

# **OWEN** *Electric*

A Touchstone Energy Cooperative 

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PUBLIC SERVICE  
COMMISSION

## **Case No. 2016-00335**

**TESTIMONY AND FIRST INFORMATION  
REQUEST OF THE PUBLIC SERVICE  
COMMISSION**

**OWEN ELECTRIC COOPERATIVE, INC.**

**8205 Hwy 127 N**

**PO Box 400**

**Owenton, KY 40359**

**502-484-3471**

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November 7, 2016

Ms. Talina Mathews  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

RE: PSC Case No. 2016-00335

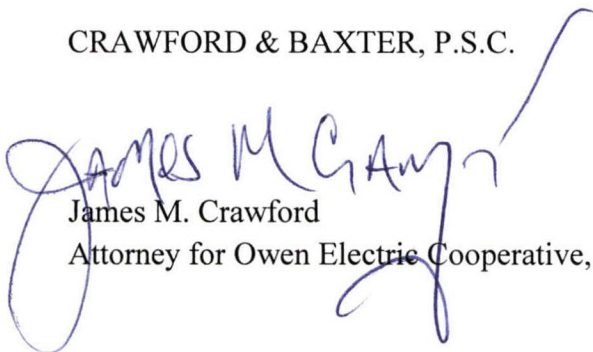
Dear Ms. Mathews:

Please find enclosed for filing with the Commission in the above-referenced case, an original and eight copies of the prepared testimony of Owen Electric Cooperative, Inc., and responses to the Commission Staff's First Request for Information to East Kentucky Power Cooperative, Inc. and Each of Its Sixteen Member Cooperatives, dated October 12, 2016.

Please contact me with any questions.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.



James M. Crawford  
Attorney for Owen Electric Cooperative, Inc.

cc: Parties of Record

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

**TESTIMONY OF  
ANN F. WOOD  
VICE PRESIDENT OF CORPORATE SERVICES  
OWEN ELECTRIC COOPERATIVE, INC.**

**Filed: November 7, 2016**

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

2     A.     My name is Ann F. Wood and my business address is Owen Electric Cooperative,  
3           Inc. (“Owen Electric”), 8205 Highway 127 North, Owenton, Kentucky 40359. I  
4           am the Vice President of Corporate Services for Owen Electric.

5     **Q.     Please state your education and professional experience.**

6     A.     I received a B.S. Degree in Accounting from Georgetown College. After  
7           graduation, I accepted an audit position with Coopers & Lybrand in Lexington.  
8           My responsibilities ranged from performing detailed audit testing to managing  
9           audits. In October 1995, I started working for Lexmark International, Inc. as an  
10          analyst. In May 1997, I joined East Kentucky Power Cooperative and held  
11          various management positions in the regulatory services, accounting, and internal  
12          auditing areas. I joined Owen Electric in April 2013.

13    **Q.     Please provide a brief description of your duties at Owen Electric.**

14    A.     As Vice President of Corporate Services, I am responsible for all regulatory  
15          filings, accounting and finance, safety, procurement, and facilities.

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

17    A.     The purpose of my testimony is to respond to the information requested in the  
18          Commission’s October 12, 2016 Order in this proceeding.

19    **Q.     In its October 12, 2016 Order the Commission directed that each Member**  
20          **Cooperative file prepared testimony explaining: a) whether it has considered**  
21          **being billed a direct amount for environmental costs based on its monthly**  
22          **purchased power costs or, otherwise, why it has not been considered; b)**

1           **whether a direct charge for environmental costs would lessen or eliminate**  
2           **the over-/under-recovery amounts that occur from being billed amounts**  
3           **calculated from an environmental surcharge factor; and c) whether being**  
4           **billed a direct amount for environmental costs would cause the**  
5           **environmental surcharge billings to its member customers to be less volatile**  
6           **and result in more timely recovery of environmental costs. Would you**  
7           **address the first question concerning billing the environmental costs as a**  
8           **direct amount?**

