

November 3, 2016

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PUBLIC SERVICE  
COMMISSION

Talina R. Mathews  
Executive Director  
Kentucky Public Service Commission  
211 Soward Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

RE: Case No. 2016-00335

Dear Executive Director:

Enclosed are an original and eight (8) copies of the response of Fleming-Mason Energy Cooperative, Inc. for the Staff's First Request for Information dated October 12, 2016 for the above referenced case.

Please contact the office if further information is required.

Sincerely,



Jennifer L. McRoberts  
Office Manager

Enclosures

cc: Isaac Scott, East KY Power Cooperative  
Managers, EKPC Distribution Cooperatives

COMMONWEALTH OF KENTUCKY  
BEFORE THE 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 ) CASE NO. 2016-00335  
JUNE 30, 2016, AND THE PASS THROUGH )  
MECHANISM FOR ITS SIXTEEN MEMBER )  
DISTRIBUTION COOPERATIVES )

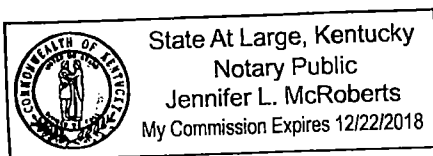
FLEMING-MASON ENERGY COOPERATIVE, INC.'S RESPONSE TO:


COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
EAST KENTUCKY POWER COOPERATIVE, INC.  
AND EACH OF ITS SIXTEEN MEMBER COOPERATIVES

The affiant, Joni K. Hazelrigg, President & CEO for Fleming-Mason Energy Cooperative, Inc., states that the testimony and the data presented in this filing are true and correct to the best of her knowledge and belief.

  
\_\_\_\_\_  
Joni K. Hazelrigg

Subscribed and sworn to before me by the affiant, Joni K. Hazelrigg, this 3rd day of November, 2016.



  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

My Commission expires 12/22/18

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE 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-	)	CASE NO.
MONTH BILLING PERIOD ENDING	)	2016-00335
JUNE 30, 2016, AND THE PASS THROUGH	)	
MECHANISM FOR ITS SIXTEEN MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

**PREPARED TESTIMONY OF:**

**JONI K. HAZELRIGG**

**PRESIDENT & CEO**

**FLEMING-MASON ENERGY COOPERATIVE, INC.**  
**P. O. BOX 328**  
**FLEMINGSBURG, KY 41041**

**Q. Please state your name, business address and occupation.**

A. My name is Joni Hazelrigg, business address is Fleming-Mason Energy Cooperative, Inc., 1449 Elizaville Road, Flemingsburg, KY 41041. I am the President & CEO.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to respond to the information requested in the Commission's Order dated October 12, 2016.

**Q. In its October 12, 2016 Order the Commission directed that each Member Cooperative file prepared testimony explaining: a) whether it has considered being billed a direct amount for environmental costs based on its monthly purchased power costs or, otherwise, why it has not been considered; b) whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor; and c) whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to its member customers to be less volatile and result in more timely recovery of environmental costs. Would you address the first question concerning billing the environmental costs as a direct amount?**

A. Fleming-Mason Energy has not considered being billed its environmental costs as a direct amount based on its monthly purchased power costs and has not discussed this concept with EKPC. Fleming-Mason believed that the language of the environmental surcharge statute and the history of the environmental surcharge would not support it. As stated in

the direct testimony of Isaac S. Scott on behalf of EKPC, the environmental surcharge statute specifically mentions the approval of a “rate surcharge”. To Fleming-Mason Energy’s knowledge, all of the environmental surcharges proposed and approved by the Commission to date, has utilized rate mechanisms rather than a direct billing approach.

**Q. Would you address the second question concerning whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor?**

A. Yes. Currently, EKPC’s surcharge factor is calculated by dividing the monthly environmental costs incurred by EKPC by the 12-month average Member Cooperatives’ revenues. Since the 12-month average Member Cooperatives’ revenues used to calculate the surcharge factor will not match the Member Cooperatives’ revenues for the specific invoice billing period the surcharge factor is applied to, an over- or under-recovery exists. As Fleming-Mason understands the suggestion of billing a direct amount for environmental costs based on the monthly purchased power costs, it would appear that approach would eliminate the over-/under-recovery as currently experienced.

