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March 19, 2012

RECEIVED

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**PUBLIC SERVICE
COMMISSION**

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-4615

Dear Mr. Derouen:

Enclosed you will find an original and six (6) copies of Farmers Rural Electric Cooperative's Tariff Filing for a new commercial time-of-day tariff. This new tariff is being filed with supporting documentation for compliance with the provisions of KRS 278.160(1) and 807 KAR 5:011, Section 6(3)(b).

This tariff filing contains the following listed documents.

- A. Copies of the new tariff sheets
- B. Explanation of Process Used to Develop the New Tariff
- C. Proposed Rate in Summary Form
- D. Cost Support for Schedule C- Time-of-Day Commercial Service Rate
- E. Customer Charge for TOD Metering
- F. Board Resolution Supporting This Rate

As a matter of information, we plan to follow up with a filing for additional time-of-use rates later this year. We have an immediate need and interest for this particular class of service which has led to the filing this tariff now.

Since the listed effective date for this tariff is May 1, 2012, Farmers Rural Electric Cooperative requests Commission's approval so this rate can be effective on the requested date. Thank you.

Sincerely,
Farmers Rural Electric Cooperative Corporation


Woodford Gardner

Enclosures

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 9

Original SHEET NO. 6 M.1

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

SCHEDULE C – TIME-OF-DAY – COMMERCIAL SERVICE

APPLICABLE: In all territory served by the seller.

AVAILABILITY: Available to consumers for commercial or non-residential loads of all uses including lighting, heating, and power not exceeding a total kilowatt demand of 500 kW; all subject to the established rules and regulations of the seller.

TYPE OF SERVICE: Single phase or three phase where available, 60 cycles at available voltages.

RATES PER MONTH

Customer Charge:

Single Phase Service	\$19.75 per month
Three Phase Service	\$60.26 per month

Energy Charge per kWh:

On-Peak Energy	\$0.11814 per kWh
Off-Peak Energy	\$0.06000 per kWh

On-Peak Hours

May – September 9:00 a.m. – 9:00 p.m. CST*

October – April 6:00 a.m. – 11:00 a.m. CST*

4:00 p.m. – 9:00 p.m. CST*

*Refer to notation on following page concerning daylight savings time.

All other hours are Off-Peak.

DATE OF ISSUE: March 15, 2012

DATE EFFECTIVE: May 1, 2012

ISSUED BY: William J. Patton

TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. _____ Dated: _____

FOR ALL TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 9

Original SHEET NO. 6 M.2

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

**FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION**

RATES AND CHARGES

SCHEDULE C – TIME-OF-DAY – COMMERCIAL SERVICE

*During the period when Daylight Savings Time is normally observed, the On-Peak billing times will move forward one hour for the beginning and ending hours (i.e. May - September will be 10:00 a.m. to 10:00 p.m.)

MINIMUM MONTHLY CHARGE: The minimum monthly charge under the above rates shall be the Customer Charge.

TERMS OF PAYMENT: All rates are subject to the Fuel Adjustment Clause and Environmental Surcharge provisions as established by regulations and approved by the Kentucky Public Service Commission.

The rates listed are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within twelve (12) days from the date the bill was rendered, the prompt payment discount shall be forfeited and the gross amount shall apply.

DATE OF ISSUE: March 15, 2012

DATE EFFECTIVE: May 1, 2012

ISSUED BY: William J. Putman

TITLE: President & Chief Executive Officer

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. _____ Dated: _____

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
DEVELOPMENT OF OPTIONA COMMERCIAL TIME OF DAY RATE

PREPARED TESTIMONY OF JAMES R. ADKINS

Q1. State your name and business address.

A1. I am James R. Adkins and my business address is 1041
Chasewood Way, Lexington, KY 40513-1731.

Q2. What has been your role in the development of this
tariff for a Commercial Time of Day rate?

A2. My role in this application has been to assist Farmers
Rural Electric Cooperative ("Farmers") in its
development.

