



FLEMING-MASON ENERGY
COOPERATIVE, INC.

P.O. BOX 328 • FLEMINGSBURG, KENTUCKY 41041 • (606) 845-2661 • FAX (606) 845-1008

May 16, 2008

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MAY 19 2008

PUBLIC SERVICE
COMMISSION

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 2007-00378

Dear Ms. Stumbo:

Enclosed are the original and seven copies of Fleming-Mason Energy's responses to the Kentucky Public Service Commission's order of May 1, 2008.

Please contact the office if further information is required.

Sincerely,

A handwritten signature in cursive script that reads "Joni K. Hazelrigg".

Joni K. Hazelrigg
CFO

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAY 19 2008

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 PERIODS ENDING)
JUNE 30, 2006, AND DECEMBER 31, 2006, FOR)
THE TWO-YEAR BILLING PERIOD ENDING)
JUNE 30, 2007, AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)

CASE NO. 2007-00378

FLEMING-MASON ENERGY COOPERATIVE, INC.'S RESPONSE
TO PSC ORDER OF MAY 1, 2008

Comes now Fleming-Mason Energy Cooperative, Inc., by and through Christopher S.

Perry, its President/CEO, and for its Response to the Public Service's Order of May 1, 2008, states as follows:

1. Has your cooperative experienced any problems in administering its environmental surcharge pass through mechanism over the 2-year period under review in this case? If yes, explain in detail the nature of the problems and any suggested changes to cure the problem.

Response:

Fleming-Mason Energy has industrial customers that are directly served. The methodology currently used creates a mis-match between the end-use retail rate charged and the wholesale rate paid on direct served customers.

2. Has your cooperative received any customer complaints regarding the environmental surcharge pass through mechanism during the 2-year period under review in this case? If yes, state the number of complaints received, the nature of each complaint, and the service classification of each customer making a complaint.

Response:

No, FME has not received any customer complaints regarding the environmental surcharge pass through mechanism during the 2-year period under review.

3. Does your cooperative believe that its environmental surcharge pass through mechanism has operated reasonably over the 2-year period under review in this case? If no, explain in detail.

Response:

As stated earlier, FME believes there is a mis-match between retail and wholesale rates. Also, the surcharge has experienced larger monthly fluctuations than anticipated. For example FME's retail surcharge for January 2007 was 6.89%, the rate for June, 2007 was 8.55%, a 24% increase within a six month time frame.

4. Does your cooperative have any recommended changes for its existing environmental surcharge pass through mechanism? If yes, explain in detail the nature of each change and the reasons why the change is needed.

Response:

FME believes the wholesale and retail rate should be matched on direct serve customers. Given the nature of the costs associated with the Environmental Surcharge, FME believes that the rate should not fluctuate substantially month-to-month.

FME understands that it will be difficult for the issues with the environmental surcharge charged to industrial customers to be solved in a compressed time frame. FME is working with East Kentucky Power and the Rate Task Force at EKP to resolve issues regarding wholesale rates. At this time, FME understands that there is no methodology that will be perfect and be completely accurate in allocation of costs.

WITNESSES RESPONSIBLE FOR ANSWERING THESE QUESTIONS: The witness responsible for providing the information to these Responses was Christopher S. Perry, President/CEO, Fleming-Mason Energy Cooperative, Inc., P. O. Box 328, Flemingsburg, KY 41041.

VERIFICATION

I, Christopher S. Perry on behalf of Fleming-Mason Energy Cooperative, Inc., have reviewed the foregoing RESPONSES, and same are true and correct to the best of my knowledge and belief. I am authorized to sign this Verification on behalf of Fleming-Mason Energy Cooperative, Inc.

This the 16th day of May, 2008.

FLEMING-MASON ENERGY COOPERATIVE, INC.

BY: Christopher S. Perry
Christopher S. Perry, President & CEO

STATE OF KENTUCKY)

COUNTY OF FLEMING)

Subscribed and sworn to before me by Christopher S. Perry, President/CEO of Fleming-Mason Energy Cooperative, Inc., on this the 16th day of May, 2008.

My commission expires: June 20, 2010

Joni K. Hazelrigg
NOTARY PUBLIC, KY STATE AT-LARGE