


INTER COUNTY
ENERGY COOPERATIVE

A Touchstone Energy Cooperative 

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PUBLIC SERVICE
COMMISSION

November 7, 2016

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

RE: Case No. 2016-00335

Dear Ms. Mathews:

Please find enclosed an original and eight (8) copies of our responses of Inter-County Energy Cooperative as requested in the above referenced case.

Please contact me if you have any questions.

Sincerely,




James L. Jacobus
President/CEO

Enclosures

Copy to Service List (Via Email)



A Touchstone Energy Cooperative 

CASE NO. 2016-00335

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.

November 7, 2016

P. O. Box 87 • Danville, KY 40423-0087 • (859) 236-4561

INTER-COUNTY ENERGY COOPERATIVE

P. O. Box 87 • Danville, KY 40423-0087

Case No. 2016-00335

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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 |) | |

PREPARED TESTIMONY OF:

JAMES L. JACOBUS
PRESIDENT & CEO

INTER-COUNTY ENERGY COOPERATIVE
P. O. BOX 87
DANVILLE, KY 40423-0087

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

A. My name is James L. Jacobus, business address is Inter-County Energy Cooperative, 1009 Hustonville Road, Danville, KY 40422. I am the President and CEO of Inter-County Energy.

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. Inter-County 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. As to why this approach has never been considered, Inter-County Energy believed that the language of the environmental

surcharge statute and the history of the environmental surcharge would not support such an approach. 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”. Inter-County Energy also notes that the environmental surcharge statute was modeled after the Commission’s fuel adjustment clause (“FAC”) regulation.¹ The FAC utilizes a rate mechanism rather than the direct billing of any differences between the actual fuel costs incurred for a period and the level of fuel costs incorporated into base rates. Finally, Inter-County Energy was further aware that all of the environmental surcharges proposed and approved by the Commission 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. 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

¹ 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).

for the specific invoice billing period the surcharge factor is applied to, an over- or under-recovery will exist. As Inter-County Energy 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, Inter-County Energy 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. Inter-County Energy 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 and in turn the financial measures such as the Times Interest Earned Ratio ("TIER"). While over time Inter-County Energy 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, Inter-County Energy 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. As noted previously, Inter-County Energy's 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, Inter-County Energy 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 Inter-County Energy's member customers. Once Inter-County Energy 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. 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)

**INTER-COUNTY ENERGY COOPERATIVE RESPONSE TO
 COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
 EAST KENTUCKY POWER COOPERATIVE, INC.
 AND EACH OF ITS SIXTEEN MEMBER COOPERATIVES**

CERTIFICATION

James L. Jacobus, President/CEO, being duly sworn, states that he has prepared the responses to the question from the Commission Staff to Inter-County Energy Cooperative in Case No. 2016-00335 dated October 12, 2016, and that the response is true and accurate to the best of his knowledge, information and belief formed after a reasonable inquiry.

 James L. Jacobus
 President/CEO
 Inter-County Energy Cooperative Corporation

STATE OF KENTUCKY
 COUNTY OF BOYLE

Subscribed and sworn to before me by James L. Jacobus as President/CEO of Inter-County Energy Cooperative Corporation this 7th day of November 2016.

 Notary Public – ID 494777

My Commission Expires: August 24, 2017



INTER-COUNTY ENERGY COOPERATIVE

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 all cells and formulas intact and unprotected.

Response:

Please see page 2 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.