However, Fleming-Mason would note that its monthly power bills from EKPC fluctuate month to month, often significantly, due to load characteristics and customer mix. Assigning environmental costs to the Member Cooperatives based on monthly power bills which fluctuate significantly would result in bill volatility. Fleming-Mason along with the other Member Cooperatives have had and continue to have serious concerns about bill

volatility. Bill volatility can have significant impacts on the Member Cooperatives' monthly margins. While over time Fleming-Mason would recover the EKPC-billed environmental costs from its members, timing lags especially at the end of the fiscal year could distort annual margins and TIER. To address the bill volatility, Fleming-Mason and the other Member Cooperatives would seek some modification to the direct bill approach to lessen the volatility. Modifications, like using average monthly power bills as the basis for the assignment of the environmental costs, would result in a new form of over-/under-recovery.

**Q. Would you address the third question concerning whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to the Member Cooperatives' member customer to be less volatile and result in more timely recovery of environmental costs?**

A. Yes. The utilization of a direct billing approach would not result in more timely recovery of environmental costs from Fleming-Mason Energy's members. Once Fleming-Mason is billed a particular month's environmental costs from EKPC, it would in turn bill its members their appropriate share of those costs in conjunction with the next month's billing cycles. This process would be no different than the current arrangement. The volatility risk would remain the same as well.

**Q. Does this conclude your testimony?**

A. Yes, it does.

**REQUEST 2:**

This question is addressed to EKPC and the Member Cooperatives. For each of the 16 Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month review. Include a calculation of any additional over-or-under-recovery amount the distribution cooperative believes needs to be recognized for the six-month review. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected.

**RESPONSE:**

Please see pages 2 and 3 of this response and EKPC's response to Request 2 of the Commission Staff's First Request for Information dated October 12, 2016. Please note that the electronic version of this response is being filed by EKPC.

Fleming Mason - Calculation of (Over)/Under Recovery					
		Rate E	Rate E		
Line No.	Month & Year	EKPC Invoice Month recorded Member's Books (2)	Billed to Retail Consumer & recorded on Member's Books (3)	Monthly (Over) or Under (4)	Cumulative (Over) or Under (5)
1	Previous (Over)/Under-Recovery Remaining to be Amortized				
1a	From Case No. 2014-00051 (Over)/Under-Recovery				(\$52,249)
1b	From Case No. 2015-00281 (Over)/Under-Recovery				(\$54,765)
1c	From Case No. 2016-00144 (Over)/Under-Recovery				(\$155,149)
1d	Total Previous (Over)/Under-Recovery				(\$262,163)
2	Jan-16	\$554,670	\$637,895	(\$83,225)	(\$345,388)
3	Feb-16	\$413,673	\$413,681	(\$8)	(\$345,396)
4	Mar-16	\$217,400	\$240,671	(\$23,271)	(\$368,668)
5	Apr-16	\$246,445	\$61,955	\$184,490	(\$184,178)
6	May-16	\$302,095	\$290,210	\$11,885	(\$172,293)
7	Jun-16	\$381,588	\$447,978	(\$66,390)	(\$238,683)
Post Review	Jul-16	\$445,202	\$448,449	(\$3,247)	(\$241,929)
	Aug-16	\$399,470	\$495,174	(\$95,704)	(\$337,634)
	Less Adjustment for Order amounts remaining to be amortized at end of review period June 2016				
8		Amount Per Case Order Remaining to be Amortized at beginning of Review Period	Amortization of Previous (Over)/Under Recoveries During Review Period		Amount Per Case Order Remaining to be Amortized at end of Review Period
8a	Case No. 2014-00051 Recovery		\$52,249	(\$52,251)	(\$2)
8b	Case No. 2015-00281 Recovery		\$54,765	(\$18,254)	\$36,511
8c	Case No. 2016-00144 Recovery		\$155,149	\$0	\$155,149
8d	Total Order amounts remaining - Over/(Under):				\$191,658
9	Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&8)]				(\$47,025)
10	Monthly recovery (per month for six months)				(\$7,837)
<b>Reconciliation:</b>					
11	Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period				(\$262,163)
12	Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period				\$191,658
13	Total Amortization during Review Period				(\$70,505)
14	(Over)/Under-Recovery from Column 5, Line 9				(\$47,025)
15	Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7)				\$23,480
16	Difference				(\$70,505)

Amortization Detail, Column 3, Line 8:

