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**RICHARDSON GARDNER & ALEXANDER**

JUN 17 2014

ATTORNEYS-AT-LAW  
117 EAST WASHINGTON STREET  
GLASGOW, KENTUCKY 42141-2696  
writer's e-mail: wlg@rgba-law.com

PUBLIC SERVICE  
COMMISSION

BOBBY H. RICHARDSON  
WOODFORD L. GARDNER, JR.  
T. RICHARD ALEXANDER II

(270) 651-8884  
(270) 651-2116  
FAX (270) 651-3662

June 17, 2014

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

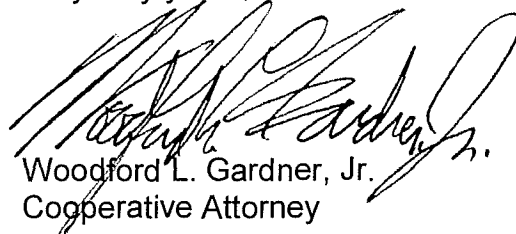
Re: Application for Optional Residential TOD and Industrial Tariffs - Case No. 2014-00155

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten (10) copies of the responses from Farmers Rural Electric Cooperative Corporation to the Commission Staff's Initial Request for Information dated June 3, 2014.

Should you have any questions, please contact us.

Very truly yours,



Woodford L. Gardner, Jr.  
Cooperative Attorney

mf  
pc: William T. Prather

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**APPLICATION OF FARMERS RURAL ELECTRIC ) Case No.  
COOPERATIVE CORPORATION FOR APPROVAL ) 2014-00155  
OF AN OPTIONAL RESIDENTIAL TIME-OF-DAY )  
TARIFF AND FIFTEEN INDUSTRIAL TARIFFS BASED )  
ON THREE WHOLESALE POWER TARIFFS AVAILABLE )  
TO FARMERS RECC )**

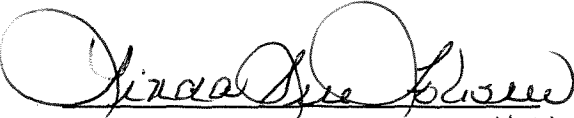
**CERTIFICATE**

**STATE OF KENTUCKY )  
COUNTY OF BARREN )**

William T. Prather, being duly sworn, states that he has supervised the preparation of the responses of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff's Initial Information Request in the above-referenced case dated June 3, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_

Subscribed and sworn before me on this 17<sup>th</sup> day of June, 2014.

  
Notary Public Notary ID 446566  
Expires: 07-30-2015

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**APPLICATION OF FARMERS RURAL ELECTRIC ) Case No.  
COOPERATIVE CORPORATION FOR APPROVAL ) 2014-00155  
OF AN OPTIONAL RESIDENTIAL TIME-OF-DAY )  
TARIFF AND FIFTEEN INDUSTRIAL TARIFFS BASED )  
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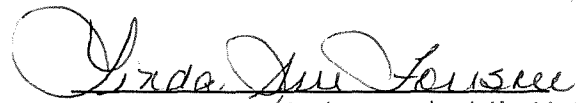
**CERTIFICATE**

