

Meade County RECC

P.O. Box 489
Brandenburg, KY 40108-0489
(270) 422-2162
Fax: (270) 422-4705

April 21, 2011

RECEIVED

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

APR 22 2011

PUBLIC SERVICE
COMMISSION

Re: Commission Staff's First Information Request To Meade County Rural Electric Cooperative Corporation in the Application for Pass-Through of Big Rivers Electric Corporation Wholesale Rate Adjustment- PSC Case No. 2011-00038

Dear Mr. Derouen:

Please find enclosed for filing with the Commission an original and 10 copies of Meade County Rural Electric Cooperative Corporation ("Meade County RECC") response to Commission Staff's First Information Request in the Application for Pass-Through of Big Rivers Electric Corporation ("Big Rivers") Wholesale Rate Adjustment. In addition, one (1) CD is attached to the original copy containing the electronic version of exhibits.

Respectfully submitted,

Burns E. Mercer
President / CEO

C: Thomas C. Brite, Attorney for Meade County RECC

RECEIVED

APR 22 2011

PUBLIC SERVICE
COMMISSION

Response to

Commission Staff's First Information Request

To Meade County Rural Electric Cooperative Corporation

in the Application for Pass-Through of Big Rivers Electric

Corporation Wholesale Rate Adjustment

Case No. 2011-00038

APPLICATION OF MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION FOR
PASS-THROUGH OF BIG RIVERS ELECTRIC CORPORATION WHOSESALE RATE
ADJUSTMENT
RESPONSE TO COMMISSION STAFF'S FIRST INFORMATION REQUEST IN
CASE NO. 2011-00038

Item 1:

Provide the workpapers, spreadsheets, and other documents which show the calculation of the increase in wholesale purchased power cost that Meade is proposing to flow through to its customers. Provide the information in hard copy as well as electronic format with the formulas intact and unprotected. Include a brief narrative description of the data being provided.

Response:

See Exhibit 8, "Determination of Flow Through Multiplier to Pass Through the BREC Wholesale Rate Increase Filed in Case No. 2011-00034". Exhibit 8 (Attachment 1) was inadvertently omitted from the exhibits filed with the application. This attachment is explained on pages 3 and 4 of Mr. Gaines' testimony where it is referenced as Exhibit JDG-1. Furthermore, the following provides a cross reference between the testimony and the exhibit numbers as file:

Gaines <u>Testimony</u>	<u>Application</u>
Exhibit JDG-1	Staff 1 st – Attachment
Exhibit JDG-2	Exhibit 2
Exhibit JDG-3	Exhibit 3
Exhibit JDG-4	Exhibit 4
Exhibit JDG-5	Exhibit 5

All Exhibits are included electronically in an Excel Spreadsheet titled "Meade Flow-Through Exhibits – Case No. 2011-00038. One CD is attached to the original in this filing.

APPLICATION OF MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION FOR
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CASE NO. 2011-00038

Item 2:

Refer to Exhibits 2, 3, and 4 of the application. Provide these exhibits in electronic format with the formulas intact and unprotected.

Response:

All Exhibits are included electronically in an Excel Spreadsheet titled "Meade Flow-Through Exhibits – Case No. 2011-00038. One CD is attached to the original in this filing.

APPLICATION OF MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION FOR
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Item 3

Refer to Exhibit 3 of the application.

- a. Refer to pages 1 and 2. It appears that the Non-Fuel Adjustment Clause Purchased Power Adjustment ("FAC PPA") amounts shown in column e, Proposed Revenue, were calculated using a rate (\$.0000922) per kWh. If this is correct, explain how the rate was calculated. If this is not correct, provide the rate used and explain how it was calculated.
- b. Refer to page 1 of 2. For schedule 3A, the Non-FAC PPA is shown as zero. Explain why it is zero for this rate class.
- c. Refer to page 2. Explain why no information is provided in columns (h), (i), and (j) for Schedule 5.

Response:

- a. It is correct. See lines 14 through 19 of Exhibit 8, "Determination of Flow- Through Multiplier to Pass Through the BREC Wholesale Rate Increase Filed in Case No. 2011-00034". (i.e. Exhibit JDG-1)
- b. It is zero due to rounding. $$.0000922 \times 4,827 \text{ kWh} = \0.45 or zero when rounded to the nearest dollar.
- c. Columns (h), (I), and (j) are "per consumer" calculations. Schedule 5 is Outdoor Lighting Service and the consumers are counted in the metered rate class. Hence, there is not a consumer count to use for calculating the averages.