Month & Year	Case No. 2014-00051	Case No. 2015-00281	Case No. 2016-00144
Jan-16	(\$17,417)	\$0	\$0
Feb-16	(\$17,417)	\$0	\$0
Mar-16	(\$17,417)	\$0	\$0
Apr-16	\$0	\$0	\$0
May-16	\$0	(\$9,127)	\$0
Jun-16	\$0	(\$9,127)	\$0
Totals	(\$52,251)	(\$18,254)	\$0



**Fleming-Mason Energy Cooperative - Calculation of (Over)/Under Recovery - Direct Surcharge Pass-Throughs**

**Steam, Rate C, and Rate G**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Month & Year	(1)	(2)	(3)	(4)
Jan-16	\$496,656	\$496,656	\$0	\$0
Feb-16	\$441,983	\$441,983	\$0	\$0
Mar-16	\$286,240	\$286,240	\$0	\$0
Apr-16	\$351,325	\$351,325	\$0	\$0
May-16	\$433,843	\$433,843	\$0	\$0
Jun-16	\$473,629	\$473,629	\$0	\$0
Jul-16	\$503,075	\$503,075	\$0	\$0
Aug-16	\$446,482	\$446,482	\$0	\$0
Cumulative 6-month (Over)/Under Recovery				\$0
Monthly Recovery (per month for six months)				\$0

**REQUEST 7:**

This question is addressed to each of the 16 Member Cooperatives. For your particular Member Cooperative, provide the actual average residential customer's monthly usage for the 12 months ended May 31, 2016. Based on this usage amount, provide the dollar impact any over- or under-recovery will have on the average residential customer's monthly bill for the requested recovery period.

**RESPONSE:**

*Please see EKPC's response to Request No. 2 of the Commission's First Request for Information dated October 12, 2016, for the calculation of the review period's over-recovery.*

	Residential Consumers	Residential KWH	Average KWH
Jun-15	22,195	20,111,840	906
Jul-15	22,264	20,321,208	913
Aug-15	22,322	22,260,519	997
Sep-15	22,406	20,226,353	903
Oct-15	22,439	16,537,765	737
Nov-15	22,370	19,802,617	885
Dec-15	22,316	21,926,579	983
Jan-16	22,312	39,441,925	1,768
Feb-16	22,417	30,542,698	1,362
Mar-16	22,469	21,748,102	968
Apr-16	22,393	18,723,028	836
May-16	22,444	16,212,341	722
	268,347	267,854,975	
Averages	22362	22,321,248	
Average Usage		998	

Average Residential Usage for the 12 months ended May 31, 2016: 998

Test Month: July 2016

Fleming-Mason Energy Cumulative **Over** Recovery: \$47,025

6 month spread: \$7,837/month

	ACTUAL		6 MONTH RECOVERY	
Customer Charge		\$15.00		\$15.00
kWh Charge		\$84.14		\$84.14
Fuel Adjustment @ (.00361)		<u>(\$3.60)</u>		<u>(\$3.60)</u>
Subtotal		\$95.54		\$95.54
Env. Surcharge	8.50%	\$8.12	8.25%	\$7.88
County School Tax 3%		<u>\$3.11</u>		<u>\$3.10</u>
TOTAL		<u>\$106.77</u>		<u>\$106.52</u>
<b>Dollar Impact</b>				<b>(\$0.25)</b>

