthly purchased power costs and has not discussed this concept with EKPC. As to why this approach has never been considered, Taylor County RECC believed that the language of the environmental surcharge statute and the history of the environmental surcharge would not support such an approach. As stated in the direct testimony of Isaac S. Scott on behalf of EKPC, the environmental surcharge statute specifically mentions the approval of a "rate surcharge". Taylor County RECC also notes that the environmental surcharge statute was modeled after the Commission's fuel adjustment clause ("FAC") regulation.¹ The FAC utilizes a rate mechanism rather than the direct billing of any differences between the actual fuel costs

¹ See *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 Period Ending December 31, 2013 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order at 8, footnote 16, Case No. 2014-00051, (Ky. P.S.C., Aug. 25, 2015).

incurred for a period and the level of fuel costs incorporated into base rates. Finally, Taylor County RECC was further aware that all of the environmental surcharges proposed and approved by the Commission utilized rate mechanisms rather than a direct billing approach.

Q. Would you address the second question concerning whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor?

A. Yes. EKPC's surcharge factor is calculated by dividing the monthly environmental costs incurred by EKPC by the 12-month average Member Cooperatives' revenues. Since the 12-month average Member Cooperatives' revenues used to calculate the surcharge factor will not match the Member Cooperatives' revenues for the specific invoice billing period the surcharge factor is applied to, an over- or under-recovery will exist. As Taylor County RECC understands the suggestion of billing a direct amount for environmental costs based on the monthly purchased power costs, it would appear that approach would eliminate the over-/under-recovery as currently experienced.

However, Taylor County RECC would note that its monthly power bills from EKPC fluctuate month to month, often significantly, due to load characteristics and customer mix. Assigning environmental costs to the Member Cooperatives based on monthly power bills which fluctuate significantly would result in bill volatility. Taylor County RECC along with the other Member Cooperatives have had and continue to have serious concerns about bill volatility. Bill volatility can have significant impacts on the Member Cooperatives' monthly margins and in turn the financial measures such as the Times Interest Earned

Ratio ("TIER"). While over time Taylor County RECC would recover the EKPC-billed environmental costs from its members, timing lags especially at the end of the fiscal year could distort annual margins and TIER. To address the bill volatility, Taylor County RECC and the other Member Cooperatives would seek some modification to the direct bill approach to lessen the volatility. Modifications, like using average monthly power bills as the basis for the assignment of the environmental costs, would result in a new form of over-/under-recovery.

Q. Would you address the third question concerning whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to the Member Cooperatives' member customer to be less volatile and result in more timely recovery of environmental costs?

A. Yes. As noted previously, Taylor County RECC's monthly power bills from EKPC fluctuate, sometimes by significant amounts. Each of the Member Cooperatives experience this fluctuation. Assigning EKPC's environmental costs based on the Member Cooperatives' monthly power bills would likely result in fluctuations in the amount of environmental costs assigned to any one Member Cooperative, which would then have to be recovered from the member customers. Thus, Taylor County RECC believes that rather than lessen volatility, this approach would simply replace the volatility that comes with the surcharge factor approach with volatility resulting from assigning environmental costs recovery on fluctuating monthly power bills.

The utilization of a direct billing approach would not result in more timely recovery of environmental costs from Taylor County RECC's member customers. Once Taylor County

RECC was billed a particular month's environmental costs, it would in turn bill its member customers the appropriate share of those costs in conjunction with the appropriate billing cycle. This process would be no different than the current arrangement.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2016-00335

VERIFICATION

I verify state and affirm that the testimony filed with this verification and for which I am listed as a witness is true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.

Patsy R. Walters
Patsy R. Walters, Accounting Supervisor

State of Kentucky

County of Taylor

The foregoing was signed, acknowledged and sworn to before me by Patsy R. Walters, the first day of November, 2016.

Phyllis Rhodes
Notary Public

My Commission Expires: 1/22/19 ID# 526377

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719-0100
PSC CASE. 2016-00335

WITNESS: Patsy R. Walters

Request 2. This question is addressed to EKPC and the Member Cooperatives. For each of the 16 Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month review. Include a calculation of any additional over- or under- recovery amount the distribution cooperative believes needs to be recognized for the six-month review. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

Response 2. Please see EKPC's response to Request No. 2 of the Commission Staff's First Request for Information dated October 12, 2016.