**STATE OF KENTUCKY )  
COUNTY OF BARREN )**

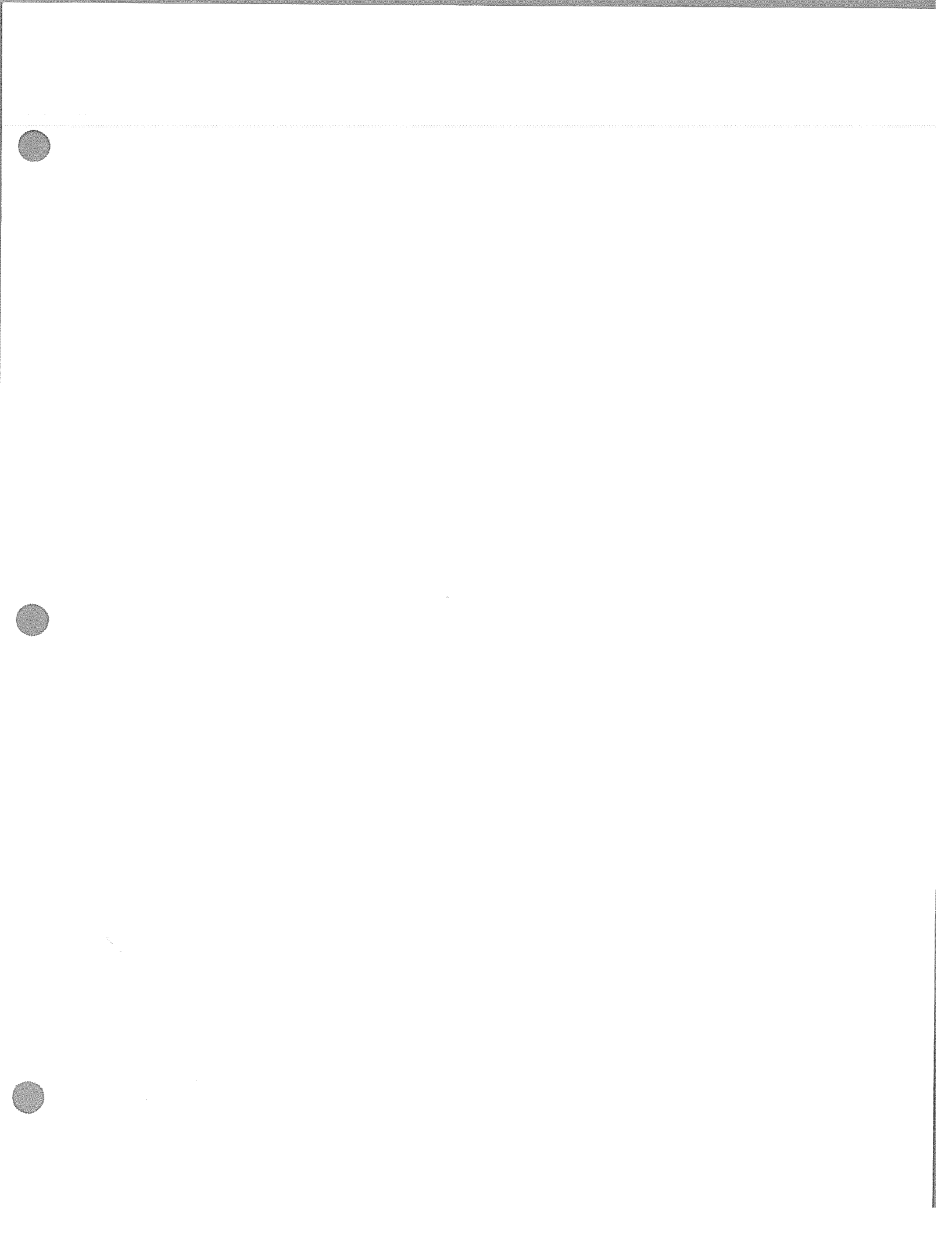
James R. Adkins, being duly sworn, states that he has supervised the preparation of the responses of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff's Initial Information Request in the above-referenced case dated June 3, 2014, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 17<sup>th</sup> day of June, 2014.



Notary Public: *Notary ID 446566*  
Expires: *07-30-2015*



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 1:**

Refer to paragraph 5 of the application, which states that the Residential Time-of Day (“TOD”) tariff will provide members the opportunity to reduce their electric bills. The Commercial TOD annual reports filed by Farmers in compliance with the Commission’s Order in Case No. 2012-00108 show that, on an annual basis, total revenue received from Commercial TOD customers is greater than the revenue that would have been collected from those customers if they had been billed under Farmers’ Schedule C tariff. Explain why Farmers expects residential customers to be able to reduce their electric bills when commercial customers have not.

**Response 1:**

The proposed Residential TOD tariff and the existing Commercial TOD tariff are optional rates for any member within that rate class. If the member selecting that rate class is willing to change his or her usage pattern by shifting on-peak usage to off-peak usage, then that member will be enjoying savings on his electric bill. Any member who switches to the TOD rate and enjoys a lower electric bill without changing his usage pattern is known as a “free rider.” It requires an effort on the part of most members to have a lower electric bill. If a member is not happy on the TOD tariff, this member may revert back to the original tariff after the designated period. Most important to remember is that the TOD tariffs are selected by the member.

The information filed in the annual reports did not include the demand charges that would have been applicable to those members who chose to avoid Schedule C in favor of the TOD Commercial tariff. When that report was filed, the applicable demand use for those members were unknown and were not included in the comparison.

In the cases of where Farmers’ commercial members appeared to have experienced an increase in their bill by moving to the new TOD rate – this resulted because their loads were going to exceed 50 kw demand and thus be subject to the additional kW demand charges in Schedule C. If they had remained on Schedule C and accepted the appropriate demand charges, their bills would have been more than they are on the TOD Commercial tariff. One was a new member who knew their demand would exceed 50 kW from the outset and the other was a member who was adding significant plant assets which would cause them to exceed the 50 kW demand threshold. Schedule C only dictates kW demand charges for loads with demands of 50 kW or more. To avoid the higher bill which would have resulted under Schedule C due to the increased size of the load, both elected to move to the TOD rate, which has resulted in savings for them each month.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 2:**

Refer to paragraph 6 of the application.

**Request 2a:**

The paragraph states that Farmers has two tariffs that were designed for large industrial customers and that it is seeking to limit the use of those tariffs to members currently served under the tariffs. State the number of customers on each of the two tariffs and explain why Farmers wishes to limit the use of the tariffs.