9        A.     Owen Electric has never considered being billed its environmental costs as a  
10       direct amount based on its monthly purchased power costs and has not discussed  
11       this concept with EKPC. As to why this approach has never been considered,  
12       Owen Electric believed that the language of the environmental surcharge statute  
13       and the history of the environmental surcharge would not support such an  
14       approach. As stated in the direct testimony of Isaac S. Scott on behalf of EKPC,  
15       the environmental surcharge statute specifically mentions the approval of a “rate  
16       surcharge”. Owen Electric also notes that the environmental surcharge statute  
17       was modeled after the Commission’s fuel adjustment clause (“FAC”) regulation.<sup>1</sup>  
18       The FAC utilizes a rate mechanism rather than the direct billing of any  
19       differences between the actual fuel costs incurred for a period and the level of fuel  
20       costs incorporated into base rates. Finally, Owen Electric was further aware that

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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).

1 all of the environmental surcharges proposed and approved by the Commission  
2 utilized rate mechanisms rather than a direct billing approach.

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

7 A. Yes. EKPC's surcharge factor is calculated by dividing the monthly  
8 environmental costs incurred by EKPC by the 12-month average Member  
9 Cooperatives' revenues. Since the 12-month average Member Cooperatives'  
10 revenues used to calculate the surcharge factor will not match the Member  
11 Cooperatives' revenues for the specific invoice billing period the surcharge factor  
12 is applied to, an over- or under-recovery will exist. As Owen Electric understands  
13 the suggestion of billing a direct amount for environmental costs based on the  
14 monthly purchased power costs, it would appear that approach would eliminate  
15 the over-/under-recovery as currently experienced.

16 However, Owen Electric would note that its monthly power bills from EKPC  
17 fluctuate month to month, often significantly, due to load characteristics and  
18 customer mix. Assigning environmental costs to the Member Cooperatives based  
19 on monthly power bills which fluctuate significantly would result in bill volatility.  
20 Owen Electric along with the other Member Cooperatives have had and continue  
21 to have serious concerns about bill volatility. Bill volatility can have significant  
22 impacts on the Member Cooperatives' monthly margins and in turn the financial

1 measures such as the Times Interest Earned Ratio (“TIER”). While over time  
2 Owen Electric would recover the EKPC-billed environmental costs from its  
3 members, timing lags especially at the end of the fiscal year could distort annual  
4 margins and TIER. To address the bill volatility, Owen Electric and the other  
5 Member Cooperatives would seek some modification to the direct bill approach to  
6 lessen the volatility. Modifications, like using average monthly power bills as the  
7 basis for the assignment of the environmental costs, would result in a new form of  
8 over-/under-recovery.

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

13 A. Yes. As noted previously, Owen Electric’s monthly power bills from EKPC  
14 fluctuate, sometimes by significant amounts. Each of the Member Cooperatives  
15 experiences this fluctuation. Assigning EKPC’s environmental costs based on the  
16 Member Cooperatives’ monthly power bills would likely result in fluctuations in  
17 the amount of environmental costs assigned to any one Member Cooperative,  
18 which would then have to be recovered from the member customers. Thus, Owen  
19 Electric believes that rather than lessen volatility, this approach would simply  
20 replace the volatility that comes with the surcharge factor approach with volatility  
21 resulting from assigning environmental cost recovery on fluctuating monthly  
22 power bills.

1           The utilization of a direct billing approach would not result in more timely  
2           recovery of environmental costs from Owen Electric's member customers. Once  
3           Owen Electric was billed a particular month's environmental costs, it would in  
4           turn bill its member customers the appropriate share of those costs in conjunction  
5           with the appropriate billing cycle. This process would be no different than the  
6           current arrangement.

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

8           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 ) CASE NO. 2016-00335**  
**ENDING JUNE 30, 2016 AND THE PASS THROUGH )**  
**MECHANISM FOR ITS SIXTEEN MEMBER )**  
**DISTRIBUTION COOPERATIVES )**

**AFFIDAVIT**

**STATE OF KENTUCKY )**  
**)**  
**COUNTY OF OWEN )**

Ann F. Wood, being duly sworn, states that she has read the foregoing prepared testimony and that she 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 her knowledge, information, and belief.