TAYLOR COUNTY RECC
P O BOX 100
CAMPBELLSVILLE KY 42719
PSC CASE NO. 2016-00335

Witness: Patsy R. Walters

Average Residential Usage 12 month ended 05/31/16 1033

Test Month May 2016

Taylor County Cumulative (Over)/Under- Recovery 11,999

Monthly Recovery (per month for six months) 2,000

		ACTUAL	6 MONTH RECOVERY
Customer Charge	9.82	\$9.82	\$9.82
kWh Charge	0.0822	\$84.91	\$84.91
Fuel Adjustment @	(0.00753)	(\$7.78)	(\$7.78)
Subtotal		\$86.95	\$86.95
Env. Surcharge	13.34%	\$11.60	13.40% \$11.65
Total		\$98.55	\$98.61
Dollar Impact			\$0.05

TAYLOR COUNTY RECC
P O BOX 100
CAMPBELLSVILLE KY 42719
PSC CASE NO. 2016-00335

Witness: Patsy R. Walters

Taylor - Calculation of (Over)/Under Recovery						
Line No.	Month & Year	EKPC Invoice Month recorded Member's Books (2)	Billed to Retail Consumer & recorded on Member's Books (3)	Monthly (Over) or Under (4)	Cumulative (Over) or Under (5)	
1	Previous (Over)/Under-Recovery Remaining to be Amortized					
1a	From Case No. 2014-00051 (Over)/Under-Recovery					(\$82,435)
1b	From Case No. 2015-00281 (Over)/Under-Recovery					(\$191,419)
1c	From Case No. 2016-00144 (Over)/Under-Recovery					(\$32,055)
1d	Total Previous (Over)/Under-Recovery					(\$305,909)
2	Jan-16	\$471,759	\$420,114	\$51,645	(\$254,264)	
3	Feb-16	\$615,568	\$563,333	\$52,235	(\$202,029)	
4	Mar-16	\$461,371	\$408,966	\$52,405	(\$149,624)	
5	Apr-16	\$240,154	\$248,124	(\$7,970)	(\$157,594)	
6	May-16	\$271,865	\$253,269	\$18,596	(\$138,998)	
7	Jun-16	\$354,952	\$331,719	\$23,233	(\$115,765)	
Post Review	Jul-16	\$466,193	\$439,860	\$26,333	(\$89,432)	
	Aug-16	\$549,746	\$510,320	\$39,426	(\$50,006)	
Less Adjustment for Order amounts remaining to be amortized at end of review period June 2016.						
8		Amount Per Case Order Remaining to be Amortized at beginning of Review Period	Amortization of Previous (Over)/Under Recoveries During Review Period		Amount Per Case Order Remaining to be Amortized at end of Review Period	
8a	Case No. 2014-00051 Recovery		\$82,435	(\$82,436)		(\$1)
8b	Case No. 2015-00281 Recovery		\$191,419	(\$95,709)		\$95,710
8c	Case No. 2016-00144 Recovery		\$32,055	\$0		\$32,055
8d	Total Order amounts remaining - Over/(Under):					\$127,764
9	Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&8					\$11,999
10	Monthly recovery (per month for six months					\$2,000
Reconciliation:						
11	Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period					(\$305,909)
12	Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period					\$127,764
13	Total Amortization during Review Period					(\$178,145)
14	(Over)/Under-Recovery from Column 5, Line 9					\$11,999
15	Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7)					\$190,144
16	Difference					(\$178,145)

Amortization Detail, Column 3, Line 8:

Month & Year	Case No. 2014-00051	Case No. 2015-00281	Case No. 2016-00144
Jan-16	(\$41,218)	\$0	\$0
Feb-16	(\$41,218)	\$0	\$0
Mar-16	\$0	\$0	\$0
Apr-16	\$0	(\$31,903)	\$0
May-16	\$0	(\$31,903)	\$0
Jun-16	\$0	(\$31,903)	\$0
Totals	(\$82,436)	(\$95,709)	\$0