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

For the Month Ending September 2016

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(8d)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Fleming Mason	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Fleming Mason	EKPC 12-months Ended Average Monthly Revenue from Sales to Fleming Mason	Fleming-Mason Revenue Requirement	Schedule C and Special Contracts Surcharge Revenues	Amortization of (Over)/Under Recovery of Sch C & Special Contracts Revenues*	Fleming-Mason Revenue Requirements net of Sch C & Special Contracts	Amortization of (Over)/Under Recovery net of Sch C & Spec Cntrcts*	Fleming-Mason Net Revenue Requirement net of Sch C & Spec Cntrcts	Fleming-Mason Total Monthly Retail Revenues net of Sch C & Spec Cntrcts	On-Peak Retail Revenue Adjustment	Fleming-Mason Net Monthly Retail Revenues net of Sch C & Spec Cntrcts	12-months ended Avg Retail Revenues, net of Sch C & Spec Cntrcts	Fleming-Mason Pass-through Mechanism Factor net of Sch C & Spec Cntrcts
			Col (1) - Col (2)			Col (4) - Col (5)		Col (3) x Col (7)			Col (8a)-[Col (8b)+Col(8c)]		Col (8d) + Col (9)			Col (11) - Col (12)		Col (10) / Col (14)
Oct-14	15.57%	0.00%	15.57%	\$ 4,963,526	\$ 195,490	\$ 4,768,036	\$ 5,455,558	\$ 849,430	\$ 407,785	\$ -	\$ 441,645	\$ -	\$ 441,645	\$ 3,098,978	\$ 195,490	\$ 2,903,488	\$ 3,337,503	13.30%
Nov-14	16.95%	0.00%	16.95%	\$ 5,508,137	\$ 195,675	\$ 5,312,462	\$ 5,487,028	\$ 930,051	\$ 434,544	\$ -	\$ 495,507	\$ -	\$ 495,507	\$ 2,896,555	\$ 195,675	\$ 2,700,880	\$ 3,346,515	14.85%
Dec-14	13.88%	0.00%	13.88%	\$ 5,919,352	\$ 150,614	\$ 5,768,738	\$ 5,496,066	\$ 762,854	\$ 531,515	\$ -	\$ 231,339	\$ -	\$ 231,339	\$ 3,575,810	\$ 150,614	\$ 3,425,196	\$ 3,371,540	6.91%
Jan-15	13.67%	0.00%	13.67%	\$ 6,431,442	\$ 166,243	\$ 6,265,199	\$ 5,454,100	\$ 745,575	\$ 435,952	\$ -	\$ 309,623	\$ -	\$ 309,623	\$ 3,841,812	\$ 166,243	\$ 3,675,569	\$ 3,346,787	9.18%
Feb-15	11.49%	0.00%	11.49%	\$ 6,276,969	\$ 184,702	\$ 6,092,267	\$ 5,462,861	\$ 627,683	\$ 386,228	\$ -	\$ 241,455	\$ -	\$ 241,455	\$ 4,617,093	\$ 184,702	\$ 4,432,391	\$ 3,321,381	7.21%
Mar-15	10.90%	0.00%	10.90%	\$ 5,451,470	\$ 102,811	\$ 5,348,659	\$ 5,426,852	\$ 591,527	\$ 330,766	\$ -	\$ 260,761	\$ -	\$ 260,761	\$ 4,524,310	\$ 102,811	\$ 4,421,499	\$ 3,324,613	7.85%
Apr-15	14.44%	0.00%	14.44%	\$ 4,139,680	\$ 169	\$ 4,139,511	\$ 5,355,131	\$ 773,281	\$ 270,548	\$ -	\$ 502,733	\$ -	\$ 502,733	\$ 3,509,809	\$ 169	\$ 3,509,640	\$ 3,324,637	15.12%
May-15	18.09%	0.00%	18.09%	\$ 4,011,576	\$ 149	\$ 4,011,427	\$ 5,257,009	\$ 950,993	\$ 338,380	\$ -	\$ 612,613	\$ -	\$ 612,613	\$ 2,624,482	\$ 149	\$ 2,624,333	\$ 3,310,448	18.43%
Jun-15	18.44%	0.00%	18.44%	\$ 4,664,413	\$ 249	\$ 4,664,164	\$ 5,198,148	\$ 958,539	\$ 472,767	\$ -	\$ 485,772	\$ -	\$ 485,772	\$ 2,546,141	\$ 249	\$ 2,545,892	\$ 3,291,665	14.67%