Ann F Wood

Subscribed and sworn before me on this 7<sup>th</sup> day of November, 2016.

Penelope H McCalister  
Notary Public

**RESPONSES TO THE  
COMMISSION STAFF'S FIRST  
REQUEST FOR INFORMATION**

**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. )  
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 MECHANISM FOR ITS SIXTEEN MEMBER )  
 DISTRIBUTION COOPERATIVES )**

**CERTIFICATE**

**STATE OF KENTUCKY )  
 )  
 COUNTY OF OWEN )**

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the response of Owen Electric Cooperative, Inc. to the Public Service Commission Staff's First Request for Information to East Kentucky Power Cooperative, Inc. and Each of Its Sixteen Member Cooperatives dated October 12, 2016, in the above-referenced case, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F Wood

Subscribed and sworn before me on this 7<sup>th</sup> day of November, 2016.

Paul R McEwen  
 Notary Public

**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2016-00335**

**ENVIRONMENTAL SURCHARGE MECHANISM**

**RESPONSE TO FIRST INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO EAST  
KENTUCKY POWER COOPERATIVE, INC. AND EACH OF ITS SIXTEEN MEMBER  
COOPERATIVES DATED 10/12/2016**

**REQUEST 2**

**RESPONSIBLE PARTY: Ann F. Wood**

**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 2:** 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.

Owen - 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				(\$1,316,101)
1b	From Case No. 2015-00281 (Over)/Under-Recovery				(\$1,362,485)
1c	From Case No. 2016-00144 (Over)/Under-Recovery				(\$516,028)
1d	Total Previous (Over)/Under-Recovery				(\$3,194,614)
2	Jan-16	\$1,169,404	\$859,778	\$309,626	(\$2,884,988)
3	Feb-16	\$890,477	\$842,657	\$47,820	(\$2,837,168)
4	Mar-16	\$488,703	\$618,329	(\$129,626)	(\$2,966,795)
5	Apr-16	\$562,560	\$120,547	\$442,013	(\$2,524,782)
6	May-16	\$771,741	\$402,935	\$368,806	(\$2,155,976)
7	Jun-16	\$1,003,380	\$668,387	\$334,993	(\$1,820,984)
Post Review	Jul-16	\$1,208,987	\$734,100	\$474,887	(\$1,346,096)
	Aug-16	\$1,056,648	\$871,222	\$185,426	(\$1,160,670)
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	\$1,316,101	(\$877,398)		\$438,703
8b	Case No. 2015-00281 Recovery	\$1,362,485	(\$227,080)		\$1,135,405
8c	Case No. 2016-00144 Recovery	\$516,028	\$0		\$516,028
8d	Total Order amounts remaining - Over/(Under):				\$2,090,136
9	Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&8)]				\$269,152
10	Monthly recovery (per month for six months)				\$44,859
Reconciliation:					
11	Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period				(\$3,194,614)
12	Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period				\$2,090,136
13	Total Amortization during Review Period				(\$1,104,478)
14	(Over)/Under-Recovery from Column 5, Line 9				\$269,152
15	Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7)				\$1,373,630
16	Difference				(\$1,104,478)

Amortization Detail, Column 3, Line 8:

Month & Year	Case No. 2014-00051	Case No. 2015-00281	Case No. 2016-00144
Jan-16	(\$146,233)	\$0	\$0
Feb-16	(\$146,233)	\$0	\$0
Mar-16	(\$146,233)	\$0	\$0
Apr-16	(\$146,233)	\$0	\$0
May-16	(\$146,233)	(\$113,540)	\$0
Jun-16	(\$146,233)	(\$113,540)	\$0
Totals	(\$877,398)	(\$227,080)	\$0

<b>Owen Electric Cooperative - Calculation of (Over)/Under Recovery - Direct Surcharge Pass-Throughs</b>
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**Special Contract**