| Inter-County - Calculation of (Over)/Under Recovery | | | | | |
|---|--|---|---|-----------------------------------|--|
| 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 | | | | (\$109,551) |
| 1b | From Case No. 2015-00281 (Over)/Under-Recovery | | | | (\$270,395) |
| 1c | From Case No. 2016-00144 (Over)/Under-Recovery | | | | (\$73,947) |
| 1d | Total Previous (Over)/Under-Recovery | | | | (\$453,893) |
| 2 | Jan-16 | \$448,086 | \$447,760 | \$326 | (\$453,567) |
| 3 | Feb-16 | \$617,473 | \$575,217 | \$42,256 | (\$411,311) |
| 4 | Mar-16 | \$465,259 | \$390,149 | \$75,110 | (\$336,201) |
| 5 | Apr-16 | \$232,506 | \$217,494 | \$15,012 | (\$321,189) |
| 6 | May-16 | \$258,571 | \$205,993 | \$52,578 | (\$268,611) |
| 7 | Jun-16 | \$316,382 | \$300,889 | \$15,493 | (\$253,118) |
| Post Review | Jul-16 | \$425,622 | \$390,752 | \$34,870 | (\$218,248) |
| | Aug-16 | \$494,635 | \$461,695 | \$32,940 | (\$185,308) |
| 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 | | \$109,551 | (\$109,548) | \$3 |
| 8b | Case No. 2015-00281 Recovery | | \$270,395 | (\$90,132) | \$180,263 |
| 8c | Case No. 2016-00144 Recovery | | \$73,947 | \$0 | \$73,947 |
| 8d | Total Order amounts remaining - Over/(Under): | | | | \$254,213 |
| 9 | Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&] | | | | \$1,095 |
| 10 | Monthly recovery (per month for six months) | | | | \$183 |
| Reconciliation: | | | | | |
| 11 | Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period | | | | (\$453,893) |
| 12 | Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period | | | | \$254,213 |
| 13 | Total Amortization during Review Period | | | | (\$199,680) |
| 14 | (Over)/Under-Recovery from Column 5, Line 9 | | | | \$1,095 |
| 15 | Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7) | | | | \$200,775 |
| 16 | Difference | | | | (\$199,680) |

Amortization Detail, Column 3, Line 8:

| Month & Year | Case No. 2014-00051 | Case No. 2015-00281 | Case No. 2016-00144 |
|--------------|------------------------|------------------------|------------------------|
| Jan-16 | (\$36,516) | \$0 | \$0 |
| Feb-16 | (\$36,516) | \$0 | \$0 |
| Mar-16 | (\$36,516) | \$0 | \$0 |
| Apr-16 | \$0 | \$0 | \$0 |
| May-16 | \$0 | (\$45,066) | \$0 |
| Jun-16 | \$0 | (\$45,066) | \$0 |
| Totals | (\$109,548) | (\$90,132) | \$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 periods under-recovery.

| | <u>Residential KWH</u> | <u>No. of Residential Members</u> | <u>Average KWH</u> |
|------------------|----------------------------|---------------------------------------|------------------------|
| Jun-15 | 22,222,063 | 24,062 | 924 |
| Jul-15 | 26,272,110 | 24,169 | 1,087 |
| Aug-15 | 28,826,625 | 24,154 | 1,193 |
| Sept-15 | 25,428,296 | 24,129 | 1,054 |
| Oct-15 | 19,922,400 | 24,169 | 824 |
| Nov-15 | 20,628,765 | 24,182 | 853 |
| Dec-15 | 26,997,256 | 24,240 | 1,114 |
| Jan-16 | 32,023,884 | 24,309 | 1,317 |
| Feb-16 | 45,255,898 | 24,368 | 1,857 |
| Mar-16 | 32,615,158 | 24,362 | 1,339 |
| Apr-16 | 24,349,492 | 24,322 | 1,001 |
| May-16 | 19,300,654 | 24,297 | 794 |
| Averages: | 323,842,601 | 290,763 | 1,114 |

Inter-County energy total Under Recovery \$1,095
Six (6) Month Recovery \$183

| | Actual | | 6-Month Recovery | |
|------------------------------------|----------|---------|------------------|---------|
| 12-month average Residential usage | 1,114 | | | |
| Customer Charge | \$8.97 | \$8.97 | \$8.97 | |
| Charge per kWh | 0.09421 | 104.95 | 104.95 | |
| Fuel Adjustment Charge | -0.00337 | -3.75 | -3.75 | |
| Sub Total | \$110.17 | | \$110.17 | |
| Environmental Surcharge | 0.0969 | \$10.68 | 0.0970 | \$10.69 |
| Total | \$120.84 | | \$120.85 | |
| Dollar Impact | | | \$0.01 | |

