

RICHARDSON GARDNER & ALEXANDER

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

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

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

November 10, 2015

RECEIVED

NOV 12 2015

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: Case No. 2015-00281

Dear Mr. Derouen:

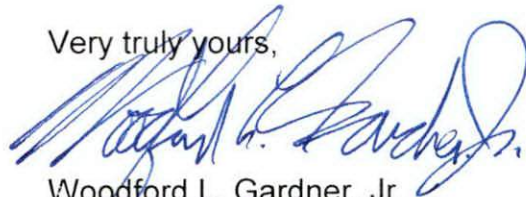
Enclosed for filing is the original and six (6) copies of the Commission Staff's Second Request for Information, dated October 28, 2015, regarding the Examination of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. and the Pass Through Mechanism for its Sixteen Member Distribution Cooperative.

The applicant, Farmers Rural Electric Cooperative Corporation, makes the following response as follows:

1. The witness who is prepared to answer questions concerning the request is William T. Prather.
2. William T. Prather, President & CEO of Farmers RECC, is the person supervising the preparation of the responses on behalf of the applicant.
3. The response and exhibit are attached hereto and incorporated by referenced herein.

Thank you for your assistance.

Very truly yours,



Woodford L. Gardner, Jr.
Richardson Gardner & Alexander
Attorney for Farmers RECC
270-651-8884 • 270-651-3662 (fax)

Enclosures

cc: Isaac Scott @ East Kentucky Power Cooperative
Managers @ Member Distribution Cooperatives

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 12 2015

PUBLIC SERVICE
COMMISSION

In The Matter Of:

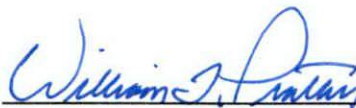
AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
EAST KENTUCKY POWER COOPERATIVE, INC. FOR THE
SIX-MONTH BILLING PERIOD ENDING DECEMBER 31, 2014,
TWO-YEAR BILLING PERIOD ENDING JUNE 30, 2015,
AND THE PASS THROUGH MECHANISM FOR ITS
SIXTEEN MEMBER DISTRIBUTION COOPERATIVES

)
)
)
)
)
)
)

CASE NO.
2015-00281

CERTIFICATE

William T. Prather, being duly sworn, states that he has supervised the preparation of the response of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff's Second Request for Information to East Kentucky Power Cooperative, Inc.'s Sixteen Member Distribution Cooperatives in the above-referenced case, 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.



COMMONWEALTH OF KENTUCKY)
COUNTY OF BARREN)

Subscribed and sworn to before me by William T. Prather, President & CEO of Farmers Rural Electric Cooperative Corporation this 9th day of November, 2015.



Notary Public

ID: 446566

My Commission Expires: 07-30-2019

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2015-00281
RESPONSE TO COMMISSION STAFF'S SECOND REQUEST**

Request 4.

This question is addressed to Farmers RECC and Owen Electric. Refer to your respective responses to Staff's First Request, Item 2. For comparison purposes, provide the residential bill impact calculation using a six-month amortization period.

Response 4.

The (over)/under-recovery used to determine the impact on the average residential customer's monthly bill has been determined using the traditional methodology used in previous surcharge reviews. Exhibit A shows this traditional approach using a 6-month amortization period.

Please note from Staff's First Data Request, Farmers RECC respectfully requests that the Commission consider and approve a 12-month amortization for Farmers RECC to mitigate the fluctuations in our members' bills, avoid extremes from one review case to the next and limit margin fluctuations.

Farmers RECC continues to be concerned about the inaccuracy of the present Environmental Surcharge recovery mechanism and the six month review process. With the anticipated conclusion of this most recent review case through June 2015, the combined effect on Farmers, when considered with the recently concluded review through December 2014, will be to require the Cooperative to refund \$1,125,495.00, when in reality, since inception of the Environmental Surcharge in 2005, the Cooperative only has an over-recovery of \$ 446,032.05 through June 2015.

Farmers RECC is a small electric cooperative which will be substantially and negatively impacted over the following months by an inaccurate and inflated refund of \$679,462.95 (\$1,125,495.00 - \$446,032.05). Farmers' sole objective in the Environmental Surcharge process is to accurately and timely recover or refund what it has paid East Kentucky Power Cooperative. Farmers' member-owners deserve a mechanism overseen by the Commission that ensures that the environmental cost Farmers' Members see on their monthly electric bill is reflective of an accurate and timely accounting process. A fair, just, and reasonable solution to this situation is very much needed.