	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	\$506,755	\$506,755	\$0	\$0
Feb-16	\$486,400	\$486,400	\$0	\$0
Mar-16	\$314,534	\$314,534	\$0	\$0
Apr-16	\$413,828	\$413,828	\$0	\$0
May-16	\$542,547	\$542,547	\$0	\$0
Jun-16	\$548,609	\$548,609	\$0	\$0
Jul-16	\$604,862	\$604,862	\$0	\$0
Aug-16	\$454,140	\$454,140	\$0	\$0

Cumulative 6-month (Over)/Under Recovery	\$0
--	-----

Monthly Recovery (per month for six months)	\$0
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**Rate B Customers**

	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	\$204,904	\$204,904	\$0	\$0
Feb-16	\$174,728	\$174,728	\$0	\$0
Mar-16	\$119,554	\$119,554	\$0	\$0
Apr-16	\$146,170	\$146,170	\$0	\$0
May-16	\$193,101	\$193,101	\$0	\$0
Jun-16	\$211,977	\$211,977	\$0	\$0
Jul-16	\$228,749	\$228,749	\$0	\$0
Aug-16	\$198,068	\$198,068	\$0	\$0

Cumulative 6-month (Over)/Under Recovery	\$0
--	-----

Monthly Recovery (per month for six months)	\$0
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**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2016-00335**

**ENVIRONMENTAL SURCHARGE MECHANISM**

**RESPONSE TO FIRST INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO EAST  
KENTUCKY POWER COOPERATIVE, INC. AND EACH OF ITS SIXTEEN MEMBER  
COOPERATIVES DATED 10/12/2016**

**REQUEST 7**

**RESPONSIBLE PARTY: Ann F. Wood**

**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 7:** Please see the response to Request 2 for the calculation of the review period's under-recovery.

Page 3 of this response reflects the impact on the average residential customer.

Page 4 of this response represents the “as filed” surcharge factors, and served as the basis for calculating the average pass-through factor used to calculate the “Actual Average Residential Monthly Bill” on page 3. Page 5 of this response assumes the under-recovery of \$269,152, as provided in the response to Request 2, was amortized over the last 6 months of the April 2015 to March 2016 timeframe and served as a basis for calculating the average pass-through factor used to calculate the “Average Residential Monthly Bill with Recovery” on page 3. Please note that the April 2015 to March 2016 expense month environmental surcharge factors represent billed factors for June 2015 through May 2016.



<u>Actual Average Residential Monthly Bill</u>		
Average Monthly Residential kWh:		<u>1,052</u>
Residential Rate:		
Customer Charge	\$20.00	\$20.00
kWh Charge	\$0.08491	\$89.30
Fuel Adjustment Factor (Average Billed Jun 15 -May 16)	(\$0.00434)	(\$4.56)
Environmental Surcharge (Computed Average Billed Dec 14- Nov 15)	9.64%	10.10
County/City Tax	3.00%	<u>\$3.45</u>
		<u><u>\$118.28</u></u>

<u>Average Residential Monthly Bill with Recovery</u>		
Average Monthly Residential kWh:		<u>1,052</u>
Residential Rate:		
Customer Charge	\$20.00	\$20.00
kWh Charge	\$0.08491	\$89.30
Fuel Adjustment Factor (Average Billed Jun 15 -May 16)	(\$0.00434)	(\$4.56)
Environmental Surcharge (Computed Average Billed Dec 14- Nov 15)	9.91%	10.38
County/City Tax	3.00%	<u>\$3.45</u>
		<u><u>\$118.58</u></u>

Dollar Impact:	\$0.30
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East Kentucky Power Cooperative, Inc. - Distribution Cooperatives  
 Pass Through Mechanism Report for Owen Electric Cooperative