**East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
Pass Through Mechanism Report for Inter County ECC**

For the Month Ending September 2018

| | (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 Inter County | On-peak Revenue Adjustment | EKPC Net Monthly Sales to Inter County | EKPC 12-months Ended Average Monthly Revenue from Sales to Inter County | Inter County Revenue Requirement | Amortization of (Over)/Under Recovery | Inter County Net Revenue Requirement | Inter County Total Monthly Retail Revenues | On-Peak Retail Revenue Adjustment | Inter County Net Monthly Retail Revenues | 12-months ended Avg Retail Revenues, Net | Inter County 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) |
| Oct-14 | 15.57% | 0.00% | 15.57% | \$ 1,871,532 | | \$ 1,871,532 | \$ 2,635,465 | \$ 410,342 | \$ - | \$ 410,342 | \$ 2,722,048 | | \$ 2,722,048 | \$ 3,684,471 | 11.09% |
| Nov-14 | 16.95% | 0.00% | 16.95% | \$ 2,773,064 | | \$ 2,773,064 | \$ 2,652,449 | \$ 449,590 | \$ - | \$ 449,590 | \$ 3,735,505 | | \$ 3,735,505 | \$ 3,742,684 | 12.20% |
| Dec-14 | 13.88% | 0.00% | 13.88% | \$ 2,910,358 | | \$ 2,910,358 | \$ 2,638,178 | \$ 366,179 | \$ - | \$ 366,179 | \$ 4,147,578 | | \$ 4,147,578 | \$ 3,820,036 | 9.78% |
| Jan-15 | 13.67% | 0.00% | 13.67% | \$ 3,493,671 | | \$ 3,493,671 | \$ 2,586,535 | \$ 353,579 | \$ - | \$ 353,579 | \$ 5,319,321 | | \$ 5,319,321 | \$ 3,846,442 | 9.26% |
| Feb-15 | 11.49% | 0.00% | 11.49% | \$ 3,764,869 | | \$ 3,764,869 | \$ 2,619,104 | \$ 300,935 | \$ - | \$ 300,935 | \$ 5,261,113 | | \$ 5,261,113 | \$ 3,862,983 | 7.82% |
| Mar-15 | 10.90% | 0.00% | 10.90% | \$ 2,762,180 | | \$ 2,762,180 | \$ 2,597,355 | \$ 283,112 | \$ - | \$ 283,112 | \$ 3,703,991 | | \$ 3,703,991 | \$ 3,792,200 | 7.33% |
| Apr-15 | 14.44% | 0.00% | 14.44% | \$ 1,701,774 | | \$ 1,701,774 | \$ 2,568,684 | \$ 370,918 | \$ - | \$ 370,918 | \$ 2,547,631 | | \$ 2,547,631 | \$ 3,660,195 | 9.78% |
| May-15 | 18.09% | 0.00% | 18.09% | \$ 1,778,073 | | \$ 1,778,073 | \$ 2,545,560 | \$ 460,492 | \$ - | \$ 460,492 | \$ 2,813,577 | | \$ 2,813,577 | \$ 3,671,320 | 12.58% |
| Jun-15 | 18.44% | 0.00% | 18.44% | \$ 2,278,726 | | \$ 2,278,726 | \$ 2,534,116 | \$ 467,291 | \$ - | \$ 467,291 | \$ 3,124,224 | | \$ 3,124,224 | \$ 3,631,476 | 12.73% |
| Jul-15 | 15.91% | 0.00% | 15.91% | \$ 2,387,050 | | \$ 2,387,050 | \$ 2,529,546 | \$ 402,451 | \$ - | \$ 402,451 | \$ 3,696,723 | | \$ 3,696,723 | \$ 3,673,774 | 11.08% |
