

# RICHARDSON GARDNER & ALEXANDER

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November 1, 2016

Ms. Talina Mathews  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

RECEIVED

NOV 04 2016

PUBLIC SERVICE  
COMMISSION

**Re: Case No. 2016-00335**

Dear Ms. Mathews:

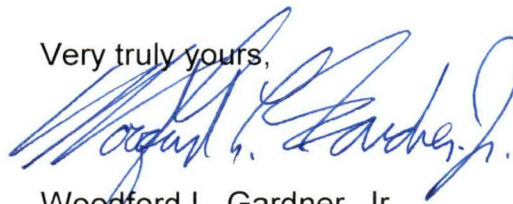
Enclosed for filing is the original and eight (8) copies of the Commission Staff's First Request for Information, dated October 12, 2016, regarding the Examination of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. and the Pass Through Mechanism for its Sixteen Member Distribution 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.  
Attorney for Farmers RECC

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

**COMMONWEALTH OF KENTUCKY**

**RECEIVED**

**BEFORE THE PUBLIC SERVICE COMMISSION**

NOV 04 2016

**In The Matter Of:**

PUBLIC SERVICE  
COMMISSION

**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 JUNE 30, 2016 AND THE PASS )  
THROUGH MECHANISM FOR ITS SIXTEEN )  
MEMBER DISTRIBUTION COOPERATIVES )**

**CASE NO.  
2016-00335**

**DIRECT TESTIMONY OF WILLIAM T. PRATHER  
ON BEHALF OF FARMERS RURAL ELECTRIC COOPERATIVE COPORATION**

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

A. My name is William T. Prather and my business address is Farmers Rural Electric Cooperative Corporation (“Farmers”), 504 South Broadway, Glasgow, Kentucky 42141. I am the President and CEO of Farmers.

**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 in this proceeding.

**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. Farmers 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. The language in the environmental surcharge statute and the history of how the environmental surcharge has been administered by the Commission would not appear to support such an approach. As stated in the testimony of Isaac S. Scott on behalf of EKPC, the environmental surcharge statute specifically mentions the approval of a “rate surcharge”. The environmental surcharge statute was also modeled after the Commission’s fuel adjustment clause (“FAC”) regulation.<sup>1</sup> The FAC utilizes a rate mechanism rather than the direct billing of any differences between the actual fuel costs incurred for a period and

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<sup>1</sup> See *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 Period Ending December 31, 2013 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order at 8, footnote 16, Case No. 2014-00051, (Ky. P.S.C., Aug. 25, 2015).

the level of fuel costs incorporated into base rates. Additionally, we are not aware of any environmental surcharge methodologies proposed and approved by the Commission that utilize a direct billing approach instead of a rate mechanism.

**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. 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 will exist. We understand the suggestion of billing a direct amount for environmental costs based on the monthly purchased power costs could appear to eliminate the over/under-recovery as currently experienced; however, since the member cooperative would not be able to bill and attempt to recover the current month actual EKPC environmental surcharge until the following month, over/under collections would continue to persist. Changes in load, weather, and customer mix from one month to another would still impact the accurate recovery of the surcharge.

**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. As noted previously, Farmers' monthly power bills from EKPC fluctuate, sometimes by significant amounts. Each of the Member Cooperatives experience this fluctuation. Assigning EKPC's environmental costs based on the Member Cooperatives' monthly power bills would likely result in fluctuations in the amount of environmental costs assigned to any one Member Cooperative, which would then have to be recovered from the member customers. Thus, Farmers believes that rather than lessen volatility, this approach would simply replace the volatility that comes with the surcharge factor approach

with volatility resulting from assigning environmental costs recovery on fluctuating monthly power bills. The utilization of a direct billing approach would not result in more timely recovery of environmental costs from Farmers' member customers. Once Farmers was billed a particular month's environmental costs, it would in turn bill its member customers the appropriate share of those costs in conjunction with the appropriate billing cycle. This process would be no different than the current arrangement.

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

**A. Yes it does.**

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

AFFIDAVIT

William T. Prather, being duly sworn, states that he has read the foregoing prepared testimony and that he would respond in the same manner to the questions if so asked upon taking the stand and that the matters and things set forth therein are true and correct, to the best of his knowledge, information and belief.

