


Rural Electric Cooperative Corporation

A Touchstone Energy® Cooperative 

March 28, 2014

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MAR 31 2014

**PUBLIC SERVICE
COMMISSION**

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
PO BOX 615
FRANKFORT KY 40602

RE: PSC CASE NO. 2014-00051

Dear Mr. Derouen:

Please find enclosed an original and seven (7) copies of the responses of Nolin RECC as requested in the above referenced case dated March 6, 2014.

If you have any questions, please let me know.

Sincerely,



O.V. Sparks
Vice President Administration & Finance

afc

Enclosures

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 2014-00051

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.



O.V. Sparks, Vice President Administration & Finance

State of Kentucky

County of Hardin

The foregoing was signed, acknowledged and sworn to before me by O.V. Sparks, this 28th day of March, 2014.



Notary Public

My Commission Expires:

August 27, 2016

Request 2(b):

The basic operation of the surcharge pass-through mechanism will produce monthly over- and under-recoveries as a result of the fact the 12-month average retail revenues used to calculate the pass-through factor never match the retail revenues the pass-through factor is applied to. If the 12-month average retail revenues are below the retail revenues the pass-through factor is applied to, then there will be over-recoveries. If the 12-month average retail revenues are above the retail revenues the factor is applied to, under-recoveries will result. This is part of the natural operation of the mechanism.

Another factor contributing to the over- or under-recoveries calculated for this review period is the amortization of previous surcharge over- or under-recoveries as determined in the final Orders in Case Nos. 2012-00486 and 2013-00140. Case No. 2012-00486 covered 18 months of surcharge operations and Case No. 2013-00140 covered 6 months of operations. While the over- or under-recoveries reflected 24 months of surcharge operations, in each case the amortization period was 6 months. Because of the timing of the final Orders in these cases, the amortization periods overlapped for 5 months.

The net amortization from two surcharge review proceedings resulted in a net under-recovery for Nolin, which resulted in the surcharge revenues to be collected from retail customers being higher than the amounts billed by EKPC. Coupled with the natural operation of the surcharge pass-through mechanism, Nolin experienced an over-recovery for the current review period.

Nolin RECC - Calculation of (Over)/Under

| | EKPC Invoice Month recorded Member's Books | Billed to Retail Consumer & recorded on Member's Books | Monthly (Over) or Under | Cumulative (Over) or Under |
|--------|--|--|-------------------------|----------------------------|
| Mo/Yr | (1) | (2) | (3) | (4) |
| Jul-13 | \$ 684,372 | \$ 716,736 | \$ (32,364) | \$ (32,364) |
| Aug-13 | \$ 647,268 | \$ 708,841 | \$ (61,573) | \$ (93,937) |
| Sep-13 | \$ 561,666 | \$ 623,479 | \$ (61,813) | \$ (155,750) |
| Oct-13 | \$ 498,116 | \$ 590,920 | \$ (92,804) | \$ (248,554) |
| Nov-13 | \$ 667,728 | \$ 774,399 | \$ (106,671) | \$ (355,225) |
| Dec-13 | \$ 837,054 | \$ 978,879 | \$ (141,825) | \$ (497,051) |
| Jan-14 | \$ 892,511 | \$ 1,031,319 | \$ (138,808) | \$ (635,859) |
| Feb-14 | \$ 565,566 | \$ - | \$ 565,566 | \$ (70,293) |

Cumulative 6-months (Over)/Under Recovery \$ (497,051)

Monthly Recovery (per month for six months) \$ (82,842)