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

For the Month Ending May 2016

	(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 Taylor County	On-peak Revenues Adjustment	EKPC Net Monthly Sales to Taylor County	EKPC 12-months Ended Average Monthly Revenue from Sales to Taylor County	Taylor County Revenue Requirement	Amortization of (Over)/Under Recovery as Applicable	Taylor County Net Revenue Requirement	Taylor County Total Monthly Retail Revenues	On-Peak Revenue Adjustment	Taylor County Net Monthly Retail Revenues	12-months ended Average Retail Revenues, Net	Taylor County Pass- through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col (3) x Col (7)		Col (8) + Col (9)			Col. (11) - Col. (12)		Col (10) / Col (14)
Jun-14	15.67%	0.00%	15.67%	\$ 2,827,009	\$ 112,004	\$ 2,715,005	\$ 2,704,169	\$ 423,743	\$ (7,168)	\$ 416,575	\$ 2,971,984	\$ 112,004	\$ 2,859,980	\$ 3,502,368	11.90%
Jul-14	14.38%	0.00%	14.38%	\$ 2,887,003	\$ 85,377	\$ 2,801,626	\$ 2,726,819	\$ 392,117	\$ (7,168)	\$ 384,949	\$ 3,611,080	\$ 85,377	\$ 3,525,703	\$ 3,519,918	10.99%
Aug-14	12.62%	0.00%	12.62%	\$ 2,920,463	\$ 89,380	\$ 2,831,083	\$ 2,750,423	\$ 347,103	\$ (7,168)	\$ 339,935	\$ 3,690,411	\$ 89,380	\$ 3,601,031	\$ 3,530,377	9.66%
Sep-14	13.53%	0.00%	13.53%	\$ 2,511,497	\$ 76,590	\$ 2,434,907	\$ 2,768,230	\$ 374,542	\$ -	\$ 374,542	\$ 3,782,469	\$ 76,590	\$ 3,705,879	\$ 3,563,198	10.61%
Oct-14	15.57%	0.00%	15.57%	\$ 2,170,546	\$ 97,237	\$ 2,073,309	\$ 2,765,961	\$ 430,660	\$ -	\$ 430,660	\$ 3,182,968	\$ 97,237	\$ 3,085,731	\$ 3,573,061	12.09%
Nov-14	16.95%	0.00%	16.95%	\$ 2,981,130	\$ 90,793	\$ 2,890,337	\$ 2,789,072	\$ 472,748	\$ -	\$ 472,748	\$ 2,995,981	\$ 90,793	\$ 2,905,188	\$ 3,579,965	13.23%
Dec-14	13.88%	0.00%	13.88%	\$ 3,059,133	\$ 83,588	\$ 2,975,545	\$ 2,778,456	\$ 385,650	\$ -	\$ 385,650	\$ 3,965,486	\$ 83,588	\$ 3,881,898	\$ 3,621,974	10.77%
Jan-15	13.67%	0.00%	13.67%	\$ 3,612,118	\$ 83,475	\$ 3,528,643	\$ 2,739,914	\$ 374,546	\$ -	\$ 374,546	\$ 3,930,460	\$ 83,475	\$ 3,846,985	\$ 3,608,606	10.34%
Feb-15	11.49%	0.00%	11.49%	\$ 3,716,259	\$ 84,365	\$ 3,631,894	\$ 2,768,413	\$ 318,091	\$ -	\$ 318,091	\$ 4,704,149	\$ 84,365	\$ 4,619,784	\$ 3,558,249	8.81%
Mar-15	10.90%	0.00%	10.90%	\$ 2,885,684	\$ 86,125	\$ 2,799,559	\$ 2,753,009	\$ 300,078	\$ -	\$ 300,078	\$ 4,648,995	\$ 86,125	\$ 4,562,870	\$ 3,595,932	8.43%