**Response 2a:**

Farmers currently has two members on Schedule E and five members on Schedule D.

Refer to the answer to question 7 – which explains why Farmers wishes to limit the use of the tariffs.

*Witness: William T. Prather*

**Request 2b:**

Confirm that the members currently served on the two existing industrial tariffs would have the option to be served pursuant to one of the proposed optional industrial tariffs.

**Response 2b:**

Yes, members who are currently receiving service under existing industrial tariffs would have the option of moving to one of the new optional tariffs if they so choose.

*Witness: William T. Prather*

**Request 2c:**

Confirm that Schedule C will still be available for new industrial customers.

**Response 2c:**

Yes, Schedule C will remain an option for new industrial members who meet the tariff requirements.

*Witness: William T. Prather*

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE

**Request 2 (continued):**

**Request 2d:**

The paragraph states that Farmers has developed five tariffs based on each of East Kentucky Power Cooperative, Inc.'s ("EKPC") schedules B, C, and E2. Explain why Farmers did not develop tariffs based on EKPC schedules A and E1.

**Response 2d:**

Farmers did not proposed any tariffs on these two rate schedules of EKPC for the following reasons. Schedule A is a tariff that currently has no members on this rate schedule and is not used often. Schedule E has two rate options: E-1 or E-2. A distribution cooperative must choose one of these two. Farmers has chosen E-2 because it is a less costly rate. Therefore, Farmers is proposing industrials on the bases of E-2 and not E-1. If Farmers were on E-1 rates, then it would be proposing industrial rates based on E-1.

*Witness: James R. Adkins*

**Request 2e:**

Paragraph 6 lists five load ranges for the proposed industrial tariffs. Explain how the load ranges were determined.

**Response 2e:**

One primary factor contributed to the determination of the load ranges. The service requirements differ for the various size loads to meet typical capacity and energy requirements, so this was the primary driver in the design of ranges.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 3:**

Refer to Exhibit D of the application, Schedule 1, pages 1 and 2 of 2.

**Request 3a:**

Explain why customer-charge revenues are not included in the Gross Margin analysis shown on these pages.

**Response 3a:**

The customer charge has been included in the Total column. The customer charge is included in the formula for this Total column that sums the demand amount, the energy amount, and the customer charge.

*Witness: James R. Adkins*

**Request 3b:**

Explain the differences in the kW column from page 1 to page 2. For example, near the top of the page, June is shown as 6,595 kW on page 1 and 7,233 kW on page 2.

**Response 3b:**

The 6,595 kW amount represents what this member is billed on today and it is the member's contribution to the substation maximum demand. The 7,233 kW amount represents the maximum demand of this member. This member's maximum demand is the demand that Farmers must plan its distribution facilities to be able to accommodate. The proposed tariff has been developed to bill an industrial member to bill on its maximum demand. It should be further noted that the current schedule for this member and the proposed schedule contain a ratchet clause where the highest demand for the current month or the preceding eleven months will be used as the basis for the demand kW to be billed.

*Witness: James R. Adkins*



FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
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FIRST INFORMATION REQUEST RESPONSE

**Request 3 (continued):**

**Request 3c:**

Refer to page 2 of 2, the table at the top of the page. Explain the origin of the \$.049882 shown as the Retail energy charge.

**Response 3c:**

The origin of this rate is EKPC's wholesale energy rate for its Schedule C plus \$0.007 per kWh. The approach taken was to add a standard mil amount per kWh to the appropriate EKPC energy rate to determine the retail energy rate. The demand rate has been established equal to the appropriate demand rate for EKPC. Also, one of the main ideas behind the development of these rates was to establish rates that would not have any free riders. In other words, Farmers wanted to maintain its current gross margins per member under any circumstance where a current industrial member would select on these proposed rates if approved by this commission.

*Witness: James R. Adkins*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 4:**

Refer to Exhibit D of the application, Schedule 2, pages 1 and 2 of 2.

**Request 4a:**

Explain why customer-charge revenues are not included in the Gross Margin analysis shown on these pages.

**Response 4a:**

The customer charge has been included in the Total column. The customer charge is included in the formula for this Total column that sums the demand amount, the energy amount, and the customer charge.

*Witness: James R. Adkins*

**Request 4b:**

Explain the differences in the kW column, from page 1 to page 2.

**Response 4b:**

The difference in the kW column for these two pages is that the second page reflects the fact that the proposed rate schedule contains a ratchet clause where Farmers will look at the monthly maximum demands of the customer for the current month and the preceding eleven months to determine the amount that the customers will be billed for demand kW. The first page is the current tariff where the member is billed for the maximum demand for each month without consideration for any other monthly demand.