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

For the Month Ending February 2014

| Surcharge Factor Expense Month | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
|--------------------------------|-------------|-------------|---------------------|---|----------------------------|---------------------------------|--|---------------------------|---------------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---|-------------------------------------|
| | EKPC CESF % | EKPC BESF % | EKPC MESF % | EKPC Monthly Revenues from Sales to Nolin | On-peak Revenue Adjustment | EKPC Net Monthly Sales to Nolin | EKPC 12-months Ended Average Monthly Revenue from Sales to Nolin | Nolin Revenue Requirement | Amortization of (Over)/Under Recovery | Nolin Net Revenue Requirement | Nolin Total Monthly Retail Revenues | On-Peak Retail Revenue Adjustment | Nolin Net Monthly Retail Revenues | 12-months ended Avg. Retail Revenues, Net | Nolin 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) |
| Mar-12 | 12.92% | 0.00% | 12.92% | \$ 3,394,597 | | \$ 3,394,597 | \$ 3,790,093 | \$ 489,680 | \$ - | \$ 489,680 | \$ 4,404,473 | | \$ 4,404,473 | \$ 5,080,110 | 9.55% |
| Apr-12 | 14.94% | 0.00% | 14.94% | \$ 2,891,231 | | \$ 2,891,231 | \$ 3,806,574 | \$ 568,702 | \$ - | \$ 568,702 | \$ 4,236,384 | | \$ 4,236,384 | \$ 5,084,807 | 11.19% |
| May-12 | 16.90% | 0.00% | 16.90% | \$ 3,602,555 | | \$ 3,602,555 | \$ 3,835,936 | \$ 648,273 | \$ - | \$ 648,273 | \$ 4,606,060 | | \$ 4,606,060 | \$ 5,097,597 | 12.75% |
| Jun-12 | 15.55% | 0.00% | 15.55% | \$ 3,903,038 | | \$ 3,903,038 | \$ 3,830,731 | \$ 595,679 | \$ - | \$ 595,679 | \$ 5,413,602 | | \$ 5,413,602 | \$ 5,144,827 | 11.69% |
| Jul-12 | 14.51% | 0.00% | 14.51% | \$ 4,552,578 | | \$ 4,552,578 | \$ 3,830,863 | \$ 555,858 | \$ - | \$ 555,858 | \$ 5,964,487 | | \$ 5,964,487 | \$ 5,125,320 | 10.80% |
| Aug-12 | 14.13% | 0.00% | 14.13% | \$ 4,065,386 | | \$ 4,065,386 | \$ 3,803,533 | \$ 537,439 | \$ - | \$ 537,439 | \$ 5,350,232 | | \$ 5,350,232 | \$ 5,108,115 | 10.49% |
| Sep-12 | 16.23% | 0.00% | 16.23% | \$ 3,518,558 | | \$ 3,518,558 | \$ 3,804,600 | \$ 617,487 | \$ - | \$ 617,487 | \$ 4,389,409 | | \$ 4,389,409 | \$ 5,110,719 | 12.09% |
| Oct-12 | 17.57% | 0.00% | 17.57% | \$ 3,303,546 | | \$ 3,303,546 | \$ 3,806,854 | \$ 668,864 | \$ - | \$ 668,864 | \$ 4,508,955 | | \$ 4,508,955 | \$ 5,117,131 | 13.09% |
| Nov-12 | 18.23% | 0.00% | 18.23% | \$ 4,000,950 | | \$ 4,000,950 | \$ 3,833,995 | \$ 698,937 | \$ - | \$ 698,937 | \$ 5,123,511 | | \$ 5,123,511 | \$ 5,131,545 | 13.66% |
| Dec-12 | 14.61% | 0.00% | 14.61% | \$ 4,438,149 | | \$ 4,438,149 | \$ 3,847,828 | \$ 562,168 | \$ - | \$ 562,168 | \$ 6,043,964 | | \$ 6,043,964 | \$ 5,145,629 | 10.96% |
| Jan-13 | 13.49% | 0.00% | 13.49% | \$ 4,819,274 | | \$ 4,819,274 | \$ 3,854,267 | \$ 519,941 | \$ - | \$ 519,941 | \$ 6,782,065 | | \$ 6,782,065 | \$ 5,188,172 | 10.10% |