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Item 4

Refer to Exhibit 4 of the application.

- a. Refer to page 1 of 2. The proposed energy charge for Schedule 1 is shown as \$.065541 per kWh. The rate shown for Schedule 1 in both Exhibit 1 and in the notice filed as Exhibit 7 is \$.06554 per kWh. State which is the proposed rate for Schedule 1.
- b. Refer to page 2 of 2. Explain why Meade is proposing to increase the pole rental charge in Schedule 5 for a pass-through of a wholesale rate increase.

Response:

- a. The proposed rate for Schedule 1 is \$0.06554 per kWh.
- b. Meade's understating of KRS 278.455 (2) is that it is necessary to include the pole rental rate in the calculation so that the effects of the increase will be "allocated to each class and within each tariff on a proportional basis".

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Item 5

Refer to Exhibit 5, page 1 of 1, and Exhibit 8 of the application, the Jack D. Gaines Testimony ("Gaines Testimony"), page 5 of 6. With regard to the proposed change to the Renewable Resource Energy Service Tariff Rider ("Renewable Resource Rider"), Mr. Gaines states that, "[the net effect is that there will be no net change to the existing price for renewable energy." The Renewable Resource Rider is a premium paid on top of the customers' regular rate. Given that Meade is proposing to increase the energy rates for all customer classes and to increase the Renewable Resource Rider, as calculated in Exhibit 5, explain how there is not a doubling effect of the increase for those taking service under the Renewable Resource Rider.

Response:

Big Rivers is proposing to not change its Renewable Energy rate from the \$0.055 per kWh although Big Rivers is proposing to reduce its base energy charge. Hence, the Meade retail rider must increase by the amount that the Big Rivers base energy rate decreases so that Meade will recover the full \$0.055 from renewable sales and there will be no net impact to Meade for sales of renewable energy. It is also correct that the change in the renewable adder has no net effect to the consumer even though the base rate energy charges are increasing. This is because the base rate energy charges are increasing for the purpose of passing through the increase in the Big Rivers Demand charge net of the reduction in the Big Rivers base energy charge. Therefore, the effect of the Big Rivers energy charge decrease is reflected in a lower flow through multiplier and, therefore, lower retail energy rates than would have been the case if only the demand increase was considered. Hence, the increase in the renewable adder is offset by the decrease in the Big Rivers base energy rate which is passed through to the Meade retail rates.

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Item 6

Refer to Exhibit 8 of the application, the Gaines Testimony.

- a. Confirm that Exhibit 1 filed with the Application is "Exhibit JDG-1" referred to in responses to questions 6 and questions 8. If not, provide Exhibit JDG-1 in both hard copy and electronic format.
- b. Refer to page 3 of Gaines Testimony.
 - (1) Provide the calculation for the (\$481,141) that appears on line 15.
 - (2) Provide the calculation for the (\$437,673) that appears on line 18.
 - (3) Did Mr. Gaines intend to use the word "decrease" instead of "increase" on line 18" If not, explain.
- c. Refer to page 5 of the Gaines Testimony, question 11.

(1) In his response to question 11. Mr. Gaines describes the proposed Non-FAC PPA, Starting at line 13, Mr. Gaines states as follows:

It has two sections. Section 1 is applicable to kWh sales made under Meade's tariffs for non-direct served customers. The current month retail charge or credit is based on the amounts charged or credited by Big Rivers on the power bill for the second month preceding the current month, plus or minus over and under corrections amounts. The over and under correction is based on the preceding month's charges or refunds versus the amount calculated to be recoverable.

State whether the above is correct or whether the amounts charged or credited to non-direct served customers is based on the amortization of a regulator account of Meade's wholesale supplier, that the initial rate proposed for this purpose is (\$.000963) per kWh, and that it is proposed to be in effect for 24 months.

(2) Explain why Meade is not proposing new tariff pages to implement the Non-FAC PPA.