Witness: William T. Prather

Farmers Rural Electric Cooperative Corporation

Case No. 2015-00281

****Traditional Approach****

Actual Average Bill	
---------------------	--

30 Day Monthly Usage	1,140 kwh	
Energy	\$ 94.29	
Customer Charge	9.35	
Fuel @ (\$0.00158)	(1.80)	
Environmental Surcharge		
@ 13.20%	13.44 *	
Local School Tax @ 3.0%	3.46	
Total Bill Amount	\$ 118.74	

* See Exhibit A, Page 3 of 4

Recovery Period of Six Months	
-------------------------------	--

30 Day Monthly Usage	1,140 kwh	
Energy	\$ 94.29	
Customer Charge	9.35	
Fuel @ (\$0.00158)	(1.80)	
Environmental Surcharge		
@ 10.93%	11.13 **	
Local School Tax @ 3.0%	3.39	
Total Bill Amount	\$ 116.36	

** See Exhibit A, Page 4 of 4

Notes:

- Fuel is calculated on kwh amount.
- Environmental Surcharge is calculated on energy, customer charge and fuel.
- School Tax is calculated on all charges.

Six-Month Amortization Period

EXHIBIT A

Page 1 of 4

Farmers 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	\$ 466,162	\$ 491,870	\$ (25,708)	\$ (25,708)
Aug-13	\$ 432,240	\$ 487,937	\$ (55,697)	\$ (81,405)
Sep-13	\$ 369,778	\$ 557,291	\$ (187,513)	\$ (268,918)
Oct-13	\$ 329,614	\$ 490,337	\$ (160,723)	\$ (429,640)
Nov-13	\$ 441,498	\$ 504,930	\$ (63,432)	\$ (493,072)
Dec-13	\$ 541,894	\$ 653,714	\$ (111,820)	\$ (604,892)
Jan-14	\$ 570,498	\$ 789,556	\$ (219,058)	\$ (219,058)
Feb-14	\$ 355,351	\$ 780,558	\$ (425,207)	\$ (644,265)
Mar-14	\$ 164,843	\$ 346,118	\$ (181,275)	\$ (825,540)
Apr-14	\$ 262,457	\$ 134,974	\$ 127,483	\$ (698,057)
May-14	\$ 327,603	\$ 250,190	\$ 77,413	\$ (620,645)
Jun-14	\$ 454,678	\$ 344,467	\$ 110,211	\$ (510,434)
Jul-14	\$ 464,810	\$ 451,799	\$ 13,011	\$ (497,423)
Aug-14	\$ 431,176	\$ 445,728	\$ (14,552)	\$ (511,975)
Sep-14	\$ 324,377	\$ 395,227	\$ (70,850)	\$ (582,825)
Oct-14	\$ 299,695	\$ 286,308	\$ 13,387	\$ (569,439)
Nov-14	\$ 441,558	\$ 371,620	\$ 69,938	\$ (499,501)
Dec-14	\$ 503,123	\$ 476,382	\$ 26,741	\$ (472,760)
Jan-15	\$ 474,286	\$ 573,772	\$ (99,486)	\$ (572,246)
Feb-15	\$ 472,496	\$ 473,270	\$ (774)	\$ (573,020)
Mar-15	\$ 314,166	\$ 427,115	\$ (112,949)	\$ (685,968)
Apr-15	\$ 207,107	\$ 266,047	\$ (58,940)	\$ (744,909)
May-15	\$ 297,712	\$ 238,725	\$ 58,987	\$ (685,922)
Jun-15	\$ 490,737	\$ 325,418	\$ 165,319	\$ (520,602)
Jul-15	\$ 550,195	\$ 482,078	\$ 68,117	\$ (452,485)
Aug-15	\$ 427,561	\$ 542,394	\$ (114,833)	\$ (567,318)