Jul-15	15.91%	0.00%	15.91%	\$ 4,804,972	\$ 99	\$ 4,804,873	\$ 5,140,390	\$ 817,836	\$ 483,071	\$ -	\$ 334,765	\$ -	\$ 334,765	\$ 2,795,689	\$ 99	\$ 2,795,590	\$ 3,274,104	10.17%
Aug-15	16.25%	0.00%	16.25%	\$ 4,713,327	\$ 218	\$ 4,713,109	\$ 5,082,282	\$ 825,871	\$ 421,052	\$ -	\$ 404,819	\$ (17,417)	\$ 387,402	\$ 2,970,098	\$ 218	\$ 2,969,880	\$ 3,259,737	11.83%
Sep-15	17.07%	0.00%	17.07%	\$ 4,490,959	\$ 233	\$ 4,490,726	\$ 5,031,598	\$ 858,894	\$ 420,566	\$ -	\$ 438,328	\$ (17,417)	\$ 420,911	\$ 3,138,843	\$ 233	\$ 3,138,610	\$ 3,261,914	12.91%
Oct-15	18.51%	0.00%	18.51%	\$ 4,229,747	\$ 181	\$ 4,229,566	\$ 4,986,725	\$ 923,043	\$ 428,286	\$ -	\$ 494,757	\$ (17,417)	\$ 477,340	\$ 2,900,364	\$ 181	\$ 2,900,183	\$ 3,261,639	14.63%
Nov-15	18.81%	0.00%	18.81%	\$ 4,436,605	\$ 340	\$ 4,436,265	\$ 4,913,709	\$ 924,269	\$ 446,215	\$ -	\$ 478,054	\$ (17,417)	\$ 460,637	\$ 2,557,496	\$ 340	\$ 2,557,156	\$ 3,249,662	14.12%
Dec-15	18.40%	0.00%	18.40%	\$ 5,083,657	\$ 189,113	\$ 4,894,544	\$ 4,840,859	\$ 890,718	\$ 508,015	\$ -	\$ 382,703	\$ (17,417)	\$ 365,286	\$ 2,944,883	\$ 189,113	\$ 2,755,770	\$ 3,193,876	11.24%
Jan-16	16.00%	0.00%	16.00%	\$ 5,872,366	\$ 179,472	\$ 5,692,894	\$ 4,793,167	\$ 766,907	\$ 496,656	\$ -	\$ 270,251	\$ (17,417)	\$ 252,834	\$ 3,145,269	\$ 179,472	\$ 2,965,797	\$ 3,134,728	7.92%
Feb-16	10.92%	0.00%	10.92%	\$ 5,488,468	\$ 161,462	\$ 5,327,006	\$ 4,729,395	\$ 516,450	\$ 441,983	\$ -	\$ 74,467	\$ -	\$ 74,467	\$ 4,674,097	\$ 161,462	\$ 4,512,635	\$ 3,141,415	2.38%
Mar-16	14.30%	0.00%	14.30%	\$ 4,731,953	\$ 140,708	\$ 4,591,245	\$ 4,666,278	\$ 667,278	\$ 286,240	\$ -	\$ 381,038	\$ (9,127)	\$ 371,911	\$ 3,808,916	\$ 140,708	\$ 3,668,208	\$ 3,078,641	11.84%
Apr-16	17.59%	0.00%	17.59%	\$ 4,374,566	\$ 215,184	\$ 4,159,382	\$ 4,667,933	\$ 821,089	\$ 351,325	\$ -	\$ 469,764	\$ (9,127)	\$ 460,637	\$ 3,244,812	\$ 215,184	\$ 3,029,628	\$ 3,038,640	14.96%
May-16	18.99%	0.00%	18.99%	\$ 4,353,042	\$ 190,042	\$ 4,163,000	\$ 4,680,565	\$ 888,839	\$ 433,843	\$ -	\$ 454,996	\$ (9,127)	\$ 445,869	\$ 2,789,186	\$ 190,042	\$ 2,599,144	\$ 3,036,541	14.67%
Jun-16	19.60%	0.00%	19.60%	\$ 4,621,103	\$ 138,423	\$ 4,482,680	\$ 4,665,441	\$ 914,426	\$ 473,629	\$ -	\$ 440,797	\$ (9,127)	\$ 431,670	\$ 2,618,874	\$ 138,423	\$ 2,480,451	\$ 3,031,088	14.22%
Jul-16	16.50%	0.00%	16.50%	\$ 4,996,405	\$ 179,103	\$ 4,817,302	\$ 4,666,477	\$ 769,969	\$ 503,075	\$ -	\$ 266,894	\$ (9,127)	\$ 257,767	\$ 3,165,800	\$ 179,103	\$ 2,986,697	\$ 3,047,013	8.50%
Aug-16	14.29%	0.00%	14.29%	\$ 5,343,679	\$ 237,534	\$ 5,106,145	\$ 4,699,230	\$ 671,520	\$ 446,482	\$ -	\$ 225,038	\$ (34,985)	\$ 190,053	\$ 3,289,371	\$ 237,534	\$ 3,051,837	\$ 3,053,843	6.24%
Sep-16	14.76%	0.00%	14.76%	\$ 4,898,449	\$ 161,610	\$ 4,736,839	\$ 4,719,739	\$ 696,633	\$ 386,097	\$ -	\$ 310,536	\$ (25,858)	\$ 284,678	\$ 3,475,298	\$ 161,610	\$ 3,313,688	\$ 3,068,433	9.32%