*Witness: James R. Adkins*

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE

**Request 5:**

Refer to Schedule D of the application, Schedule 3, page 2 of 2. Confirm that the EKPC Load Center Charge for 7,500 to 14,999 kVA should be stated as \$3,292 instead of the \$3,297 shown.

**Response 5:**

It is confirmed that the charge should be \$3,292.

*Witness: James R. Adkins*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 6:**

Refer to Exhibit E of the application. Explain why Farmers' current Schedule D and E tariff pages are marked as being deleted.

**Response 6:**

This was done for this filing only to illustrate what our ultimate desire for these two rates would be, along with the change in the "Availability" wording. It is Farmers' intention to ultimately delete these two rates from its menu of rates whenever, at some future point in time, there are no longer any current members being served under these two tariffs. These tariffs would remain available to members currently being served under them until such time as those members cease service with the Cooperative or choose to be served under another approved tariff.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 7:**

Provide a detailed explanation of the inadequacy of Farmers' existing Schedule D and E tariffs that caused it to decide to propose limiting their use, and an explanation of how the proposed optional industrial tariffs will improve the provision of service and service offerings to industrial customers.

**Response 7:**

Schedule D has several inadequacies. First, the Customer Charge of \$51.93 would typically not reflect the cost to serve most industrial loads. The rate schedule also does not encourage any minimum load factor through an energy minimum use requirement. Additionally, no recognition is given in the rate for time-of-use of energy.

Schedule E is currently available to loads starting at 1,000 kW up to 4,999 kW. Schedule E would be replaced by the proposed tariffs which partition the load range currently covered by Schedule E into several options – beginning at smaller loads of 500 kW. This provides more rate flexibility to members. Additionally, the Cooperative currently has no approved rate option other than Schedule C or D for members with loads exceeding 4,999 kW. The proposed tariffs would address that issue.

The proposed tariffs would provide Farmers' members with a suite of tariffs that are consistent with one another and better reflect the cost to serve. The tariffs are intended to encourage improved load factor and attention to time-of-use by the member. Members will also have a wider array of options to choose from in order to better fit their individual service and operational needs. The proposed tariffs are also a reflection of East Kentucky Power's wholesale power tariffs to Farmers.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 8:**

Refer to the Direct Testimony of James R. Adkins (“Adkins Testimony”), the response to question 2.

**Request 8a:**

Mr. Adkins states that, in designing the proposed Residential TOD Tariff, Farmers wanted to set the customer charge at an amount higher than the current charge, but not high enough to be a barrier to choosing the tariff. Exhibits A of the application, the Proposed Residential TOD Tariff, Sheet 20.001, shows a proposed customer charge of \$15.00 per month. The current customer charge for Farmers Schedule R- Residential is \$9.35. Explain why Farmers wanted a higher customer charge for the proposed tariff than exists for the Farmers Schedule R and how the customer charge was determined.

**Response 8a:**

Farmers desired a higher customer charge for two primary reasons. First, Farmers wanted to move the customer charge closer to the amount of its customer-related costs of \$22.04 from its last general rate case. Second, with a larger customer charge, a lesser amount needs to be collected from the energy component of the rate structure using a revenue neutral concept. The \$15.00 amount was a subjective selection since it is approximately half way between the current rate and the customer-related costs from its last general rate case.

*Witness: James R. Adkins*

**Request 8b:**

Mr. Adkins states that Farmers wanted to “establish an off-peak energy rate that would provide a reasonable incentive for a member to give serious consideration to this rate.” Farmers is proposing to set its energy rate for the TOD tariff at \$0.06 per kWh. Explain how it was determined that this rate would provide “reasonable incentive” for customers to give consideration to the tariff.

**Response 8b:**

The proposed Residential TOD tariff has an off-peak energy rate that is approximately \$0.029 kWh less than the current energy rate for the off-peak hours and an on-peak energy rate that is slightly higher than the current on-peak energy rate by \$0.015 per kWh. The proposed on-peak rate is 1.75 times the proposed off-peak rate. It is felt that the large reduction in the off-peak energy rate from the current energy rate can be a significant incentive for someone who take advantage of the TOD rate. Additionally, Farmers did not wish to set its off-peak energy rate so low that it still did not receive a reasonable contribution to its distribution costs. The \$.06 per kWh for the off-peak rate would provide an approximate \$0.015 contribution per kWh.

*Witness: James R. Adkins*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE**

**Request 9a:**

For an average customer to be served under the proposed Residential TOD tariff, provide a comparison of the customer's bill under existing rates with bill as it would be calculated under the proposed tariff rates, assuming the of shifting expected by Farmers.

**Response 9a:**

Provided below is this calculation.