| Aug-15 | 16.25% | 0.00% | 16.25% | \$ 2,216,167 | | \$ 2,216,167 | \$ 2,506,245 | \$ 407,265 | \$ (36,516) | \$ 370,749 | \$ 3,659,094 | | \$ 3,659,094 | \$ 3,683,766 | 10.09% |
| Sep-15 | 17.07% | 0.00% | 17.07% | \$ 2,021,070 | | \$ 2,021,070 | \$ 2,466,545 | \$ 426,160 | \$ (36,516) | \$ 389,644 | \$ 3,272,582 | | \$ 3,272,582 | \$ 3,666,949 | 10.58% |
| Oct-15 | 18.51% | 0.00% | 18.51% | \$ 1,773,373 | | \$ 1,773,373 | \$ 2,488,365 | \$ 460,596 | \$ (36,516) | \$ 424,080 | \$ 2,718,350 | | \$ 2,718,350 | \$ 3,666,641 | 11.56% |
| Nov-15 | 18.81% | 0.00% | 18.81% | \$ 2,190,651 | | \$ 2,190,651 | \$ 2,439,830 | \$ 458,932 | \$ (36,516) | \$ 422,416 | \$ 2,739,229 | | \$ 2,739,229 | \$ 3,583,618 | 11.52% |
| Dec-15 | 18.40% | 0.00% | 18.40% | \$ 2,382,186 | | \$ 2,382,186 | \$ 2,395,616 | \$ 440,830 | \$ (36,516) | \$ 404,314 | \$ 3,344,660 | | \$ 3,344,660 | \$ 3,516,708 | 11.28% |
| Jan-16 | 16.00% | 0.00% | 16.00% | \$ 3,355,843 | | \$ 3,355,843 | \$ 2,384,330 | \$ 381,493 | \$ (36,516) | \$ 344,977 | \$ 5,477,236 | | \$ 5,477,236 | \$ 3,529,868 | 9.81% |
| Feb-16 | 10.92% | 0.00% | 10.92% | \$ 2,907,859 | | \$ 2,907,859 | \$ 2,312,913 | \$ 252,570 | \$ - | \$ 252,570 | \$ 4,014,057 | | \$ 4,014,057 | \$ 3,425,946 | 7.16% |
| Mar-16 | 14.30% | 0.00% | 14.30% | \$ 2,129,207 | | \$ 2,129,207 | \$ 2,260,165 | \$ 323,204 | \$ (45,066) | \$ 278,138 | \$ 3,220,843 | | \$ 3,220,843 | \$ 3,385,684 | 8.12% |
| Apr-16 | 17.59% | 0.00% | 17.59% | \$ 1,808,176 | | \$ 1,808,176 | \$ 2,269,032 | \$ 399,123 | \$ (45,066) | \$ 354,057 | \$ 2,668,376 | | \$ 2,668,376 | \$ 3,395,746 | 10.46% |
| May-16 | 18.99% | 0.00% | 18.99% | \$ 1,798,653 | | \$ 1,798,653 | \$ 2,270,747 | \$ 431,215 | \$ (45,066) | \$ 386,149 | \$ 2,733,109 | | \$ 2,733,109 | \$ 3,389,040 | 11.37% |
| Jun-16 | 19.60% | 0.00% | 19.60% | \$ 2,241,297 | | \$ 2,241,297 | \$ 2,267,628 | \$ 444,455 | \$ (45,066) | \$ 399,389 | \$ 3,424,221 | | \$ 3,424,221 | \$ 3,414,040 | 11.78% |
| Jul-16 | 16.50% | 0.00% | 16.50% | \$ 2,523,658 | | \$ 2,523,658 | \$ 2,279,012 | \$ 376,037 | \$ (45,066) | \$ 330,971 | \$ 3,689,196 | | \$ 3,689,196 | \$ 3,413,413 | 9.69% |
| Aug-16 | 14.29% | 0.00% | 14.29% | \$ 2,556,485 | | \$ 2,556,485 | \$ 2,307,372 | \$ 329,723 | \$ (57,391) | \$ 272,332 | \$ 3,900,381 | | \$ 3,900,381 | \$ 3,433,520 | 7.98% |
| Sep-16 | 14.76% | 0.00% | 14.76% | \$ 2,195,865 | | \$ 2,195,865 | \$ 2,321,938 | \$ 342,718 | \$ (12,325) | \$ 330,393 | | | | | 9.62% |