ACTUAL

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

For the Month Ending September 2016

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(8d)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Fleming Mason	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Fleming Mason	EKPC 12-months Ended Average Monthly Revenue from Sales to Fleming Mason	Fleming-Mason Revenue Requirement	Schedule C and Special Contracts Surcharge Revenues	Amortization of (Over)/Under Recovery of Sch C & Special Contracts Revenues*	Fleming-Mason Revenue Requirements net of Sch C & Special Contracts	Amortization of (Over)/Under Recovery net of Sch C & Spec Cntrcts*	Fleming-Mason Net Revenue Requirement net of Sch C & Spec Cntrcts	Fleming-Mason Total Monthly Retail Revenues net of Sch C & Spec Cntrcts	On-Peak Retail Revenue Adjustment	Fleming-Mason Net Monthly Retail Revenues net of Sch C & Spec Cntrcts	12-months ended Avg. Retail Revenues, net of Sch C & Spec Cntrcts	Fleming-Mason Pass-through Mechanism Factor net of Sch C & Spec Cntrcts
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col. (3) x Col. (7)			Col. (8a) - [Col. (8b) + Col. (8c)]		Col. (8d) + Col. (9)			Col. (11) - Col. (12)		Col. (10) / Col. (14)
Oct-14	15.57%	0.00%	15.57%	\$ 4,963,526	\$ 195,490	\$ 4,768,036	\$ 5,455,558	\$ 849,430	\$ 407,785	\$ -	\$ 441,645	\$ -	\$ 441,645	\$ 3,098,978	\$ 195,490	\$ 2,903,488	\$ 3,337,503	13.30%
Nov-14	16.95%	0.00%	16.95%	\$ 5,508,137	\$ 195,675	\$ 5,312,462	\$ 5,487,028	\$ 930,051	\$ 434,544	\$ -	\$ 495,507	\$ -	\$ 495,507	\$ 2,896,555	\$ 195,675	\$ 2,700,880	\$ 3,346,515	14.85%
Dec-14	13.88%	0.00%	13.88%	\$ 5,919,352	\$ 150,614	\$ 5,768,738	\$ 5,496,066	\$ 762,854	\$ 531,515	\$ -	\$ 231,339	\$ -	\$ 231,339	\$ 3,575,810	\$ 150,614	\$ 3,425,196	\$ 3,371,540	6.91%
Jan-15	13.67%	0.00%	13.67%	\$ 6,431,442	\$ 166,243	\$ 6,265,199	\$ 5,454,100	\$ 745,575	\$ 435,952	\$ -	\$ 309,623	\$ -	\$ 309,623	\$ 3,841,812	\$ 166,243	\$ 3,675,569	\$ 3,346,787	9.18%
Feb-15	11.49%	0.00%	11.49%	\$ 6,276,969	\$ 184,702	\$ 6,092,267	\$ 5,462,861	\$ 627,683	\$ 386,228	\$ -	\$ 241,455	\$ -	\$ 241,455	\$ 4,617,093	\$ 184,702	\$ 4,432,391	\$ 3,321,381	7.21%
Mar-15	10.90%	0.00%	10.90%	\$ 5,451,470	\$ 102,811	\$ 5,348,659	\$ 5,426,852	\$ 591,527	\$ 330,766	\$ -	\$ 260,761	\$ -	\$ 260,761	\$ 4,524,310	\$ 102,811	\$ 4,421,499	\$ 3,324,613	7.85%
Apr-15	14.44%	0.00%	14.44%	\$ 4,139,680	\$ 169	\$ 4,139,511	\$ 5,355,131	\$ 773,281	\$ 270,548	\$ -	\$ 502,733	\$ -	\$ 502,733	\$ 3,509,809	\$ 169	\$ 3,509,640	\$ 3,324,637	15.12%
May-15	18.09%	0.00%	18.09%	\$ 4,011,576	\$ 149	\$ 4,011,427	\$ 5,257,009	\$ 950,993	\$ 338,380	\$ -	\$ 612,613	\$ -	\$ 612,613	\$ 2,624,482	\$ 149	\$ 2,624,333	\$ 3,310,448	18.43%
Jun-15	18.44%	0.00%	18.44%	\$ 4,664,413	\$ 249	\$ 4,664,164	\$ 5,198,148	\$ 958,539	\$ 472,767	\$ -	\$ 485,772	\$ -	\$ 485,772	\$ 2,546,141	\$ 249	\$ 2,545,892	\$ 3,291,665	14.67%