| Feb-13 | 12.61% | 0.00% | 12.61% | \$ 4,461,726 | | \$ 4,461,726 | \$ 3,912,632 | \$ 493,383 | \$ - | \$ 493,383 | \$ 5,884,073 | | \$ 5,884,073 | \$ 5,225,601 | 9.51% |
| Mar-13 | 14.37% | 0.00% | 14.37% | \$ 4,518,482 | | \$ 4,518,482 | \$ 4,006,289 | \$ 575,704 | \$ - | \$ 575,704 | \$ 5,697,051 | | \$ 5,697,051 | \$ 5,333,316 | 11.02% |
| Apr-13 | 14.27% | 0.00% | 14.27% | \$ 3,420,858 | | \$ 3,420,858 | \$ 4,050,425 | \$ 577,996 | \$ - | \$ 577,996 | \$ 4,511,112 | | \$ 4,511,112 | \$ 5,356,210 | 10.84% |
| May-13 | 17.97% | 0.00% | 17.97% | \$ 3,616,335 | | \$ 3,616,335 | \$ 4,051,573 | \$ 728,068 | \$ - | \$ 728,068 | \$ 4,706,767 | | \$ 4,706,767 | \$ 5,364,602 | 13.59% |
| Jun-13 | 17.09% | 0.00% | 17.09% | \$ 3,965,445 | | \$ 3,965,445 | \$ 4,056,774 | \$ 693,303 | \$ - | \$ 693,303 | \$ 5,326,255 | | \$ 5,326,255 | \$ 5,357,324 | 12.92% |
| Jul-13 | 15.77% | 0.00% | 15.77% | \$ 4,004,530 | | \$ 4,004,530 | \$ 4,011,103 | \$ 632,551 | \$ 78,386 | \$ 710,937 | \$ 5,547,665 | | \$ 5,547,665 | \$ 5,322,588 | 13.27% |
| Aug-13 | 15.49% | 0.00% | 15.49% | \$ 4,104,434 | | \$ 4,104,434 | \$ 4,014,357 | \$ 621,824 | \$ 89,429 | \$ 711,253 | \$ 5,341,696 | | \$ 5,341,696 | \$ 5,321,877 | 13.36% |
| Sep-13 | 14.93% | 0.00% | 14.93% | \$ 3,625,994 | | \$ 3,625,994 | \$ 4,023,310 | \$ 600,680 | \$ 89,429 | \$ 690,109 | \$ 4,666,789 | | \$ 4,666,789 | \$ 5,344,992 | 12.97% |
| Oct-13 | 16.69% | 0.00% | 16.69% | \$ 3,336,337 | | \$ 3,336,337 | \$ 4,026,043 | \$ 671,947 | \$ 89,429 | \$ 761,376 | \$ 4,556,035 | | \$ 4,556,035 | \$ 5,348,915 | 14.24% |
| Nov-13 | 17.43% | 0.00% | 17.43% | \$ 4,000,771 | | \$ 4,000,771 | \$ 4,026,028 | \$ 701,737 | \$ 6,587 | \$ 708,324 | \$ 5,438,191 | | \$ 5,438,191 | \$ 5,375,139 | 13.24% |
| Dec-13 | 14.54% | 0.00% | 14.54% | \$ 4,802,382 | | \$ 4,802,382 | \$ 4,056,381 | \$ 589,798 | \$ 89,429 | \$ 679,227 | \$ 6,618,531 | | \$ 6,618,531 | \$ 5,423,019 | 12.64% |
| Jan-14 | 10.92% | 0.00% | 10.92% | \$ 6,138,305 | | \$ 6,138,305 | \$ 4,166,300 | \$ 454,960 | \$ 11,043 | \$ 466,003 | \$ 8,159,082 | | \$ 8,159,082 | \$ 5,537,771 | 8.59% |
| Feb-14 | 5.44% | 0.00% | 5.44% | \$ 5,179,183 | | \$ 5,179,183 | \$ 4,226,088 | \$ 229,899 | \$ - | \$ 229,899 | | | | | 4.15% |

Notes:
Nolin Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.

89,429 - 82,842 = 6,587

| | Actual | | Spread | |
|----------------------------------|-----------|-----------|-----------|------------|
| | | | 6 Months | |
| 12 month Average Residential kWh | | 1,361 | | 1,361 |
| Residential Rate: | | | | |
| Customer Charge | \$ 9.04 | \$ 9.04 | \$ 9.04 | \$ 9.04 |
| kWh Charge | 0.08598 | 117.02 | 0.08598 | 117.02 |
| FAC | -0.002224 | -3.03 | -0.002224 | -3.03 |
| Sub Total | | \$ 123.03 | | \$ 123.03 |
| * Surcharge Nov. 2013 | 13.24% | 16.29 | | 0.00 |
| Total | | \$ 139.32 | | \$ 123.03 |
| Impact | | | | \$ (16.29) |

* See attached EKP Pass Through Mechanism Reports.

Actual

Spreading \$82,842 (\$497,051 ÷ 6)