AS FILED

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8a)	(8b)	(8c)	(8d)	(8e)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
Recharge Factor Expense Month	EXPC CEMF %	EXPC BSEF %	EXPC MEBF %	EXPC Monthly Revenues less Sales to Owen	On-peak Revenue Adjustment	EXPC Net Monthly Sales to Owen	EXPC 12-month Eaded Average Monthly Revenues less Sales to Owen	Owen Revenue Requirement	Outlets Surcharge Revenues	Aver/Under of Recovery of Outlets Revenues	EXPC Schedule B Revenues	Amortization of EXPC Schedule B (Over)/Under Recovery of Revenues	Owen Revenues Requirements exclusive of Outlets and Schedule B	Amortization of (Over)/Under Recovery incl. of Outlets	Owen Net Revenues Requirements exclusive of Outlets + Sch B	Owen Total Monthly Retail Revenues exclusive of Outlets + Sch B	On-Peak Retail Revenues Adjustment	Owen Net Monthly Retail Revenues exclusive of Outlets + Sch B	12-month eaded Avg. Retail Revenues, Net Exclusive of Outlets + Sch B	Owen Pass Through Mechanism Factor, Net of Quality + Sch B
			Col. (1) - Col. (3)			Col. (6) - Col. (8)		Col. (8) x Col. (7)				Col. (8e) - Col. (8d) - Col. (8c) - Col. (8b)		Col. (8e) + Col. (8d)		Col. (11) - Col. (12)		Col. (11) - Col. (13)		Col. (13) / Col. (14)
Apr-15	14.44%	0.00%	14.44%	\$ 7,224,536		\$ 7,224,536	\$ 10,000,913	\$ 1,444,132	\$ 272,930	\$ -	\$ 102,307	\$ -	\$ 1,068,865	\$ -	\$ 1,068,865	\$ 7,482,172		\$ 7,482,172	\$ 8,511,248	12.82%
May-15	18.06%	0.00%	18.06%	\$ 8,172,909		\$ 8,172,909	\$ 9,832,270	\$ 1,778,858	\$ 306,149	\$ -	\$ 147,058	\$ -	\$ 1,233,451	\$ -	\$ 1,233,451	\$ 6,606,609		\$ 6,606,609	\$ 8,506,103	14.46%
Jun-15	18.44%	0.00%	18.44%	\$ 9,369,657		\$ 9,369,657	\$ 9,890,891	\$ 1,787,000	\$ 482,685	\$ -	\$ 207,705	\$ -	\$ 1,098,310	\$ -	\$ 1,098,310	\$ 7,304,717		\$ 7,304,717	\$ 8,442,542	12.88%
Jul-16	15.91%	0.00%	15.91%	\$ 9,581,849		\$ 9,581,849	\$ 9,543,748	\$ 1,518,410	\$ 458,696	\$ -	\$ 208,213	\$ -	\$ 852,298	\$ -	\$ 852,298	\$ 7,800,054		\$ 7,800,054	\$ 8,340,688	10.10%
Aug-15	19.25%	0.00%	19.25%	\$ 9,679,234		\$ 9,679,234	\$ 9,373,338	\$ 1,623,167	\$ 445,236	\$ -	\$ 181,436	\$ -	\$ 808,495	\$ (148,233)	\$ 750,262	\$ 9,204,045		\$ 9,204,045	\$ 8,402,139	9.00%
Sep-15	17.07%	0.00%	17.07%	\$ 8,907,882		\$ 8,907,882	\$ 9,328,999	\$ 1,692,118	\$ 422,945	\$ -	\$ 180,128	\$ -	\$ 689,045	\$ (148,233)	\$ 540,812	\$ 8,507,224		\$ 8,507,224	\$ 8,350,433	10.03%
Oct-15	18.51%	0.00%	18.51%	\$ 7,001,451		\$ 7,001,451	\$ 9,134,154	\$ 1,890,732	\$ 345,964	\$ -	\$ 177,290	\$ -	\$ 1,167,478	\$ (148,233)	\$ 1,019,245	\$ 7,098,102		\$ 7,098,102	\$ 8,348,771	12.23%
Nov-15	18.81%	0.00%	18.81%	\$ 8,381,346		\$ 8,381,346	\$ 8,994,965	\$ 1,691,953	\$ 527,810	\$ -	\$ 190,937	\$ -	\$ 973,208	\$ (148,233)	\$ 828,973	\$ 8,672,828		\$ 8,672,828	\$ 8,263,004	9.91%
Dec-15	18.40%	0.00%	18.40%	\$ 9,287,280		\$ 9,287,280	\$ 8,890,945	\$ 1,636,934	\$ 580,699	\$ -	\$ 209,557	\$ -	\$ 645,878	\$ (148,233)	\$ 497,645	\$ 7,249,541		\$ 7,249,541	\$ 8,128,312	8.46%
Jan-16	18.00%	0.00%	18.00%	\$ 10,223,171		\$ 10,223,171	\$ 8,908,222	\$ 1,424,998	\$ 506,766	\$ -	\$ 204,904	\$ -	\$ 713,336	\$ (148,233)	\$ 567,103	\$ 8,552,817		\$ 8,552,817	\$ 8,030,065	9.66%
Feb-16	10.92%	0.00%	10.92%	\$ 9,667,505		\$ 9,667,505	\$ 8,899,122	\$ 971,784	\$ 486,400	\$ -	\$ 174,728	\$ -	\$ 310,856	\$ (148,233)	\$ 164,423	\$ 10,756,793		\$ 10,756,793	\$ 8,081,357	2.05%
Mar-16	14.30%	0.00%	14.30%	\$ 8,450,447		\$ 8,450,447	\$ 8,826,356	\$ 1,282,169	\$ 314,634	\$ -	\$ 119,654	\$ -	\$ 828,081	\$ (259,773)	\$ 568,308	\$ 7,954,617		\$ 7,954,617	\$ 7,630,788	7.05%
																				9.64%