Apr-15	14.44%	0.00%	14.44%	\$ 1,835,910	\$ 28,698	\$ 1,807,212	\$ 2,725,992	\$ 393,633	\$ -	\$ 393,633	\$ 3,662,592	\$ 28,698	\$ 3,633,894	\$ 3,576,220	10.95%
May-15	18.09%	0.00%	18.09%	\$ 1,887,351	\$ 3,193	\$ 1,884,158	\$ 2,697,773	\$ 488,027	\$ -	\$ 488,027	\$ 2,584,272	\$ 3,193	\$ 2,581,079	\$ 3,567,502	13.65%
Jun-15	18.44%	0.00%	18.44%	\$ 2,457,955	\$ 2,804	\$ 2,455,151	\$ 2,676,119	\$ 493,476	\$ -	\$ 493,476	\$ 2,655,880	\$ 2,804	\$ 2,653,076	\$ 3,550,260	13.83%
Jul-15	15.91%	0.00%	15.91%	\$ 2,679,167	\$ 2,623	\$ 2,676,544	\$ 2,665,695	\$ 424,112	\$ -	\$ 424,112	\$ 3,000,156	\$ 2,623	\$ 2,997,533	\$ 3,506,246	11.95%
Aug-15	16.25%	0.00%	16.25%	\$ 2,409,961	\$ 1,564	\$ 2,408,397	\$ 2,630,471	\$ 427,452	\$ (41,218)	\$ 386,234	\$ 3,570,974	\$ 1,564	\$ 3,569,410	\$ 3,503,611	11.02%
Sep-15	17.07%	0.00%	17.07%	\$ 2,187,426	\$ 2,081	\$ 2,185,345	\$ 2,609,675	\$ 445,471	\$ (41,218)	\$ 404,253	\$ 3,287,248	\$ 2,081	\$ 3,285,167	\$ 3,468,551	11.54%
Oct-15	18.51%	0.00%	18.51%	\$ 1,929,020	\$ 27,299	\$ 1,901,721	\$ 2,595,376	\$ 480,404	\$ (41,218)	\$ 439,186	\$ 2,906,695	\$ 27,299	\$ 2,879,396	\$ 3,451,357	12.66%
Nov-15	18.81%	0.00%	18.81%	\$ 2,323,077	\$ 54,604	\$ 2,268,473	\$ 2,543,554	\$ 478,442	\$ (41,218)	\$ 437,224	\$ 2,660,942	\$ 54,604	\$ 2,606,338	\$ 3,426,453	12.67%
Dec-15	18.40%	0.00%	18.40%	\$ 2,597,361	\$ 89,340	\$ 2,508,021	\$ 2,504,593	\$ 460,845	\$ (41,218)	\$ 419,627	\$ 2,932,960	\$ 89,340	\$ 2,843,620	\$ 3,339,929	12.25%
Jan-16	16.00%	0.00%	16.00%	\$ 3,417,722	\$ 72,228	\$ 3,345,494	\$ 2,489,331	\$ 398,293	\$ (41,218)	\$ 357,075	\$ 3,342,339	\$ 72,228	\$ 3,270,111	\$ 3,291,857	10.69%
Feb-16	10.92%	0.00%	10.92%	\$ 2,940,751	\$ 57,175	\$ 2,883,576	\$ 2,426,971	\$ 265,025	\$ -	\$ 265,025	\$ 4,610,036	\$ 57,175	\$ 4,552,861	\$ 3,286,280	8.05%
Mar-16	14.30%	0.00%	14.30%	\$ 2,254,725	\$ 55,506	\$ 2,199,219	\$ 2,376,943	\$ 339,903	\$ (31,903)	\$ 308,000	\$ 3,845,520	\$ 55,506	\$ 3,790,014	\$ 3,221,875	9.37%
Apr-16	17.59%	0.00%	17.59%	\$ 1,980,794	\$ 79,641	\$ 1,901,153	\$ 2,384,771	\$ 419,481	\$ (31,903)	\$ 387,578	\$ 3,122,568	\$ 79,641	\$ 3,042,927	\$ 3,172,628	12.03%
May-16	18.99%	0.00%	18.99%	\$ 2,129,602	\$ 111,678	\$ 2,017,924	\$ 2,395,918	\$ 454,985	\$ (31,903)	\$ 423,082	\$ 2,737,084	\$ 111,678	\$ 2,625,406	\$ 3,176,322	13.34%