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CASE NO. 2011-00038

d. Refer to the response to question 8. Confirm that the flow-through multiplier on line 10 should be 1.069359.

e. Refer to the response to question 10 and Exhibit 1, Schedule 24. Confirm that Schedule 24 should be Schedule 16, Renewable Energy Resource Energy Service Tariff Rider.

Response:

a. See the response to Item 1.

b.

(1) See the response to Item 1.

(2) See the response to Item 1.

(3) No. Since the Big Rivers base is decreasing, the corresponding effect on the non-FAC PPA is a dollar for dollar increase at any given level of costs.

c.

(1) The testimony correctly describes how the retail pass through rate will function. It is correct, however, that the Big Rivers credit applicable to Meade is to be based on the Big Rivers amortization of its regulatory account and the rate will be \$(0.000963) per kWh for 24 months. The credits will be recorded by Meade in account 555, purchased power expense.

(2) See Exhibit 7 of this filing.

d. Yes, it should be 1.069359

e. It should be Schedule 24. Note: All references to Schedule 16 in testimony and exhibits should be Schedule 24 per text change in original filing.

FOR Entire territory served

 Community, Town or City
 P.S.C. No. 39
 X (Original) Sheet No. 84

 (Revised)

 Cancelling P.S.C. No. _____

 (Original) Sheet No. _____

 (Revised)

**MEADE COUNTY RURAL ELECTRIC
 COOPERATIVE CORPORATION**

Schedule 25	CLASSIFICATION OF SERVICE	RATE PER UNIT
Non-FAC Purchased Power Adjustment Clause		
AVAILABILITY		
To the entire territory served.		
APPLICABILITY		
This non-FAC Purchased Power Adjustment Clause ("PPA") is a rider to all rate schedules of Meade County RECC ("Meade" or "Corporation").		
NON-FAC PURCHASED POWER ADJUSTMENT RATE		
<u>SECTION 1</u>		
<u>BILLINGS TO CUSTOMERS SERVED FROM NON-DEDICATED DELIVERY POINTS</u>		
Billings computed pursuant to rate schedules to which this section is applicable shall be adjusted based on the following formula where all references to costs and revenues will exclude amounts associated with customers served from Dedicated Delivery Points.		
The non-FAC purchased power adjustment rate applicable to kWh sold in the current month under each rate to which this section applies shall be based upon the following formula:		
$PPA = \frac{W_PPA - O + U}{P(m) \times L} - F(b)$		
Where;		
PPA = the non-FAC purchased power adjustment rate per kWh for the current month		
W_PPA = the non-FAC PPA amount charged by the Corporation's wholesale power supplier on power bill for the second month preceding the month in which PPA is applied.		
P(m) = the kWh purchased in the second month preceding the month in which F is applied.		
L = One minus the percent system energy losses equal to the rolling twelve month average not to exceed ten percent (10%).		
O = any over recovery amount from the second preceding month.		
U = any under recovery amount from the second preceding month.		
F(b) = Base non-FAC purchased power adjustment factor of \$.00000 per kWh.		

DATE OF ISSUE April 21, 2011

DATE EFFECTIVE March 1, 2011

ISSUED BY _____
 Name of Officer Title Address
 President / CEO P. O. Box 489, Brandenburg, KY 40108

ISSUED BY AUTHORITY OF P.S.C.

ORDER NO. 2011-00038

**MEADE COUNTY RURAL ELECTRIC
COOPERATIVE CORPORATION**

FOR Entire territory served

 Community, Town or City
 P.S.C. No. 39
 X (Original) Sheet No. 85
 (Revised)
 Cancelling P.S.C. No. _____
 (Original) Sheet No. _____
 (Revised)

Schedule 25 - continued	CLASSIFICATION OF SERVICE	RATE PER UNIT
Non-FAC Purchased Power Adjustment Clause		
<p><u>SECTION 2</u></p> <p><u>BILLINGS TO CUSTOMERS SERVED FROM DEDICATED DELIVERY POINTS</u> <u>(NO LINE LOSSES TO MEADE)</u></p> <p>Billings computed pursuant to rate schedules or special contracts to which this section is applicable shall be increased or decreased during the month equal to the amount charged or credited to Meade by the wholesale power supplier for the customer's dedicated delivery point.</p> <p>RATE APPLICATION</p> <p>Section 1 of this rider shall apply to Rate Schedule 1, Rate Schedule 2, Rate Schedule 3, Schedule 3A, Rate Schedule 5, and Rate Schedule 6. Section 2 of this rider shall apply to rate schedules for service to customers when the wholesale rate paid by the Corporation for the load provided to the customer is either the Big Rivers Large Industrial Tariff or the Big Rivers Large Industrial Expansion Tariff.</p>		