Cumulative 18-months (Over)/Under Recovery	(520,602)
--	-----------

Monthly Recovery (per month for six months)	(86,767)
---	----------

Total Net (Over)/Under Recovery for 2-Year Period	(1,125,495)
---	-------------

Six-Month Amortization Period

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

For the Month Ending August 2015

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Farmers	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Farmers	EKPC 12-months Ended Average Monthly Revenue from Sales to Farmers	Farmers Revenue Requirement	Amortization of (Over)/Under Recovery	Farmers Net Revenue Requirement	Farmers Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Farmers Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	Farmers 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)
Sep-13	14.93%	0.00%	14.93%	\$ 2,387,197		\$ 2,387,197	\$ 2,636,856	\$ 393,683	\$ 159,971	\$ 553,654	\$ 3,160,830		\$ 3,160,830	\$ 3,690,829	15.11%
Oct-13	16.69%	0.00%	16.69%	\$ 2,207,728		\$ 2,207,728	\$ 2,643,104	\$ 441,134	\$ 159,971	\$ 601,105	\$ 3,341,727		\$ 3,341,727	\$ 3,690,743	16.29%
Nov-13	17.43%	0.00%	17.43%	\$ 2,645,278		\$ 2,645,278	\$ 2,645,577	\$ 461,124	\$ 159,971	\$ 621,095	\$ 4,012,992		\$ 4,012,992	\$ 3,729,876	16.83%
Dec-13	14.54%	0.00%	14.54%	\$ 3,108,968		\$ 3,108,968	\$ 2,666,768	\$ 387,748	\$ 159,971	\$ 547,719	\$ 4,690,507		\$ 4,690,507	\$ 3,762,225	14.68%
Jan-14	10.92%	0.00%	10.92%	\$ 3,923,632		\$ 3,923,632	\$ 2,733,782	\$ 298,529	\$ 14,745	\$ 313,274	\$ 5,317,160		\$ 5,317,160	\$ 3,825,718	8.33%
Feb-14	5.44%	0.00%	5.44%	\$ 3,254,143		\$ 3,254,143	\$ 2,766,522	\$ 150,499	\$ -	\$ 150,499	\$ 4,154,488		\$ 4,154,488	\$ 3,836,421	3.93%
Mar-14	11.62%	0.00%	11.62%	\$ 3,030,176		\$ 3,030,176	\$ 2,777,879	\$ 322,790	\$ (10,054)	\$ 312,736	\$ 3,439,445		\$ 3,439,445	\$ 3,828,265	8.15%
Apr-14	13.47%	0.00%	13.47%	\$ 2,258,681		\$ 2,258,681	\$ 2,780,485	\$ 374,531	\$ (10,054)	\$ 364,477	\$ 3,069,624		\$ 3,069,624	\$ 3,831,317	9.52%
May-14	15.84%	0.00%	15.84%	\$ 2,432,083		\$ 2,432,083	\$ 2,792,716	\$ 442,366	\$ (10,054)	\$ 432,312	\$ 3,618,329		\$ 3,618,329	\$ 3,852,690	11.28%