Note:
 Taylor County Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.
 Revenues reported in Column 4 for September 2011 contained an error which has been corrected; the correction did not change the September Pass-through factor shown in Column 15.

Witness by: Patsy R. Walters

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

For the Month Ending May 2016

	(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 Taylor County	On-peak Revenues Adjustment	EKPC Net Monthly Sales to Taylor County	EKPC 12-months Ended Average Monthly Revenue from Sales to Taylor County	Taylor County Revenue Requirement	Amortization of (Over)/Under Recovery as Applicable	Taylor County Net Revenue Requirement	Taylor County Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Taylor County Net Monthly Retail Revenues	12-months ended Average Retail Revenues, Net	Taylor County Pass-through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (6)		Col (8) x Col (7)		Col (8) + Col (9)			Col. (11) - Col. (12)		Col (10) / Col (14)
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Nov-14	16.95%	0.00%	16.95%	\$ 2,981,130	\$ 90,793	\$ 2,890,337	\$ 2,789,072	\$ 472,748	\$ -	\$ 472,748	\$ 2,995,981	\$ 90,793	\$ 2,905,188	\$ 3,579,965	12.23%
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Feb-15	11.49%	0.00%	11.49%	\$ 3,716,259	\$ 84,365	\$ 3,631,894	\$ 2,768,413	\$ 318,091	\$ -	\$ 318,091	\$ 4,704,149	\$ 84,365	\$ 4,619,784	\$ 3,558,249	8.81%
Mar-15	10.90%	0.00%	10.90%	\$ 2,885,684	\$ 86,125	\$ 2,799,559	\$ 2,753,009	\$ 300,078	\$ -	\$ 300,078	\$ 4,648,995	\$ 86,125	\$ 4,562,870	\$ 3,595,932	8.43%
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Oct-15	18.51%	0.00%	18.51%	\$ 1,929,020	\$ 27,299	\$ 1,901,721	\$ 2,595,376	\$ 480,404	\$ (41,218)	\$ 439,186	\$ 2,906,695	\$ 27,299	\$ 2,879,396	\$ 3,451,357	12.66%
Nov-15	18.81%	0.00%	18.81%	\$ 2,323,077	\$ 54,604	\$ 2,268,473	\$ 2,543,554	\$ 478,442	\$ (41,218)	\$ 437,224	\$ 2,660,942	\$ 54,604	\$ 2,606,338	\$ 3,426,453	12.67%
Dec-15	18.40%	0.00%	18.40%	\$ 2,597,361	\$ 89,340	\$ 2,508,021	\$ 2,504,593	\$ 460,845	\$ (41,218)	\$ 419,627	\$ 2,932,960	\$ 89,340	\$ 2,843,620	\$ 3,339,929	12.25%
Jan-16	16.00%	0.00%	16.00%	\$ 3,417,722	\$ 72,228	\$ 3,345,494	\$ 2,489,331	\$ 398,293	\$ (41,218)	\$ 357,075	\$ 3,342,339	\$ 72,228	\$ 3,270,111	\$ 3,291,857	10.69%
Feb-16	10.92%	0.00%	10.92%	\$ 2,940,751	\$ 57,175	\$ 2,883,576	\$ 2,426,971	\$ 265,025	\$ -	\$ 265,025	\$ 4,610,036	\$ 57,175	\$ 4,552,861	\$ 3,286,280	8.05%
Mar-16	14.30%	0.00%	14.30%	\$ 2,254,725	\$ 55,506	\$ 2,199,219	\$ 2,376,943	\$ 339,903	\$ (31,903)	\$ 308,000	\$ 3,845,520	\$ 55,506	\$ 3,790,014	\$ 3,221,875	9.37%
Apr-16	17.59%	0.00%	17.59%	\$ 1,980,794	\$ 79,641	\$ 1,901,153	\$ 2,384,771	\$ 419,481	\$ (31,903)	\$ 387,578	\$ 3,122,568	\$ 79,641	\$ 3,042,927	\$ 3,172,628	12.03%
May-16	18.99%	0.00%	18.99%	\$ 2,129,602	\$ 111,678	\$ 2,017,924	\$ 2,395,918	\$ 454,985	\$ (29,903)	\$ 425,082	\$ 2,737,084	\$ 111,678	\$ 2,625,406	\$ 3,176,322	13.40%

Note:
 Taylor County Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.
 Revenues reported in Column 4 for September 2011 contained an error which has been corrected; the correction did not change the September Pass-through factor shown in Column 15.