Q3. What is your professional experience in the area of
electric utility rate-making?

A3. I have spent the last thirty-three years dealing
with electric utility rates. I was employed by EKPC
as its Pricing Manager for almost twenty-five years.
I spent a little over one year with the Prime Group,
LLC and I have been self-employed for the last seven
plus years. Prior to my electric utility career, I
was employed in the finance and accounting areas of
the medical care field for close to eight years. I
also served in the U.S. Army as an infantryman in the
Republic of Vietnam in the late 1960s.

Q4. What is your educational background?

A4. I received a Bachelors Degree in Commerce with a major in banking and finance in 1971 and a Masters of Science in Accounting in 1976. Both of my degrees were granted by the University of Kentucky. Since then, I have attended several seminars, conferences and courses on rate-making as well as making presentations at many conferences and seminars on electric utility rate-making, cost of service, and rate design.

Q5. Have you ever appeared as a witness before this Commission?

A5. I have appeared as a witness before this Commission many times in rate applications, applications for certificates public convenience and necessity, fuel adjustment clause hearings, and administrative cases. I have testified on the behalf of East Kentucky Power Cooperative ("EKPC") and for all of EKPC's member cooperatives and for other distribution cooperatives in Kentucky.

Q6. What are the proposed rate and its purpose?

A6. Farmers has developed this proposed optional Commercial Time of Day ("TOD") rate to provide its members a choice in electric rates with the potential to reduce their electric bill. The tariff for the proposed rate is Exhibit A in this filing.

Q7. How was the proposed rate developed?

A7. The billing determinants for all customers whose demand is less than 500 kW were identified in Farmers current Schedule C - Commercial & Industrial Service. It was then determined which group fit into the Part 1 and Part 2 of this tariff. Different rates apply for Part 1 customers and Part 2 customers. The on and off-peak energy usage for these customers was also established based on East Kentucky Power Cooperative, Inc. current on and off-peak hours. The second step was to normalize the revenue from current rates for these customers based on their billing determinants. This normalization is presented in Exhibit D. Once the revenue was normalized for these customers, TOD rates could be established.

Q8. How were the proposed rates designed?

A8. It was determined to use the current customer charge and increase by an amount to pay for the increased costs that would be incurred by Farmers by implementing this proposed tariff. The additional investment is \$500.00 per customer and amounts to an increase in the customer charge of \$8.33 per month. The basis for this additional cost is provided in Exhibit E of this filing. The next step was to develop energy rates. It was determined to establish the energy rate at \$0.06 per kWh for all off-peak energy. The remainder of the revenue requirements

needed to maintain revenue neutrality is place on the on-peak energy rate and this amounts to \$0.11814 per kWh.

Q9. What will this proposal do for Farmers?

A9. It will enable Farmers to meet a current need to provide some rates options to this type of customer. It will allow a customer the potential to lower his current electric bill through using more energy during the off-peak hours.

Q10. Does this conclude your testimony?

A10. This concludes my testimony.

Affiant, James R. Adkins, states that the answers given by him in the foregoing questions are true and correct to the best of his knowledge and belief.

James R. Adkins
James R. Adkins

Subscribed and sworn to before me by the affiant, James R. Adkins, this 19th day of March, 2012

My Commission expires 7-30-2015

Linda Sue Houser
Notary Public, State of Kentucky at Large
Notary ID # 446566

FARMERS RECC

SUMMARY OF PROPOSED COMMERCIAL TOD RATES

RATES PER MONTH

Customer Charge:

Single Phase Service	\$19.75	(\$11.42 + \$8.33)
Three Phase Service	\$60.26	(\$51.93 + \$8.33)