Notes:
Inter County Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.
Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
 Pass Through Mechanism Report for Inter County ECC

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 Inter County | On-peak Revenue Adjustment | EKPC Net Monthly Sales to Inter County | EKPC 12-months Ended Average Monthly Revenue from Sales to Inter County | Inter County Revenue Requirement | Amortization of (Over)/Under Recovery | Inter County Net Revenue Requirement | Inter County Total Monthly Retail Revenues | On-Peak Retail Revenue Adjustment | Inter County Net Monthly Retail Revenues | 12-months ended Avg. Retail Revenues, Net | Inter County 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) |
| Oct-14 | 15.57% | 0.00% | 15.57% | \$ 1,871,532 | | \$ 1,871,532 | \$ 2,635,465 | \$ 410,342 | \$ - | \$ 410,342 | \$ 2,722,048 | | \$ 2,722,048 | \$ 3,684,471 | 11.09% |
| Nov-14 | 16.95% | 0.00% | 16.95% | \$ 2,773,064 | | \$ 2,773,064 | \$ 2,652,449 | \$ 449,590 | \$ - | \$ 449,590 | \$ 3,735,505 | | \$ 3,735,505 | \$ 3,742,684 | 12.20% |
| Dec-14 | 13.88% | 0.00% | 13.88% | \$ 2,910,358 | | \$ 2,910,358 | \$ 2,638,178 | \$ 366,179 | \$ - | \$ 366,179 | \$ 4,147,578 | | \$ 4,147,578 | \$ 3,820,036 | 9.78% |
| Jan-15 | 13.67% | 0.00% | 13.67% | \$ 3,493,671 | | \$ 3,493,671 | \$ 2,586,535 | \$ 353,579 | \$ - | \$ 353,579 | \$ 5,319,321 | | \$ 5,319,321 | \$ 3,846,442 | 9.26% |
| Feb-15 | 11.49% | 0.00% | 11.49% | \$ 3,764,869 | | \$ 3,764,869 | \$ 2,619,104 | \$ 300,935 | \$ - | \$ 300,935 | \$ 5,261,113 | | \$ 5,261,113 | \$ 3,862,983 | 7.82% |
| Mar-15 | 10.90% | 0.00% | 10.90% | \$ 2,762,180 | | \$ 2,762,180 | \$ 2,597,355 | \$ 283,112 | \$ - | \$ 283,112 | \$ 3,703,991 | | \$ 3,703,991 | \$ 3,792,200 | 7.33% |
| Apr-15 | 14.44% | 0.00% | 14.44% | \$ 1,701,774 | | \$ 1,701,774 | \$ 2,568,684 | \$ 370,918 | \$ - | \$ 370,918 | \$ 2,547,631 | | \$ 2,547,631 | \$ 3,660,195 | 9.78% |
| May-15 | 18.09% | 0.00% | 18.09% | \$ 1,778,073 | | \$ 1,778,073 | \$ 2,545,560 | \$ 460,492 | \$ - | \$ 460,492 | \$ 2,813,577 | | \$ 2,813,577 | \$ 3,671,320 | 12.58% |
| Jun-15 | 18.44% | 0.00% | 18.44% | \$ 2,278,726 | | \$ 2,278,726 | \$ 2,534,116 | \$ 467,291 | \$ - | \$ 467,291 | \$ 3,124,224 | | \$ 3,124,224 | \$ 3,631,476 | 12.73% |
| Jul-15 | 15.91% | 0.00% | 15.91% | \$ 2,387,050 | | \$ 2,387,050 | \$ 2,529,546 | \$ 402,451 | \$ - | \$ 402,451 | \$ 3,696,723 | | \$ 3,696,723 | \$ 3,673,774 | 11.08% |
| Aug-15 | 16.25% | 0.00% | 16.25% | \$ 2,216,167 | | \$ 2,216,167 | \$ 2,505,245 | \$ 407,265 | \$ (36,516) | \$ 370,749 | \$ 3,659,094 | | \$ 3,659,094 | \$ 3,683,766 | 10.09% |
| Sep-15 | 17.07% | 0.00% | 17.07% | \$ 2,021,070 | | \$ 2,021,070 | \$ 2,496,545 | \$ 426,160 | \$ (36,516) | \$ 389,644 | \$ 3,272,582 | | \$ 3,272,582 | \$ 3,666,949 | 10.58% |
| Oct-15 | 18.51% | 0.00% | 18.51% | \$ 1,773,373 | | \$ 1,773,373 | \$ 2,488,365 | \$ 460,596 | \$ (36,516) | \$ 424,080 | \$ 2,718,350 | | \$ 2,718,350 | \$ 3,666,641 | 11.56% |
| Nov-15 | 18.81% | 0.00% | 18.81% | \$ 2,190,651 | | \$ 2,190,651 | \$ 2,439,830 | \$ 458,932 | \$ (36,516) | \$ 422,416 | \$ 2,739,229 | | \$ 2,739,229 | \$ 3,583,618 | 11.52% |
| Dec-15 | 18.40% | 0.00% | 18.40% | \$ 2,382,186 | | \$ 2,382,186 | \$ 2,395,816 | \$ 440,830 | \$ (36,516) | \$ 404,314 | \$ 3,344,660 | | \$ 3,344,660 | \$ 3,516,708 | 11.28% |
| Jan-16 | 16.00% | 0.00% | 16.00% | \$ 3,355,843 | | \$ 3,355,843 | \$ 2,384,330 | \$ 381,493 | \$ (36,516) | \$ 344,977 | \$ 5,477,236 | | \$ 5,477,236 | \$ 3,529,868 | 9.81% |
| Feb-16 | 10.92% | 0.00% | 10.92% | \$ 2,907,869 | | \$ 2,907,869 | \$ 2,312,913 | \$ 252,570 | \$ - | \$ 252,570 | \$ 4,014,057 | | \$ 4,014,057 | \$ 3,425,946 | 7.16% |
| Mar-16 | 14.30% | 0.00% | 14.30% | \$ 2,129,207 | | \$ 2,129,207 | \$ 2,260,165 | \$ 323,204 | \$ (45,066) | \$ 278,138 | \$ 3,220,843 | | \$ 3,220,843 | \$ 3,385,684 | 8.12% |
| Apr-16 | 17.59% | 0.00% | 17.59% | \$ 1,808,176 | | \$ 1,808,176 | \$ 2,269,032 | \$ 399,123 | \$ (45,066) | \$ 354,057 | \$ 2,668,376 | | \$ 2,668,376 | \$ 3,395,746 | 10.46% |
| May-16 | 18.99% | 0.00% | 18.99% | \$ 1,798,653 | | \$ 1,798,653 | \$ 2,270,747 | \$ 431,215 | \$ (45,066) | \$ 386,149 | \$ 2,733,109 | | \$ 2,733,109 | \$ 3,389,040 | 11.37% |
| Jun-16 | 19.60% | 0.00% | 19.60% | \$ 2,241,297 | | \$ 2,241,297 | \$ 2,267,628 | \$ 444,455 | \$ (45,066) | \$ 399,389 | \$ 3,424,221 | | \$ 3,424,221 | \$ 3,414,040 | 11.78% |
| Jul-16 | 16.50% | 0.00% | 16.50% | \$ 2,523,658 | | \$ 2,523,658 | \$ 2,279,012 | \$ 376,037 | \$ (44,883) | \$ 331,154 | \$ 3,689,198 | | \$ 3,689,198 | \$ 3,413,413 | 9.70% |
| Aug-16 | 14.29% | 0.00% | 14.29% | \$ 2,556,485 | | \$ 2,556,485 | \$ 2,307,372 | \$ 329,723 | \$ (57,391) | \$ 272,332 | \$ 3,900,381 | | \$ 3,900,381 | \$ 3,433,520 | 7.96% |
| Sep-16 | 14.76% | 0.00% | 14.76% | \$ 2,195,865 | | \$ 2,195,865 | \$ 2,321,938 | \$ 342,718 | \$ (12,325) | \$ 330,393 | | | | | 9.62% |