Witness by: Patsy R. Walters

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719-0100
PSC CASE. 2016-00335

WITNESS: Patsy R. Walters

Request 9. This question is addressed to the Member Cooperatives. Explain in detail the process by which the environmental surcharge amounts billed by EKPC are recorded and billed to member customers. Include in the response a discussion of timing and accounting methodology.

Response 9. The pass thru mechanism report for Taylor County RECC for the month ending May 2016 was prepared by EKPC in June 2016 and reviewed by Taylor County RECC. The environmental surcharge filing was then submitted to the PSC on June 20, 2016. Taylor County pass-through mechanism factor of 13.34% was calculated for June service on Member customer billing generated and mailed July 2016. The environmental surcharge amounts billed in July 2016 were accounted for on Taylor County RECC's revenue report for the month ending July 31, 2016. Taylor County RECC follows an accrual based approach in its accounting for the environmental surcharge.

TAYLOR COUNTY RURAL ELECTRIC
COOPERATIVE CORPORATION

ITEM 9
PAGE 2 OF 2

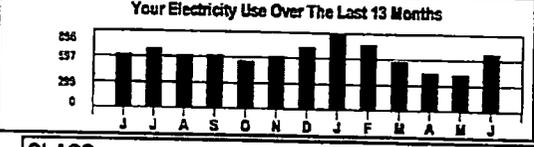
P.O. BOX 100
Campbellsville, KY 42719

A Touchstone Energy Cooperative

Campbellsville 270-465-4101 Toll Free 1-800-931-4551
Office Hours 8:00 A.M. - 5:00 P.M. Eastern Time Monday thru Friday

ACCOUNT NUMBER		ACCOUNT NAME				RATE	CLASS	SERVICE ADDRESS			LOCATION NUMBER	METER #
						1	1				1509003000	58943
FROM	SERVICE TO	NO. DAYS	READING TYPE	READING PREVIOUS	READING PRESENT	MULT	KWH USAGE	KW DEMAND	CHARGES			
05/31/16	06/30/16	30	R	68760	69433	1	673		65.14			
-0.007530 FUEL									-5.07			
ENVIRONMENTAL SURCHARGE 13.34%									8.01			
SCHOOL TAX									2.04			
TOTAL CURRENT BILL DUE						07/29/16			70.12			
PREVIOUS AMOUNT DUE									49.01			
THANK YOU FOR YOUR PAYMENT 06/10/16									-49.01			
TOTAL AMOUNT DUE									70.12			
IF PAID AFTER DUE DATE ADD THIS AMOUNT FOR ESTIMATED PENALTY									3.40			

AMOUNT DUE NOW		\$	70.12
DUE DATE	07/29/16	BILL IS DELINQUENT AFTER DUE DATE	
AFTER DUE DATE PAY		\$	73.52



ONLINE BILL PAYMENT IS NOW AVAILABLE. VISIT OUR WEBSITE AT
WWW.TCRECC.COM

CLASS	RATE	READING TYPE
1 = Residential	1. Residential	R Regular Meter Reading
2 = Residential	2. Small Commercial	E Estimated Meter Reading
3 = Small Church	3. Large Power	
4 = Small Commercial	4. Primary Meter Lg Power	
5 = Small School	6. Street Lights	
7 = Large Power	11. Residential Marketing	
8 = Large Power		
9 = Street Lighting		
12 = Residential Marketing		
13 = C1 Large Industrial Contract Rate		
14 = C2 Large Industrial Contract Rate		
15 = C3 Large Industrial Contract Rate		
16 = B1 Large Industrial Contract Rate		
17 = B2 Large Industrial Contract Rate		
18 = B3 Large Industrial Contract Rate		

KEEP THIS PORTION FOR YOUR RECORDS - RETURN BOTTOM PORTION WITH PAYMENT

Taylor Co. RECC
P.O. BOX 100
Campbellsville, KY 42719-0100
ADDITIONAL SERVICE REQUESTED