Jun-14	15.67%	0.00%	15.67%	\$ 2,871,288		\$ 2,871,288	\$ 2,798,981	\$ 438,600	\$ (10,054)	\$ 428,546	\$ 4,005,345		\$ 4,005,345	\$ 3,868,759	11.12%
Jul-14	14.38%	0.00%	14.38%	\$ 2,965,406		\$ 2,965,406	\$ 2,818,790	\$ 405,342	\$ (10,054)	\$ 395,288	\$ 4,008,303		\$ 4,008,303	\$ 3,872,750	10.22%
Aug-14	12.62%	0.00%	12.62%	\$ 2,998,459		\$ 2,998,459	\$ 2,840,253	\$ 358,440	\$ (10,054)	\$ 348,386	\$ 3,867,156		\$ 3,867,156	\$ 3,890,492	9.00%
Sep-14	13.53%	0.00%	13.53%	\$ 2,570,326		\$ 2,570,326	\$ 2,855,514	\$ 386,351	\$ -	\$ 386,351	\$ 3,178,323		\$ 3,178,323	\$ 3,891,950	9.93%
Oct-14	15.57%	0.00%	15.57%	\$ 2,215,033		\$ 2,215,033	\$ 2,856,123	\$ 444,698	\$ -	\$ 444,698	\$ 3,740,732		\$ 3,740,732	\$ 3,925,200	11.43%
Nov-14	16.95%	0.00%	16.95%	\$ 2,835,945		\$ 2,835,945	\$ 2,872,012	\$ 486,806	\$ -	\$ 486,806	\$ 4,167,821		\$ 4,167,821	\$ 3,938,103	12.40%
Dec-14	13.88%	0.00%	13.88%	\$ 2,968,291		\$ 2,968,291	\$ 2,860,289	\$ 397,008	\$ -	\$ 397,008	\$ 4,626,045		\$ 4,626,045	\$ 3,932,731	10.08%
Jan-15	13.67%	0.00%	13.67%	\$ 3,417,046		\$ 3,417,046	\$ 2,818,073	\$ 385,231	\$ -	\$ 385,231	\$ 4,595,094		\$ 4,595,094	\$ 3,872,559	9.80%
Feb-15	11.49%	0.00%	11.49%	\$ 3,456,440		\$ 3,456,440	\$ 2,834,931	\$ 325,734	\$ -	\$ 325,734	\$ 4,358,231		\$ 4,358,231	\$ 3,889,537	8.41%
Mar-15	10.90%	0.00%	10.90%	\$ 2,734,256		\$ 2,734,256	\$ 2,810,271	\$ 306,320	\$ -	\$ 306,320	\$ 3,163,438		\$ 3,163,438	\$ 3,866,537	7.88%
Apr-15	14.44%	0.00%	14.44%	\$ 1,900,065		\$ 1,900,065	\$ 2,780,387	\$ 401,488	\$ -	\$ 401,488	\$ 3,029,485		\$ 3,029,485	\$ 3,863,192	10.38%
May-15	18.09%	0.00%	18.09%	\$ 2,061,720		\$ 2,061,720	\$ 2,749,523	\$ 497,389	\$ -	\$ 497,389	\$ 3,135,042		\$ 3,135,042	\$ 3,822,918	12.88%
Jun-15	18.44%	0.00%	18.44%	\$ 2,712,742		\$ 2,712,742	\$ 2,736,311	\$ 504,576	\$ -	\$ 504,576	\$ 3,742,771		\$ 3,742,771	\$ 3,801,037	13.20% *
Jul-15	15.91%	0.00%	15.91%	\$ 2,983,706		\$ 2,983,706	\$ 2,737,836	\$ 435,590	\$ -	\$ 435,590	\$ 4,109,024		\$ 4,109,024	\$ 3,809,430	11.46%
Aug-15	16.25%	0.00%	16.25%	\$ 2,687,371		\$ 2,687,371	\$ 2,711,912	\$ 440,686	\$ (50,408)	\$ 390,278					10.25%