Energy Charge Per kWh

On-Peak Energy	\$0.11814
Off-Peak Energy	\$0.06000

On- Peak Hours

May – September

9 A.M.- 9 P.M. CST

October - April

6 A.M. – 11 A.M. CST
4 P.M. - 9 P.M. CST

All other hours are off-peak

DEVELOPMENT OF COMMERCIAL TOD RATE - COST SUPPORT				
Schedule C				
Commercial & Industrial Service	Customer Charges	Demand KW	Energy kWh	
			On-Peak	Off-Peak
Part 1				
<u>Month</u>				
December	116		128,623	153,259
November	116		139,402	167,245
October	114		131,335	157,504
September	113		213,834	145,369
August	113		184,567	130,448
July	109		202,514	142,485
June	109		173,823	122,197
May	108		166,143	132,461
April	108		133,427	163,473
March	108		135,048	166,196
February	107		139,732	173,498
January	106		132,241	162,545
	1,327		1,880,688	1,816,681
Rates	\$ 11.42		\$ 0.084240	\$ 0.084240
Normalized Revenue	\$ 15,154		\$ 158,429	\$ 153,037
Total				\$ 326,621
Schedule C				
Commercial & Industrial Service	Customer Charges	Demand KW	Energy kWh	
			On-Peak	Off-Peak
Part 2				
<u>Month</u>				
December	88	11,345	1,319,190	1,616,910
November	88	11,644	1,466,103	1,773,187
October	88	12,557	1,491,691	1,795,419
September	88	12,535	2,248,153	1,714,747
August	88	11,882	2,229,717	1,713,893
July	88	11,778	2,027,220	1,578,650
June	87	11,472	1,772,491	1,387,029
May	86	10,744	1,619,431	1,344,389
April	86	10,049	1,246,720	1,512,120
March	82	10,068	1,288,979	1,589,491
February	82	9,427	1,316,348	1,780,212
January	82	9,786	1,396,983	1,730,357
	1,033	133,288	19,423,024	19,536,406
Rates	\$ 51.93	\$ 7.12	\$ 0.06513	\$ 0.06513
Normalized Revenue	\$ 53,644	\$ 949,011	\$ 1,265,022	\$ 1,272,406
Total				\$ 3,540,083

DEVELOPMENT OF COMMERCIAL TOD RATE - COST SUPPORT				
Consolidated Informations Parts 1 & 2	Customer Charges		Energy kWh	
	Part 1	Part 2	On-Peak	Off-Peak
Month				
December	116	88	1,447,812	1,770,170
November	116	88	1,605,504	1,940,433
October	114	88	1,623,026	1,952,923
September	113	88	2,461,987	1,860,116
August	113	88	2,414,284	1,844,341
July	109	88	2,229,735	1,721,134
June	109	87	1,946,314	1,509,226
May	108	86	1,785,575	1,476,849
April	108	86	1,380,147	1,675,593
March	108	82	1,424,027	1,755,687
February	107	82	1,456,080	1,953,710
January	106	82	1,529,224	1,892,902
	1327	1033	21,303,713	21,353,086
Normalized Revenue		Part 1	Part 2	Total
Customer Charges		\$ 15,154	\$ 53,644	\$ 68,798
Demand Charges			\$ 949,011	\$ 949,011
Energy Charges		311,466	2,537,428	2,848,894
		326,621	3,540,083	3,866,703
Rate Design		Part 1	Part 2	
		Less Than 50 kW	50 - 499 kW	
Customer Charge		\$ 11.42	\$ 51.93	
Additional Cost for TOD Meter		8.33	8.33	
		\$ 19.75	\$ 60.26	
Energy Rates				
Demand Revenue				\$ 949,011
Energy Revenue				2,848,894
Total Energy Revenue				3,797,905
Off-peak Energy Rate			\$ 0.06000	
Off-Peak Energy kWh			21,353,086	
Revenue for Off-peak Energy				1,281,185
Revenue for On-peak Energy				2,516,720
On-peak kWh				21,303,713
				\$ 0.11814