BILLING DATE			METER NUMBER
07/06/16			58943
TELEPHONE NUMBER	BC	CYCLE	AFTER DUE DATE PAY
	0	10	73.52
ACCOUNT NUMBER	DUE DATE		AMOUNT DUE
	07/29/16		70.12

AMOUNT PAID \$ _____

AUTO UTOSCH 5-DIGIT 42718



11730 43

TAYLOR COUNTY RECC
PO BOX 100
CAMPBELLVILLE KY 42719-0100



WITNESS: Patsy R. Walters

**TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719-0100
PSC CASE. 2016-00335**

WITNESS: Patsy R. Walters

Request 12 (a). This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

Explain how the amounts recorded in the column labelled "EKPC Invoice Month Recorded Member's Books" correspond with EKPC's expense month. For example, EKPC's monthly report for December 2015 indicates that the December 2015 expense month would be billed beginning February 2016 for service rendered in January 2016. Explain in which month the Member Cooperative would reflect its portion of the December 2015 expense billed by EKPC.

Response 12(a). Taylor County RECC would reflect its portion of the December 2015 expense billed by EKPC in February 2016.

TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719-0100
PSC CASE. 2016-00335

WITNESS: Patsy R. Walters

Request 12(b). This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

Explain whether the amounts reported in this column reflect only the actual amount billed by EKPC, or if the amount does or can include adjustments to the billed amount.

Explain the adjustments that may be included, if any.

Response 12(b). EKPC prepares the response to Request 2 and the Members provide the surcharge revenues shown in column 3. Second, the surcharge amount in Column 2 reflects the total gross surcharge shown on EKPC's invoice minus the Direct Load Control program surcharge credit. The Direct Load Control program provides demand credits to Members based on the involvement of the Member's customers in the Direct Load Control program. The demand credit impacts the revenues included to determine the surcharge and a separate surcharge credit is calculated. However, this adjustment is reflected on the invoice EKPC sends to the Member.

**TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719-0100
PSC CASE. 2016-00335**

WITNESS: Patsy R. Walters

Request 12(c). This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

Refer to the column labelled "Billed to Retail Consumer & Recorded on Member's Books." Confirm that these amounts are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers.

Response 12(c). Taylor County RECC confirms that the amounts labelled "Billed to Retail Consumer & Recorded on Member's Books" are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers. The environmental surcharge amounts entered on the monthly revenue report for Taylor County RECC are taken directly from the register report printed by the billing department. The register report reflects all Member bills that have been generated for the month.

**TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
P O BOX 100
CAMPBELLSVILLE, KY 42719-0100
PSC CASE. 2016-00335**

WITNESS: Patsy R. Walters

Request 13. This question is addressed to the Member Cooperatives. Refer to the Member Cooperatives Pass Through Mechanism Report in EKPC's monthly environmental surcharge report. Provide the revenue month to which the pass through factor (Column 15) calculated for the expense month will be applied.

Response 13. The expense month of May 2016 had an EKPC Surcharge factor of 18.99%. The Taylor County Pass-through Mechanism Factor was 13.34%. The revenue month to which the Taylor County pass through factor calculated for the expense month of May 2016 was applied in July 2016.