Note:

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

Six-Month Amortization Period

EXHIBIT A

Page 3 of 4

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

For the Month Ending August 2015

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Farmers	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Farmers	EKPC 12-months Ended Average Monthly Revenue from Sales to Farmers	Farmers Revenue Requirement	Amortization of (Over)/Under Recovery	Farmers Net Revenue Requirement	Farmers Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Farmers Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	Farmers 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)
Sep-13	14.93%	0.00%	14.93%	\$ 2,387,197		\$ 2,387,197	\$ 2,636,856	\$ 393,683	\$ 159,971	\$ 553,654	\$ 3,160,830		\$ 3,160,830	\$ 3,690,829	15.11%
Oct-13	16.69%	0.00%	16.69%	\$ 2,207,728		\$ 2,207,728	\$ 2,643,104	\$ 441,134	\$ 159,971	\$ 601,105	\$ 3,341,727		\$ 3,341,727	\$ 3,690,743	16.29%
Nov-13	17.43%	0.00%	17.43%	\$ 2,645,278		\$ 2,645,278	\$ 2,645,577	\$ 461,124	\$ 159,971	\$ 621,095	\$ 4,012,992		\$ 4,012,992	\$ 3,729,876	16.83%
Dec-13	14.54%	0.00%	14.54%	\$ 3,108,968		\$ 3,108,968	\$ 2,666,768	\$ 387,748	\$ 159,971	\$ 547,719	\$ 4,690,507		\$ 4,690,507	\$ 3,762,225	14.68%
Jan-14	10.92%	0.00%	10.92%	\$ 3,923,632		\$ 3,923,632	\$ 2,733,782	\$ 298,529	\$ 14,745	\$ 313,274	\$ 5,317,160		\$ 5,317,160	\$ 3,825,718	8.33%
Feb-14	5.44%	0.00%	5.44%	\$ 3,254,143		\$ 3,254,143	\$ 2,766,522	\$ 150,499	\$ -	\$ 150,499	\$ 4,154,488		\$ 4,154,488	\$ 3,836,421	3.93%
Mar-14	11.62%	0.00%	11.62%	\$ 3,030,176		\$ 3,030,176	\$ 2,777,879	\$ 322,790	\$ (10,054)	\$ 312,736	\$ 3,439,445		\$ 3,439,445	\$ 3,828,265	8.15%
Apr-14	13.47%	0.00%	13.47%	\$ 2,258,681		\$ 2,258,681	\$ 2,780,485	\$ 374,531	\$ (10,054)	\$ 364,477	\$ 3,069,624		\$ 3,069,624	\$ 3,831,317	9.52%
May-14	15.84%	0.00%	15.84%	\$ 2,432,083		\$ 2,432,083	\$ 2,792,716	\$ 442,366	\$ (10,054)	\$ 432,312	\$ 3,618,329		\$ 3,618,329	\$ 3,852,690	11.28%
Jun-14	15.67%	0.00%	15.67%	\$ 2,871,288		\$ 2,871,288	\$ 2,798,981	\$ 438,600	\$ (10,054)	\$ 428,546	\$ 4,005,345		\$ 4,005,345	\$ 3,868,759	11.12%
Jul-14	14.38%	0.00%	14.38%	\$ 2,965,406		\$ 2,965,406	\$ 2,818,790	\$ 405,342	\$ (10,054)	\$ 395,288	\$ 4,008,303		\$ 4,008,303	\$ 3,872,750	10.22%
Aug-14	12.62%	0.00%	12.62%	\$ 2,998,459		\$ 2,998,459	\$ 2,840,253	\$ 358,440	\$ (10,054)	\$ 348,386	\$ 3,867,156		\$ 3,867,156	\$ 3,890,492	9.00%
Sep-14	13.53%	0.00%	13.53%	\$ 2,570,326		\$ 2,570,326	\$ 2,855,514	\$ 386,351	\$ -	\$ 386,351	\$ 3,178,323		\$ 3,178,323	\$ 3,891,950	9.93%
Oct-14	15.57%	0.00%	15.57%	\$ 2,215,033		\$ 2,215,033	\$ 2,856,123	\$ 444,698	\$ -	\$ 444,698	\$ 3,740,732		\$ 3,740,732	\$ 3,925,200	11.43%
Nov-14	16.95%	0.00%	16.95%	\$ 2,835,945		\$ 2,835,945	\$ 2,872,012	\$ 486,806	\$ -	\$ 486,806	\$ 4,167,821		\$ 4,167,821	\$ 3,938,103	12.40%
Dec-14	13.88%	0.00%	13.88%	\$ 2,968,291		\$ 2,968,291	\$ 2,860,289	\$ 397,008	\$ -	\$ 397,008	\$ 4,626,045		\$ 4,626,045	\$ 3,932,731	10.08%
Jan-15	13.67%	0.00%	13.67%	\$ 3,417,046		\$ 3,417,046	\$ 2,818,073	\$ 385,231	\$ -	\$ 385,231	\$ 4,595,094		\$ 4,595,094	\$ 3,872,559	9.80%
Feb-15	11.49%	0.00%	11.49%	\$ 3,456,440		\$ 3,456,440	\$ 2,834,931	\$ 325,734	\$ -	\$ 325,734	\$ 4,358,231		\$ 4,358,231	\$ 3,889,537	8.41%
Mar-15	10.90%	0.00%	10.90%	\$ 2,734,256		\$ 2,734,256	\$ 2,810,271	\$ 306,320	\$ -	\$ 306,320	\$ 3,163,438		\$ 3,163,438	\$ 3,866,537	7.88%
Apr-15	14.44%	0.00%	14.44%	\$ 1,900,065		\$ 1,900,065	\$ 2,780,387	\$ 401,488	\$ -	\$ 401,488	\$ 3,029,485		\$ 3,029,485	\$ 3,863,192	10.38%
May-15	18.09%	0.00%	18.09%	\$ 2,061,720		\$ 2,061,720	\$ 2,749,523	\$ 497,389	\$ -	\$ 497,389	\$ 3,135,042		\$ 3,135,042	\$ 3,822,918	12.88%
Jun-15	18.44%	0.00%	18.44%	\$ 2,712,742		\$ 2,712,742	\$ 2,736,311	\$ 504,576	\$ (86,767)	\$ 417,809	\$ 3,742,771		\$ 3,742,771	\$ 3,801,037	10.93% **
Jul-15	15.91%	0.00%	15.91%	\$ 2,983,706		\$ 2,983,706	\$ 2,737,836	\$ 435,590	\$ -	\$ 435,590	\$ 4,109,024		\$ 4,109,024	\$ 3,809,430	11.46%
Aug-15	16.25%	0.00%	16.25%	\$ 2,687,371		\$ 2,687,371	\$ 2,711,912	\$ 440,686	\$ (50,408)	\$ 390,278					10.25%

Note:

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

Six-Month Amortization Period

EXHIBIT A

Page 4 of 4