William T. Prather

COMMONWEALTH OF KENTUCKY )  
 )  
 COUNTY OF BARREN )

Subscribed and sworn to before me on this 2<sup>nd</sup> day of November, 2016.

Linda Sue Tolson  
 Notary Public  
 ID: 446566

My Commission Expires: 07-30-2019



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2016-00335  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST**

**Request 2.**

This question is addressed to EKPC and the Member Cooperatives. For each of the 16 member distribution 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 all cells and formulas intact and unprotected.

**Response 2.**

Please see the enclosed CD for each Member Cooperatives' schedule and calculation of over- or under-recovery for the current review period. *A copy is also attached to this response.*

EKPC would point out that for the Member Cooperatives amortizing the over- or under-recovery authorized in Case No. 2014-00051 over a six-month period, Line 8a of the schedules for many of those Member Cooperatives show a small dollar amount remaining to be amortized. This is not surprising as most of the total over- or under-recoveries authorized by the Commission when divided by six months did not produce even monthly dollar amounts. These small rounding differences appear in the schedules because when EKPC prepared the monthly pass-through calculations it entered the monthly amortization stated in Appendix A to the Commission's August 25, 2015 Order in Case No. 2014-00051. Farmers Rural Electric Cooperative Corporation ("Farmers") and Owen Electric Cooperative ("Owen") were authorized to use a 12-month amortization for Case No. 2014-00051.

EKPC notes that these rounding differences are reflected in the cumulative six-month over- or under-recovery as shown on Line 9 and the monthly recovery shown on Line 10. EKPC proposes that the over- or under-recoveries shown on Lines 9 and 10 be accepted and the amortization from Case No. 2014-00051 be considered completed and closed. For Farmers and Owen, EKPC proposes that any rounding differences from the Case No. 2014-00051 amortization be processed in the same manner during the next six-month surcharge review.

Witness: William T. Prather



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2016-00335  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST**

**Response 2 (continued).**

Concerning the amortization of the over- or under-recoveries authorized in the Commission's April 8, 2016 Order in Case No. 2015-00281, a similar situation will occur when these schedules are prepared in the next six-month surcharge review. When including this amortization in the monthly surcharge pass-through calculations, EKPC entered the monthly amortization amounts as shown in Appendix A of the April 8, 2016 Order. For the Member Cooperatives amortizing the Case No. 2015-00281 over- or under-recovery for a six-month period, the last amortization month was reflected in the monthly surcharge pass-through factors EKPC filed with the Commission on September 20, 2016. EKPC would propose that in the next six-month surcharge review that any rounding differences in the amortization be processed in the same manner as suggested for Case No. 2014-00051.

Owen was authorized to use a 12-month amortization for Case No. 2015-00281. As of the date of these responses are being filed the Owen amortization for this case has not been completed. EKPC proposes that any rounding differences from the 12-month amortization from Case No. 2015-00281 be processed in a similar manner as discussed below for the Case No. 2016-00144 amortization.

Concerning the amortization of the over- or under-recoveries authorized in the Commission's September 9, 2016 Order in Case No. 2016-00144, as of the date these responses are being filed the amortization has not been completed. When the last month of the six-month amortization period is to be reflected in the monthly surcharge pass-through calculations, EKPC will compare the five previous monthly amortization amounts with the total amortization ordered by the Commission and adjust the sixth month amount to resolve any rounding issues. EKPC proposes to follow this approach for all subsequent amortization periods.