FARMERS RURAL ELECTRIC COOPERATIVE			
DEVELOPMENT OF ADDER FOR ADDITIONAL METER COSTS			
<u>Data comes from 2010 Cooperative's Form 7 except CP data</u>			
A. Development of a Fixed Charge Rate (Excludes Purchased Power Costs):			
	Expense		Fixed Rate
1	Depreciation		0.034600
2	Distribution Operations & Maintenance		0.062203
3	Administrative & General		0.030400
4	Total Costs - Distribution		0.127203
5	Return		0.072600
6	Annual Revenue Requirements		0.199803
	Monthly Fixed Rate (Excludes purchased power costs)		0.016650
B. Basis for Fixed Charge Rate Percentages:			
1. Depreciation Rate is the actual depreciation expense divided by year end investment in distribution plant as provided on RUS Form 7.			
	Depreciation Expense	Dist Plant	Ratio
	\$2,194,698	\$63,463,558	0.0346
2. Distribution O & M rate is the actual distribution O & M expense divided by the year end investment in distribution plant as provided on RUS Form 7.			
	Dist O&M	Dist Plant	Ratio
	\$3,947,611	\$63,463,558	0.0622
3. Admin & General expenses are divided by the year end investment in distribution plant.			
	A & G Exp	Dist Plant	Ratio
	\$1,926,891	\$63,463,558	0.0304

FARMERS RURAL ELECTRIC COOPERATIVE			
DEVELOPMENT OF ADDER FOR ADDITIONAL METER COSTS			
<u>Data comes from 2010 Cooperative's Form 7 except CP data</u>			
4. Return is based Actual Debt and Interest for the Test Year and Return on Equity based on TIER of 2.00. (Margins equal Interest Costs).			
<u>Capital Structure</u>			%
Debt	\$ 41,367,471		73.70%
Equity (Excludes GTCC)	14,759,751		26.30%
	56,127,222		100.00%
<u>Interest and Equity Computations</u>			
Interest on LTD Using Interest Costs for 2011		\$	2,036,209
Margins Would be Equal to Interest for 2.0 TIER		\$	2,036,209
		\$	4,072,418
<u>Return on Capital</u>			<u>Composite</u>
Return on Debt	4.92%		3.63%
Return on Equity	13.80%		3.63%
			7.26%
<u>C. Customer Charge Adder</u>			
1. Additional Meter Cost		\$	500.00
2. Annual Fixed Charge Rate from A. above			19.98%
3. Annual Costs for Distribution Lines		\$	99.90
4. Divide by 12 for monthly rate		\$	8.33

RESOLUTION

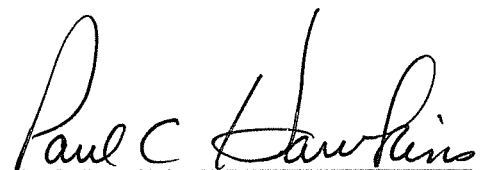
COMMERCIAL TIME-OF-DAY RATE TARIFF

Whereas, Farmers Rural Electric Cooperative Corporation plans to file an application with the Kentucky Public Service Commission to seek approval for the addition of a new optional Commercial Time-of-Day tariff to the Cooperative's rates.

Whereas, A Commercial Time-of-Day tariff will be offered to the Cooperative's members subject to approval of the Kentucky Public Service Commission.

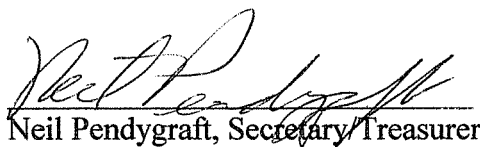
Resolved, that the Farmers Rural Electric board of directors do hereby support the addition of this new tariff to the existing rate schedules.

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Paul Hawkins, Chairman
Farmers Rural Electric Cooperative Corporation
Board of Directors

I, Neil Pendency, Secretary/Treasurer of Farmers Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation on March 15, 2012 at which meeting a quorum was present.



Neil Pendency, Secretary/Treasurer