<b>COMPARISON OF CURRENT BILL &amp; PROPOSED TOD RATES - AVERAGE CONSUMER</b>					
Current Bill	Rate	Amount	Proposed Rates	Rate	Amount
Customer Charge	\$ 9.35	\$ 9.35	Customer Charge	\$ 15.00	\$ 15.00
Energy Charges	\$ 0.08895	99.624	On-peak Energy	\$ 0.10473	52.365
Total		108.974	Off-Peak Energy	\$ 0.06000	37.20
					\$ 104.57
Average Usage - 1,120 kWh per month			Assumes a shift of 100 kWh from on-peak to off-peak usage		

*Witness: James R. Adkins*

**Request 9b:**

Provide the same analysis as requested in part a. above using kWh levels that might be experienced during a peak month.

**Response 9b:**

Provided below is this calculation.

<b>COMPARISON OF CURRENT BILL &amp; PROPOSED TOD RATES - AVERAGE CONSUMER</b>					
Current Bill	Rate	Amount	Proposed Rates	Rate	Amount
Customer Charge	\$ 9.35	\$ 9.35	Customer Charge	\$ 15.00	\$ 15.00
Energy Charges	\$ 0.08895	147.657	On-peak Energy	\$ 0.10473	73.311
Total		157.007	Off-Peak Energy	\$ 0.06000	51.60
					\$ 139.91
Average Usage - Peak Month: 1660 kWh			Assumes a shift of 100 kWh from on-peak to off-peak usage		

*Witness: James R. Adkins*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE**

**Request 10:**

Refer to the response to question 4 in the Adkins Testimony which states that the customer charges for the proposed industrial tariffs were based on the load center charges for EKPC. Provide a reconciliation of the customer charges at the five different load levels proposed by Farmers with the load center charges in EKPC's tariff for each level.

**Response 10:**

Provided below is the basis for the proposed customer charges and EKPC's load center charges.

<b>COMPARISON OF CUSTOMER CHARGE WITH LOAD CENTER CHARGE</b>					
Farmers Proposed Customer Charges			EKPC Load Center Charges		
Load Level		Charge	Load Level		Charge
500 kW	999 kW	\$ 816.00			
1,000 kW	2,999 kW	1,088.00	1000 Kw	2999 Kw	\$ 1,088.00
3,000 kW	4,999 kW	2,737.00	3,000 kW	4,999 kW	\$ 2,737.00
5,000 kW	9,999 kW	3,017.00	7,500 kW	14,999 kW	\$ 3,292.00
10,000 kW	& Over	4,303.50	15,000 kW	& Larger	\$ 5,310.00
<b><u>RATIONALE</u></b>					
1. 500 kW - 999 kW:		Customer Charge set at 75 % of the lowest load center charge of EKPC.			
2. 1,000 kW - 2,999 kW		Customer Charge set at same level as the load center charge of EKPC for a substation of similar size.			
3. 3,000 kW - 4,999 kW		Customer Charge set at same level as the load center charge of EKPC for a substation of similar size.			
4. 5,000 kW - 9,999 kW		Customer Charge set at approximately 90% of the load center charge for 7,500 kW-14,999 kW load center.			
5. 10,000 kW & Larger		Based on load being 80% of 15,000 kW plus load center			



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Response 10 (continued):**

The major premise in the development of these customer charges rests on the concept that anyone of these industrial loads will be a primary contributor to the load on any substation serving Farmers. It is not possible at this time to determine where any new industrial may locate and/or what type of substations may be needed to serve them. Therefore, Farmers feels that a customer charge which is a monthly fee without regards to usage based on the monthly fee that EKPC bills Farmers for each substation would be the best way to recover these costs from their customers of this type.

*Witness: James R. Adkins*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 11:**

Describe Farmers' efforts to communicate with residential customers regarding their interest in optional rate designs such as the proposed Residential TOD Tariff.

**Response 11:**

Farmers has not surveyed its residential members regarding their interest in optional rate designs such as the proposed Residential TOD Tariff. We have had occasional inquiries from members about the availability of a TOD tariff. This tariff has been designed and proposed as a result of those inquiries. To date, the only residential TOD tariff offered by Farmers has been one designed for electro-thermal storage heating units (ETS).

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE**

**Request 12:**

State whether Farmers considered any other optional tariff offerings for residential customers, and if so, explain what other tariff designs were considered and why they were rejected.

**Response 12:**

Farmers did consider some variation in the design of the Residential time-of-use tariff, primarily in the hours allowed for off-peak usage. The option of allowing for a larger window of off-peak time was examined. Farmers decided to match and not expand the hours of off-peak usage beyond those of its power supplier to minimize risk of loss.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 13:**

Provide a detailed explanation of Farmers' plan to communicate with its residential customers regarding the availability of the Residential TOD Tariff and the benefits they could realize from shifting their usage to the off-peak periods.