TAYLOR COUNTY RECC
P O BOX 100
CAMPBELLSVILLE KY 42719
PSC CASE NO 2016-00335

Witness: Patsy R. Walters

MONTHLY REVENUE TOTALS FROM CLASSREG REPORT
Jul-16

REVENUE BILLED

GENERAL LEDGER		KWH	KWH YARD LIGHT	TOTAL KWH	KW DEMAND	ENERGY	FUEL	SUR-CHARGE	LIGHTS	TOTAL BILLING	STATE TAX	SCHOOL TAX	FRANCHISE TAX	TOTAL BILLED	PENALTY
440.10	8,258	7,484,383	100,642	7,585,025	34.128	695,627.47	(57,119.71)	86,947.30	13,258.05	738,713.11	-	22,159.59	48.56	760,921.26	
440.30	14,794	16,759,335	184,069	16,943,404	63.062	1,521,386.16	(127,589.73)	189,187.16	24,381.83	1,607,365.42	46.52	48,220.94	527.15	1,656,160.03	
442.10	2,572	3,021,608	49,264	3,070,872	2,998.093	274,800.37	(23,124.57)	34,417.65	6,340.73	292,434.18	16,449.08	8,771.20	164.72	317,819.18	
442.20	302	8,657,700	28,099	8,685,799	28,237.323	699,906.50	(65,404.09)	85,037.63	2,960.73	722,500.77	35,363.21	21,545.75	963.61	780,373.34	
442.30	10	2,038,022	1,638	2,039,660	19,740.840	160,683.38	(15,358.65)	19,407.65	159.87	164,892.25	9,024.31	4,903.82	96.62	178,917.00	
444.00	8	705	57,913	58,618	-	58.07	(441.39)	929.46	7,350.81	7,896.95	143.78	236.89	-	8,277.62	
445.10	317	408,099	20,772	428,871	340.025	36,764.39	(3,229.74)	4,832.27	2,689.48	41,056.40	209.55	1,230.39	8.12	42,504.46	
445.20	1	-	-	-	-	10.00	0.00	1.33	-	11.33	-	0.34	-	11.67	
TOTALS	26,262	38,369,852	442,397	38,812,249	51,413.471	3,389,236.34	(292,267.88)	420,760.45	57,141.50	3,574,870.41	61,236.45	107,068.92	1,808.78	3,744,984.56	-

REVENUE ADJUSTED

440.10		(482)	0	(482)					0.00	0.00				0.00	5,614.38
440.30		298	0	298		24.51	(2.32)	2.83		25.02		0.74		25.76	14,998.10
442.10		(21)		(21)		(1.73)	0.16	(0.05)		(1.62)		(0.21)		(1.83)	1,266.18
442.20		0		0		0.00	0.00	0.00		0.00	0.00	0.00		0.00	583.72
442.30		5,524,221	0	5,524,221		185,531.69	0.00	19,097.00		204,628.69	12,646.05	6,138.86	0.00	223,413.60	
444.00				0						0.00				-	
445.10		0		0		0.00	0.00	0.00		0.00	0.00	0.00		-	95.23
445.20				0						0.00				-	
TOTALS		5,524,016	0	5,524,016	-	185,554.47	(2.16)	19,099.78	0.00	204,652.09	12,646.05	6,139.39	0.00	223,437.53	22,557.61

ADJUSTED REVENUE TOTAL

440.10	8,258	7,483,901	100,642	7,584,543	34.128	695,627.47	(57,119.71)	86,947.30	13,258.05	738,713.11	-	22,159.59	48.56	760,921.26	
440.30	14,794	16,759,633	184,069	16,943,702	63.062	1,521,410.67	(127,592.05)	189,189.99	24,381.83	1,607,390.44	46.52	48,221.68	527.15	1,656,185.79	
442.10	2,572	3,021,587	49,264	3,070,851	2,998.093	274,798.64	(23,124.41)	34,417.60	6,340.73	292,432.56	16,449.08	8,770.99	164.72	317,817.35	
442.20	302	8,657,700	28,099	8,685,799	28,237.323	699,906.50	(65,404.09)	85,037.63	2,960.73	722,500.77	35,363.21	21,545.75	963.61	780,373.34	
442.30	10	7,562,243	1,638	7,563,881	19,740.840	346,215.07	(15,358.65)	38,504.65	159.87	369,520.94	21,670.36	11,042.68	96.62	402,330.60	
444.00	8	705	57,913	58,618	0.000	58.07	(441.39)	929.46	7,350.81	7,896.95	143.78	236.89	-	8,277.62	
445.10	317	408,099	20,772	428,871	340.025	36,764.39	(3,229.74)	4,832.27	2,689.48	41,056.40	209.55	1,230.39	8.12	42,504.46	
445.20	1	0	0	0	0.000	10.00	0.00	1.33	-	11.33	-	0.34	-	11.67	
TOTALS	26,262	43,893,868	442,397	44,336,265	51,413.471	3,574,790.81	(292,270.04)	438,860.23	57,141.50	3,779,522.50	73,882.50	113,208.31	1,808.78	3,968,422.09	-