Jul-15	15.91%	0.00%	15.91%	\$ 4,804,972	\$ 99	\$ 4,804,873	\$ 5,140,390	\$ 817,836	\$ 483,071	\$ -	\$ 334,765	\$ -	\$ 334,765	\$ 2,795,689	\$ 99	\$ 2,795,590	\$ 3,274,104	10.17%
Aug-15	16.25%	0.00%	16.25%	\$ 4,713,327	\$ 218	\$ 4,713,109	\$ 5,082,282	\$ 825,871	\$ 421,052	\$ -	\$ 404,819	\$ (17,417)	\$ 387,402	\$ 2,970,098	\$ 218	\$ 2,969,880	\$ 3,259,737	11.83%
Sep-15	17.07%	0.00%	17.07%	\$ 4,490,959	\$ 233	\$ 4,490,726	\$ 5,031,598	\$ 858,894	\$ 420,566	\$ -	\$ 438,328	\$ (17,417)	\$ 420,911	\$ 3,138,843	\$ 233	\$ 3,138,610	\$ 3,261,914	12.91%
Oct-15	18.51%	0.00%	18.51%	\$ 4,229,747	\$ 181	\$ 4,229,566	\$ 4,986,725	\$ 923,043	\$ 428,286	\$ -	\$ 494,757	\$ (17,417)	\$ 477,340	\$ 2,900,364	\$ 181	\$ 2,900,183	\$ 3,261,639	14.63%
Nov-15	18.81%	0.00%	18.81%	\$ 4,436,605	\$ 340	\$ 4,436,265	\$ 4,913,709	\$ 924,269	\$ 446,215	\$ -	\$ 478,054	\$ (17,417)	\$ 460,637	\$ 2,557,496	\$ 340	\$ 2,557,156	\$ 3,249,662	14.12%
Dec-15	18.40%	0.00%	18.40%	\$ 5,083,657	\$ 189,113	\$ 4,894,544	\$ 4,840,859	\$ 890,718	\$ 508,015	\$ -	\$ 382,703	\$ (17,417)	\$ 365,286	\$ 2,944,883	\$ 189,113	\$ 2,755,770	\$ 3,193,876	11.24%
Jan-16	16.00%	0.00%	16.00%	\$ 5,872,366	\$ 179,472	\$ 5,692,894	\$ 4,793,167	\$ 766,907	\$ 496,656	\$ -	\$ 270,251	\$ (17,417)	\$ 252,834	\$ 3,145,269	\$ 179,472	\$ 2,965,797	\$ 3,134,728	7.92%
Feb-16	10.92%	0.00%	10.92%	\$ 5,488,468	\$ 161,462	\$ 5,327,006	\$ 4,729,395	\$ 516,450	\$ 441,983	\$ -	\$ 74,467	\$ -	\$ 74,467	\$ 4,674,097	\$ 161,462	\$ 4,512,635	\$ 3,141,415	2.38%
Mar-16	14.30%	0.00%	14.30%	\$ 4,731,953	\$ 140,708	\$ 4,591,245	\$ 4,666,278	\$ 667,278	\$ 286,240	\$ -	\$ 381,038	\$ (9,127)	\$ 371,911	\$ 3,808,916	\$ 140,708	\$ 3,668,208	\$ 3,078,641	11.84%
Apr-16	17.59%	0.00%	17.59%	\$ 4,374,566	\$ 215,184	\$ 4,159,382	\$ 4,667,933	\$ 821,089	\$ 351,325	\$ -	\$ 469,764	\$ (9,127)	\$ 460,637	\$ 3,244,812	\$ 215,184	\$ 3,029,628	\$ 3,038,640	14.96%
May-16	18.99%	0.00%	18.99%	\$ 4,353,042	\$ 190,042	\$ 4,163,000	\$ 4,680,565	\$ 888,839	\$ 433,843	\$ -	\$ 454,996	\$ (9,127)	\$ 445,869	\$ 2,789,186	\$ 190,042	\$ 2,599,144	\$ 3,036,541	14.67%
Jun-16	19.60%	0.00%	19.60%	\$ 4,621,103	\$ 138,423	\$ 4,482,680	\$ 4,665,441	\$ 914,426	\$ 473,629	\$ -	\$ 440,797	\$ (9,127)	\$ 431,670	\$ 2,618,874	\$ 138,423	\$ 2,480,451	\$ 3,031,088	14.22%
Jul-16	16.50%	0.00%	16.50%	\$ 4,996,405	\$ 179,103	\$ 4,817,302	\$ 4,666,477	\$ 769,969	\$ 503,075	\$ -	\$ 266,894	\$ (16,964)	\$ 249,930	\$ 3,165,800	\$ 179,103	\$ 2,986,697	\$ 3,047,013	8.25%
Aug-16	14.29%	0.00%	14.29%	\$ 5,343,679	\$ 237,534	\$ 5,106,145	\$ 4,699,230	\$ 671,520	\$ 446,482	\$ -	\$ 225,038	\$ (34,985)	\$ 190,053	\$ 3,289,371	\$ 237,534	\$ 3,051,837	\$ 3,053,843	6.24%
Sep-16	14.76%	0.00%	14.76%	\$ 4,898,449	\$ 161,610	\$ 4,736,839	\$ 4,719,739	\$ 696,633	\$ 386,097	\$ -	\$ 310,536	\$ (25,858)	\$ 284,678	\$ 3,475,298	\$ 161,610	\$ 3,313,688	\$ 3,068,433	9.32%