**Response 13:**

The availability and potential benefits of the residential TOD tariff will be widely communicated to our members through the monthly newsletter, website, and Facebook. Additionally, any time we are communicating with residential members over the phone or in person, if it is perceived that the member might benefit or be interested in alternate service tariffs, that will be discussed. We also offer energy audits and consultation with members on how to be more efficient in their energy usage. This tariff will be another option presented to the members during those audits and consultations.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 14:**

State how many residential customers Farmers expects to switch to the proposed Residential TOD Tariff if it is approved by the Commission.

**Response 14:**

Farmers does not expect a significant shift in members from the traditional residential tariff to the new optional TOD tariff, probably less than one hundred during the first three years. Based on our conversations with other cooperatives that have instituted similar tariffs, the response has typically been very low. However, Farmers believes that it is important to provide options to its members, even if the response rate is low. Additionally, Farmers believes that acceptance of such rate structures will grow as time passes.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 15:**

State how Farmers intends to monitor residential customers' bills and communicate with customers if they experience increased bills as a result of switching to the proposed Residential TOD tariff. The explanation should include Farmers' experience with monitoring Commercial TOD customer bills and how, or if, Farmers has communicated with those customers regarding increases in their bills compared to what their bills would have been under Schedule C billing.

**Response 15:**

Farmers believes the member is capable of monitoring whether or not they are saving by choosing a TOD rate. Members can easily make their own comparison by simply multiplying their kWh energy usage by the corresponding rate on the traditional residential flat rate tariff, add the customer charge, plus appropriate taxes, etc., and then compare to their current TOD bill. The Cooperative will assist the member with those calculations at any time they request and for whatever period they request.

It is the member's choice, once they move to a TOD tariff, as to whether they choose to use energy, and to what degree, within the on or off-peak times. The Cooperative believes that a member who chooses to take service under a TOD rate is going to be naturally motivated to actively manage their use in accordance with the tariff terms and gain the intended savings. That same self-motivation should extend to the member taking action to review their decision to determine whether or not they are achieving their objectives. The Cooperative cannot know the circumstances, nor the reasons, why the member has used service at any given time.

In the cases of where Farmers' commercial members appeared to have experienced an increase in their bill by moving to the new TOD rate (as mentioned in Question 1) – this resulted because their loads were going to exceed 50 kw demand and thus be subject to the additional kW demand charges in Schedule C. One was a new member who knew their demand would exceed 50 kW from the outset and the other was a member who was adding significant plant assets which would cause them to exceed the 50 kW demand threshold. Schedule C only dictates kW demand charges for loads with demands of 50 kW or more. To avoid the higher bill which would have resulted under Schedule C due to the increased size of the load, both elected to move to the TOD rate, which resulted in savings for them each month. Both members are knowledgeable on how to make comparisons between the rates and are monitoring their own use.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 16:**

Describe Farmers' efforts to communicate with its existing industrial customers regarding their interest in optional rate designs such as the proposed optional industrial tariffs.

**Response 16:**

Farmers has a person responsible for interfacing on a regular basis with its key industrial accounts. One of the subjects routinely discussed during those meetings are available rate tariffs and whether or not they may have the potential for saving the member on their energy use. During those meetings, we have also received feedback indicating a desire for a wider array of choices in tariffs. If approved, these new rate options will provide members with options that offer them lower cost energy provided they can operate more efficiently to improve load factor, operate during off-peak periods, etc.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 17:**

State whether Farmers considered any other optional tariff offerings for industrial customers, and if so, explain what other tariff designs were considered and why they were rejected.

**Response 17:**

Farmers only considered the proposed optional tariffs. These optional tariffs were designed to take advantage of and pass along savings that are possible with the wholesale tariffs offered by our power supplier.

*Witness: William T. Prather*



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**  
**PSC CASE NO. 2014-00155**  
**FIRST INFORMATION REQUEST RESPONSE**

**Request 18:**

Provide a detailed explanation of Farmers' plan to communicate with its existing industrial customers regarding the availability of the optional industrial tariffs and the benefits they could realize from switching to one of those tariffs.

**Response 18:**

Farmers' key account representative will be in personal contact with all accounts that potentially qualify for any of the optional tariffs and assist in an analysis of the potential savings if the member is interested. Additionally, the Cooperative maintains all tariffs on its website and those that are available to commercial and industrial accounts are highlighted under a business section. Any new commercial member is presented with all rate options when they are applying for service and then reviewed at least annually through the monitoring of large power accounts' usage to determine if they are on the appropriate rate tariff.

*Witness: William T. Prather*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE**

**Request 19:**

State how many existing industrial customers, if any, Farmers expects to switch to the proposed industrial tariffs if the tariffs are approved by the Commission.

**Response 19:**

Farmers expects that two industrial members may be interested in switching to one of the proposed tariffs.