Witness: William T. Prather

Farmers - Calculation of (Over)/Under Recovery						
Line No.	Month & Year	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under	
		(2)	(3)	(4)	(5)	
1	Previous (Over)/Under-Recovery Remaining to be Amortized					
1a	From Case No. 2014-00051 (Over)/Under-Recovery					(\$453,668)
1b	From Case No. 2015-00281 (Over)/Under-Recovery					(\$520,602)
1c	From Case No. 2016-00144 (Over)/Under-Recovery					(\$13,549)
1d	Total Previous (Over)/Under-Recovery					(\$987,819)
2	Jan-16	\$607,092	\$495,175	\$111,917	(\$875,902)	
3	Feb-16	\$465,369	\$516,553	(\$51,184)	(\$927,085)	
4	Mar-16	\$246,387	\$367,864	(\$121,477)	(\$1,048,562)	
5	Apr-16	\$277,066	\$211,513	\$65,553	(\$983,009)	
6	May-16	\$367,463	\$174,996	\$192,467	(\$790,542)	
7	Jun-16	\$499,470	\$274,268	\$225,202	(\$565,340)	
Post Review	Jul-16	\$567,479	\$380,171	\$187,308	(\$378,032)	
	Aug-16	\$486,948	\$405,303	\$81,645	(\$296,387)	
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		\$453,668	(\$302,448)	\$151,220	
8b	Case No. 2015-00281 Recovery		\$520,602	(\$173,534)	\$347,068	
8c	Case No. 2016-00144 Recovery		\$13,549	\$0	\$13,549	
8d	Total Order amounts remaining - Over/(Under):					\$511,837
9	Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&8)]					(\$53,503)
10	Monthly recovery (per month for six months)					(\$8,917)
Reconciliation:						
11	Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period					(\$987,819)
12	Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period					\$511,837
13	Total Amortization during Review Period					(\$475,982)
14	(Over)/Under-Recovery from Column 5, Line 9					(\$53,503)
15	Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7)					\$422,479
16	Difference					(\$475,982)

Amortization Detail, Column 3, Line 8:

Month & Year	Case No. 2014-00051	Case No. 2015-00281	Case No. 2016-00144
Jan-16	(\$50,408)	\$0	\$0
Feb-16	(\$50,408)	\$0	\$0
Mar-16	(\$50,408)	\$0	\$0
Apr-16	(\$50,408)	\$0	\$0
May-16	(\$50,408)	(\$86,767)	\$0
Jun-16	(\$50,408)	(\$86,767)	\$0
Totals	(\$302,448)	(\$173,534)	\$0

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
PSC CASE NO. 2016-00335  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST**

**Request 7.**

This question is addressed to each of the 16 member distribution cooperatives. For your particular distribution cooperative, provide the actual average residential customer's monthly usage for the 12 months ended May 31, 2016. Based on the 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 7.**

Please see PSC Request 7, Pages 2-4 attached to this response.

Witness: William T. Prather

**Farmers Rural Electric Cooperative Corporation**  
**Case No. 2016-00335**

<b>Actual Average Bill</b>
----------------------------

30 Day Monthly Usage	1,049 kwh
Energy	\$ 94.29
Customer Charge	9.35
Fuel @ (\$0.00344)	(3.61)
Environmental Surcharge	
@ 7.75%	7.75 *
Local School Tax @ 3.0%	3.23
<b>Total Bill Amount</b>	<b>\$ 111.02</b>

*\* See PSC Request 7, Page 3 of 4*

<b>Recovery Period of Six Months</b>
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30 Day Monthly Usage	1,049 kwh
Energy	\$ 94.29
Customer Charge	9.35
Fuel @ (\$0.00344)	(3.61)
Environmental Surcharge	
@ 7.50%	7.50 **
Local School Tax @ 3.0%	3.23
<b>Total Bill Amount</b>	<b>\$ 110.76</b>

*\*\* See PSC Request 7, 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.