AMORTIZATION

**REQUEST 9:**

This question is addressed to the Member Cooperatives. Explain in detail the process by which the environmental surcharge amounts billed by EKPC are recorded and billed to member customers. Include in the response a discussion of timing and accounting methodology.

RESPONSE

Fleming-Mason Energy receives the power bill which includes the environmental surcharge from EKPC around the 5<sup>th</sup> of each month for the prior month's usage. This is recorded as an expense on Fleming-Mason's books for the month when the usage occurred.

Fleming-Mason Energy bills their members for the environmental surcharge the following month. This is recorded as revenue for the following month.

Example:

July, 2016:

- EKPC bills Fleming-Mason Energy on August 5<sup>th</sup> the environmental surcharge rate approved by the PSC of 19.60%.
- Fleming-Mason Energy records this bill as a July expense.

August, 2016:

- Fleming-Mason Energy bills its members the corresponding environmental surcharge rate approved by PSC of 14.22%
- Fleming-Mason Energy records this revenue as August revenue.

There is a one (1) month lag for Fleming-Mason Energy in billing the environmental surcharge.

**REQUEST 12:**

**12a.** Explain how the amounts recorded in the column labelled “EKPC Invoice Month Recorded Member’s Books” correspond with EKPC’s expense month. For example, EKPC’s monthly report for December 2015 indicates that the December 2015 expense month would be billed beginning February 2016 for service rendered in January 2016. Explain in which month the Member Cooperative would reflect its portion of the December 2015 expense billed by EKPC.

RESPONSE

Fleming-Mason Energy records the entire power bill, including the environmental surcharge, received the first of February for the January usage as a January, 2016 expense.

**12b.** Explain whether the amounts reported in this column reflect only the actual amount billed by EKPC, or if the amount does or can include adjustments to the billed amount. Explain the adjustments that may be included, if any.

RESPONSE

There are no adjustments.

**12c.** Refer to the column labelled “Billed to Retail Consumer & Recorded on Member’s Books”. Confirm that these amounts are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers.

RESPONSE

This is the amount of environmental surcharge billed – not what was actually collected.



**REQUEST 13**

This question is addressed to the Member Cooperatives. Refer to the Member Cooperatives Pass Through Mechanism Report in EKPC's monthly environmental surcharge report. Provide the revenue month to which the pass through factor (Column 15) calculated for the expense month will be applied.

RESPONSE

For the June, 2016 example below, EKPC charges the 19.60% on the July power bill. The expense is recorded on Fleming-Mason's books as a July expense.

Fleming-Mason charges its members the corresponding rate of 14.22% on their August bills. The billing is recorded on Fleming-Mason's books as revenue for August.

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

	(1)	(15)
Surcharge Factor Expense Month	EKPC CESF %	Fleming-Mason Pass-through Mechanism Factor net of Sch C & Spec Cntrcts
		Col (10) / Col (14)
Jun-16	19.60%	14.22%