*Witness: William T. Prather*

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2014-00155  
FIRST INFORMATION REQUEST RESPONSE

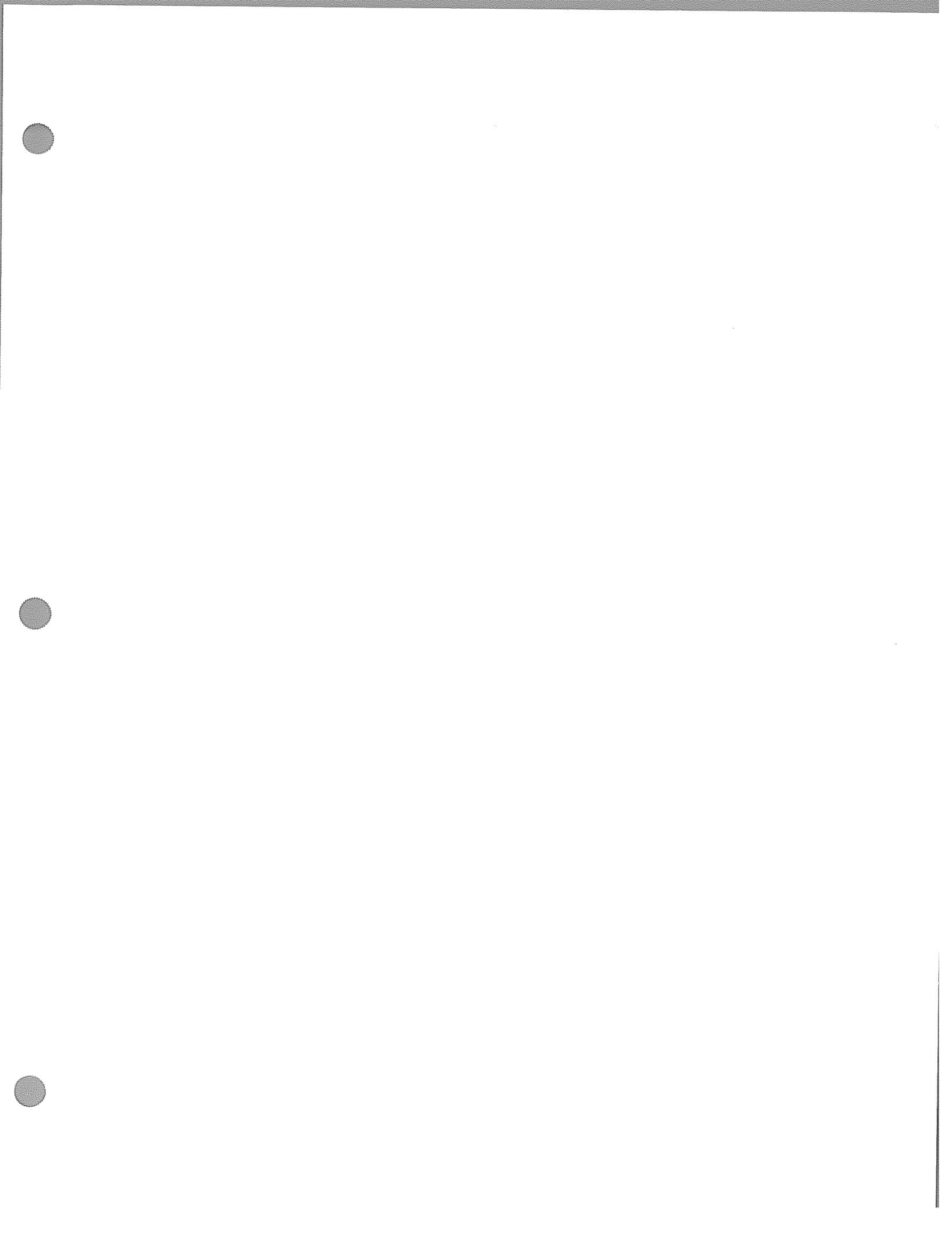
**Request 20:**

State whether a contract or agreement will be required if a residential or industrial customer selects an optional rate schedule. If such is the case, provide copies of all contracts or agreements required.

**Response 20:**

No contract or agreement will be required for the residential time-of-day tariff. A large industrial rate agreement will be required for the optional industrial tariffs and a copy is included in Appendix 1.

*Witness: William T. Prather*



**Farmers Rural Electric Cooperative Corporation**  
**Large Industrial Rate Agreement/Contract**

This rate and service agreement is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Farmers Rural Electric Cooperative Corporation, a Kentucky corporation with its principal offices at Glasgow, Kentucky, hereinafter referred to as the "Cooperative", and \_\_\_\_\_, a \_\_\_\_\_ Corporation with its principal offices at \_\_\_\_\_, hereinafter referred to as "Customer".