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

For the Month Ending September 2016

	(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)
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	\$ 3,676,737		\$ 3,676,737	\$3,793,562	10.25%
Sep-15	17.07%	0.00%	17.07%	\$ 2,448,619		\$ 2,448,619	\$ 2,701,770	\$ 461,192	\$ (50,408)	\$ 410,784	\$ 3,161,992		\$ 3,161,992	\$3,792,201	10.83%
Oct-15	18.51%	0.00%	18.51%	\$ 2,094,476		\$ 2,094,476	\$ 2,691,723	\$ 498,238	\$ (50,408)	\$ 447,830	\$ 3,044,291		\$ 3,044,291	\$3,734,164	11.81%
Nov-15	18.81%	0.00%	18.81%	\$ 2,346,259		\$ 2,346,259	\$ 2,650,916	\$ 498,637	\$ (50,408)	\$ 448,229	\$ 3,374,226		\$ 3,374,226	\$3,668,031	12.00%
Dec-15	18.40%	0.00%	18.40%	\$ 2,487,616		\$ 2,487,616	\$ 2,610,860	\$ 480,398	\$ (50,408)	\$ 429,990	\$ 4,126,474		\$ 4,126,474	\$3,626,400	11.72%
Jan-16	16.00%	0.00%	16.00%	\$ 3,299,417		\$ 3,299,417	\$ 2,601,057	\$ 416,169	\$ (50,408)	\$ 365,761	\$ 4,407,396		\$ 4,407,396	\$3,610,759	10.09%
Feb-16	10.92%	0.00%	10.92%	\$ 2,908,554		\$ 2,908,554	\$ 2,555,400	\$ 279,050	\$ (50,408)	\$ 228,642	\$ 3,645,850		\$ 3,645,850	\$3,551,394	6.33%
Mar-16	14.30%	0.00%	14.30%	\$ 2,256,274		\$ 2,256,274	\$ 2,515,568	\$ 359,726	\$ (137,175)	\$ 222,551	\$ 3,339,627		\$ 3,339,627	\$3,566,076	6.27%
Apr-16	17.59%	0.00%	17.59%	\$ 1,937,528		\$ 1,937,528	\$ 2,518,690	\$ 443,038	\$ (137,175)	\$ 305,863	\$ 2,790,973		\$ 2,790,973	\$3,546,200	8.58%
May-16	18.99%	0.00%	18.99%	\$ 2,089,047		\$ 2,089,047	\$ 2,520,967	\$ 478,732	\$ (137,175)	\$ 341,557	\$ 3,196,530		\$ 3,196,530	\$3,551,324	9.63%
Jun-16	19.60%	0.00%	19.60%	\$ 2,630,171		\$ 2,630,171	\$ 2,514,087	\$ 492,761	\$ (137,175)	\$ 355,586	\$ 3,947,670		\$ 3,947,670	\$3,568,399	10.01%
Jul-16	16.50%	0.00%	16.50%	\$ 2,895,294		\$ 2,895,294	\$ 2,506,719	\$ 413,609	\$ (137,175)	\$ 276,434	\$ 4,048,924		\$ 4,048,924	\$3,563,391	7.75%
Aug-16	14.29%	0.00%	14.29%	\$ 2,951,197		\$ 2,951,197	\$ 2,528,704	\$ 361,352	\$ (89,025)	\$ 272,327	\$ 4,083,349		\$ 4,083,349	\$3,597,275	7.64%
Sep-16	14.76%	0.00%	14.76%	\$ 2,504,620		\$ 2,504,620	\$ 2,533,371	\$ 373,926	\$ (2,258)	\$ 371,668					10.33%