Notes:
 Inter County Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.
 Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

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 process a discussion of timing and accounting methodology.

Response:

Inter-County Energy receives a power from EKPC around the 5th of each month which includes the environmental surcharge expenses for the prior month. The total bill is recorded in Inter-County Energy's books as an expense for the month the usage occurred. The invoice is recorded using the following procedure:

| <u>GL#</u> | | <u>Debit</u> | <u>Credit</u> |
|------------|---------------------------------|--------------|---------------|
| 555.000 | Purchased Power (including ESC) | xxxx | |
| 232.10 | Accounts Payable | | xxxx |

The environmental surcharge is billed to Inter-County Energy members the following month based on a percentage calculation provided to Inter-County Energy by EKPC. Once billed, the charges are recorded to the appropriate revenue accounts based on the member's rate classification:

| <u>GL#</u> | | <u>Debit</u> | <u>Credit</u> |
|------------|---------------------------------------|--------------|---------------|
| 142.10 | Member Accounts Receivable | xxxx | |
| 440.10 | Residential Sales | | xxxx |
| 440.12 | Residential ETS Sales (deductive) | | xxxx |
| 440.15 | Residential ETS Sales (non-Deductive) | | xxxx |
| 442.10 | Small Commercial Sales | | xxxx |
| 442.20 | Large Power Sales | | |
| 442.33 | Commercial/Industrial Sales | | xxxx |

The environmental surcharge calculated for the January 2016 EKPC power invoice to Inter-County Energy would be billed to retail members and accounted for in revenue month February 2016.

Request 12. This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

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 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:

Inter-County Energy would reflect its portion of the December 2015 expense month billed by EKPC beginning February 2016 for January usage as a January, 2016 expense.

Request 12. This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

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:

The amount in this column reflects only the actual amount billed by EKPC with no adjustments.

Request 12. This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

c. 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:

The amount in the column labeled "Billed to Retail Consumer & Recorded on Member's Books" is the actual environmental surcharge billed to Inter-County Energy's members and is not the amount 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:

The revenue month to which the pass through factor (Column 15) calculated for the expense month of June 2016 of 11.78% will be applied to the August 2016 bills and recorded on Inter-County Energy's books as revenue for August.

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