1. Customer has requested to receive, be billed, and pay for service under the terms of the Cooperative's rate schedule \_\_\_\_\_ - as attached to this agreement. Customer acknowledges that their current service and load characteristics are within the requested rate schedule Availability and Type of Service parameters. Customer also acknowledges and agrees that at any point where those tariff requirements are no longer being met, the Cooperative may require the Customer to move to an appropriate tariff that applies to the Customer's service usage.
2. Under this rate schedule, Customer agrees to a minimum monthly contract demand of \_\_\_\_ kW, with a monthly minimum energy usage equal to 425 kWh per kW of billing demand. **(This condition may be removed if not applicable in requested tariff)**
3. Customer has reviewed and agrees to comply with all requirements of the rate tariff as approved by the Kentucky Public Service Commission, and as modified, replaced, or adjusted from time-to-time and approved by the Kentucky Public Service Commission.
4. Customer agrees to comply with all other supplemental billing or service agreements which may currently be in effect, unless specifically revoked in writing by the Cooperative. Customer agrees to abide by the Cooperative's Bylaws and Rules/Regulations as approved by the Kentucky Public Service Agreement.
5. This agreement shall become effective for service rendered on and after \_\_\_\_\_. This rate agreement shall continue in effect unless terminated by either party by providing written notice of such termination at least twelve (12) months prior to the desired termination date.
6. Any written notice required under this agreement or tariff shall be deemed properly given to or served on the Cooperative if mailed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Farmers Rural Electric Cooperative Corporation**  
**Large Industrial Rate Agreement/Contract**

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Any such notice required under this agreement or tariff shall be deemed properly given to or served on the Customer if mailed to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Each party shall have the right to change the name of the person whom, or the location where the notices are to be given or served by notifying the other party, in writing, of such change.

7. Customer grants to the Cooperative the perpetual easement and right and privilege of free access over, under, above, across, and through the land and premises of the Customer to erect, construct, install, locate, move, and maintain the electrical system, new or existing lines of any type that might be located on the Customer's property.
8. Customer grants to the Cooperative the right and privilege of maintaining proper tree right-of-way clearance which includes cutting and herbicide use to remove trees and bushes that are of such height and proximity to the electric lines that in falling may interfere with and/or create a hazard to the operation of the electric facilities.
9. The Customer shall equip any motor rated at 50 horsepower or above with a soft-start mechanism.
10. If Customer's electric service operation negatively impacts the service quality for the Cooperative's other members, the Customer shall then have the option to pay in advance the Cooperative for projected upgrades to the electric distribution system or to cancel this agreement and discontinue electric service.
11. The Customer shall adequately secure and maintain surety guarantee of payment of their account in a manner sufficient and as required by the Cooperative, and in accordance with the Cooperative's rules and regulations as approved by the Kentucky Public Service Commission. The Customer agrees that such surety of payment may be increased or decreased as appropriate with their average monthly usage and credit record.
12. The terms and conditions of this agreement shall inure to and be binding upon the parties, together with their respective successors in interest. Neither party may assign this agreement to any other party without the express written consent of the other party, except that the Cooperative may assign the agreement to the Rural Utilities Service and/or any other lenders to the Cooperative without such consent.

**Farmers Rural Electric Cooperative Corporation**  
**Large Industrial Rate Agreement/Contract**

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13. Force Majeure. The obligations of either party to this Agreement shall be suspended during the continuance of any occurrence, beyond the affected party's control (a "force majeure"), which wholly or partially prevents the affected party from fulfilling such obligations, provided that the affected party gives notice to the other party of the reasons for its inability to perform within a reasonable time from such occurrence, is diligently seeking to cure said force majeure, and gives notice to the other party within a reasonable time of such cure. As used in this section, the term force majeure shall include, but is not limited to: acts of God; strikes; wars; acts of a public enemy; riots; storms; floods; civil disturbances; explosions; failures of machinery or equipment; interruptions in power deliveries from Cooperative's power supplier; or actions of federal, state or local governmental authorities, which are not reasonably within the control of the party claiming relief.

Notwithstanding the above provisions, no event of force majeure shall relieve Customer of the obligation to pay any minimum monthly charge provided herein in the attached rate schedule.

**Farmers Rural Electric Cooperative Corporation  
Large Industrial Rate Agreement/Contract**

In witness whereof, the parties have caused this agreement to be executed, by their respective officers, thereunto duly authorized:

By: \_\_\_\_\_ Date: \_\_\_\_\_  
William T. Prather, President & CEO  
Farmers Rural Electric Cooperative Corporation

By: \_\_\_\_\_  
Customer Name Account Number

By: \_\_\_\_\_  
Printed Name of Authorized Signer Title

By: \_\_\_\_\_  
Signature - Authorized Representative (1)

Date: \_\_\_\_\_

(1) By signing this agreement, the signer attests that they are an authorized agent for the Customer and are legally authorized to approve this agreement.