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

For the Month Ending September 2016

	(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)	
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	\$ 3,676,737		\$ 3,676,737	\$ 3,793,562	10.25%
Sep-15	17.07%	0.00%	17.07%	\$ 2,448,619		\$ 2,448,619	\$ 2,701,770	\$ 461,192	\$ (50,408)	\$ 410,784	\$ 3,161,992		\$ 3,161,992	\$ 3,792,201	10.83%
Oct-15	18.51%	0.00%	18.51%	\$ 2,094,476		\$ 2,094,476	\$ 2,691,723	\$ 498,238	\$ (50,408)	\$ 447,830	\$ 3,044,291		\$ 3,044,291	\$ 3,734,164	11.81%
Nov-15	18.81%	0.00%	18.81%	\$ 2,346,259		\$ 2,346,259	\$ 2,650,916	\$ 498,637	\$ (50,408)	\$ 448,229	\$ 3,374,226		\$ 3,374,226	\$ 3,668,031	12.00%
Dec-15	18.40%	0.00%	18.40%	\$ 2,487,616		\$ 2,487,616	\$ 2,610,860	\$ 480,398	\$ (50,408)	\$ 429,990	\$ 4,126,474		\$ 4,126,474	\$ 3,626,400	11.72%
Jan-16	16.00%	0.00%	16.00%	\$ 3,299,417		\$ 3,299,417	\$ 2,601,057	\$ 416,169	\$ (50,408)	\$ 365,761	\$ 4,407,396		\$ 4,407,396	\$ 3,610,759	10.09%
Feb-16	10.92%	0.00%	10.92%	\$ 2,908,554		\$ 2,908,554	\$ 2,555,400	\$ 279,050	\$ (50,408)	\$ 228,642	\$ 3,645,850		\$ 3,645,850	\$ 3,551,394	6.33%
Mar-16	14.30%	0.00%	14.30%	\$ 2,256,274		\$ 2,256,274	\$ 2,515,568	\$ 359,726	\$ (137,175)	\$ 222,551	\$ 3,339,627		\$ 3,339,627	\$ 3,566,076	6.27%
Apr-16	17.59%	0.00%	17.59%	\$ 1,937,528		\$ 1,937,528	\$ 2,518,690	\$ 443,038	\$ (137,175)	\$ 305,863	\$ 2,790,973		\$ 2,790,973	\$ 3,546,200	8.58%
May-16	18.99%	0.00%	18.99%	\$ 2,089,047		\$ 2,089,047	\$ 2,520,967	\$ 478,732	\$ (137,175)	\$ 341,557	\$ 3,196,530		\$ 3,196,530	\$ 3,551,324	9.63%
Jun-16	19.60%	0.00%	19.60%	\$ 2,630,171		\$ 2,630,171	\$ 2,514,087	\$ 492,761	\$ (137,175)	\$ 355,586	\$ 3,947,670		\$ 3,947,670	\$ 3,568,399	10.01%
Jul-16	16.50%	0.00%	16.50%	\$ 2,895,294		\$ 2,895,294	\$ 2,506,719	\$ 413,609	\$ (146,092)	\$ 267,517	\$ 4,048,924		\$ 4,048,924	\$ 3,563,391	7.50% **
Aug-16	14.29%	0.00%	14.29%	\$ 2,951,197		\$ 2,951,197	\$ 2,528,704	\$ 361,352	\$ (89,025)	\$ 272,327	\$ 4,083,349		\$ 4,083,349	\$ 3,597,275	7.64%
Sep-16	14.76%	0.00%	14.76%	\$ 2,504,620		\$ 2,504,620	\$ 2,533,371	\$ 373,926	\$ (2,258)	\$ 371,668					10.33%

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST**

**Request 9.**

The 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 9.**

Refer to Farmers – Calculation of (Over)/Under Recovery in Response 2. For example, column 2, line 2 totals \$607,092. This represents the environmental surcharge billed to Farmers on EKPC's January 2016 power invoice. Farmers would reflect the \$607,092 on its books in January 2016. Farmers records EKPC's power bill in the general ledger account 555.00, Purchased Power.

Witness: William T. Prather

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST**

**Request 12.**

This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

**Request 12.A.**

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 will 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 12.A.**

Refer to Farmers – Calculation of (Over)/Under Recovery in Response 2. For example, column 2, line 2 totals \$607,092. This represents the environmental surcharge billed to Farmers on EKPC's January 2016 power invoice. Farmers would reflect the \$607,092 on its books in January 2016.

**Request 12.B.**

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 12.B.**

EKPC prepares the response to Request 2 and the Members provide the surcharge revenues shown in Column 3. The surcharge amount in Column 2 reflects the total gross surcharge shown on EKPC's invoice minus the Direct Load Control program surcharge credit. The Direct Load Control program provides demand credits to Members based on the involvement of the Members' customers in the Direct Load Control program. The demand credit impacts the revenues included to determine the surcharge and a spate surcharge credit is calculated.

Witness: William T. Prather



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**Request 12. (Continued)**

**Request 12.C.**

Refer to the column labeled "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 12.C.**

These amounts are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers.

Witness: William T. Prather

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION  
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RESPONSE TO COMMISSION STAFF'S FIRST REQUEST**

**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 13.**

For example, the expense month of December 2015 had an EKPC surcharge factor of 11.72%. Farmers RECC's revenue month would be February 2016.

Witness: William T. Prather