DATE OF ISSUE April 21, 2011

DATE EFFECTIVE March 1, 2011

ISSUED BY _____
 Name of Officer Title Address

ISSUED BY AUTHORITY OF P.S.C. _____

ORDER NO. 2011-00038

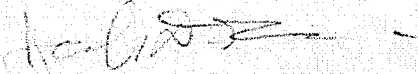
Meade County RECC
 Determination of Flow Through Multiplier
 To Pass Through the BREC Wholesale Rate Increase Filed in Case No. 2011-00038

Based on 12 Month Test Year Ending October 31, 2010

Item	Adjusted Units	Present Rate	Present Amount	Proposed Rate	Proposed Amount	Difference										
a	b	c	d	e	f	g										
1 Demand - Present	1,091,806 kW	\$ 7.37	\$ 8,046,610			\$ (8,046,610)										
2 Demand - Proposed	1,063,280 kW			\$ 10.189	\$ 10,833,760	\$ 10,833,760										
3 Energy	499,627,006 kWh	\$ 0.0204	\$ 10,192,391	\$ 0.019524	\$ 9,754,718	\$ (437,673)										
4 Total			\$ 18,239,001		\$ 20,588,478	\$ 2,349,476										
5 Less: Own Use <1>						\$ (7,038)										
6 Pass Through Amount						\$ 2,342,439										
7 Test Year Sales Base Rate Sales Revenue						2,342,438.59										
8 NA						\$ 33,772,496										
9 Adjusted Sales Revenue						\$ -										
10 Flow Through Multiplier (1 + (Ln. 11 ÷ Ln. 14))						1.069359										
11 EMF of MRSM	499,627,006 kWh	\$ 0.0020	\$ 999,254	\$ 0.0020	\$ 999,254	\$ 999,254										
12 kWh Sales						471,281,703										
13 Retail EMF Factor						0.0021203										
14 Non-FAC PPA Rider	499,627,006 kWh	NA	\$ -	\$ (0.000963)	(481,141)	\$ (481,141)										
15 Non-FAC PPA RollIn Effect						\$ 437,673										
16 Net Revenue Impact of Non-FAC PPA						\$ (43,468)										
17 kWh Sales						471,281,703										
18 Net Retail Non-FAC PPA for Rate Comparison Purposes						(0.0000922)										
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><u><1> Increase in Power Cost</u></td> <td style="width: 50%; text-align: right;">2,349,476</td> </tr> <tr> <td>kWh - Sold</td> <td style="text-align: right;">471,281,703</td> </tr> <tr> <td>Unit Cost (\$/kWh Sold)</td> <td style="text-align: right;">\$ 0.004985</td> </tr> <tr> <td>Own Use kWh</td> <td style="text-align: right;">1,411,724</td> </tr> <tr> <td>Allocated to Own Use</td> <td style="text-align: right;">\$ 7,038</td> </tr> </table>							<u><1> Increase in Power Cost</u>	2,349,476	kWh - Sold	471,281,703	Unit Cost (\$/kWh Sold)	\$ 0.004985	Own Use kWh	1,411,724	Allocated to Own Use	\$ 7,038
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Allocated to Own Use	\$ 7,038															

VERIFICATION


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

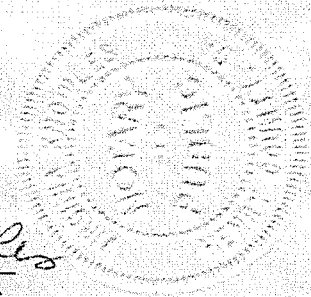

Jack D. Gaines, Consultant

STATE OF Georgia
COUNTY OF: Henry

The foregoing was signed, acknowledged and sworn to before me by Jack D. Gaines this 21 day of April 2011.

MY commission expires


Notary Public, State at Large



virginia Knowles
Notary Public, Henry County, Georgia
My Commission Expires
January 6, 2015