East Kentucky Power Cooperative, Inc. - Distribution Cooperative  
 Pass Through Mechanism Report for Owen Electric Cooperative

WITH RECOVERY

Surcharge Factor Expense Month	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)					
	EXPC CEF %	EXPC REEF %	EXPC MERF % Col (1) - Col (2)	EXPC Monthly Revenue from Sales to Owen	On-peak Revenue Adjustment	EXPC Net Monthly Sales to Owen	EXPC 12-month Ended Average Monthly Revenue from Sales to Owen	Owen Revenue Requirement	Gallatin Surcharge Revenue	Amortization of (Over)/Under Recovery of Gallatin Revenue	EXPC Schedule B Revenue	Amortization of EXPC Schedule B (Over)/Under Recovery of Revenue	Owen Revenue Requirements exclusive of Gallatin and Schedule B	Amortization of (Over)/Under Recovery and of Gallatin	Owen Net Revenue Requirement exclusive of Gallatin + Sch B	Owen Total Monthly Retail Revenue exclusive of Gallatin + Sch B	On-Peak Retail Revenue Adjustment	Owen Net Monthly Retail Revenue exclusive of Gallatin + Sch B	12-month ended Avg. Retail Revenue, Net Exclusive of Gallatin + Sch B	Owen Pass Through Mechanism Factor, Net of Gallatin + Sch B
						Col (4) - Col (6)		Col (8) x Col (7)					Col (10) - Col (11) + Col (12) - Col (13)		Col (15) + Col (16)		Col (11) - Col (12)		Col (13) / Col (14)	Col (15) / Col (16)
Apr-15	14.44%	0.00%	14.44%	\$ 7,224,536	\$ 7,224,536	\$ 10,000,913	\$ 1,444,132	\$ 272,930	\$ -	\$ 102,307	\$ -	\$ 1,068,896	\$ -	\$ 1,068,896	\$ 7,492,172	\$ 7,492,172	\$ 7,492,172	\$ 8,511,248	12.82%	
May-15	18.06%	0.00%	18.06%	\$ 8,172,800	\$ 8,172,800	\$ 9,832,270	\$ 1,778,658	\$ 308,149	\$ -	\$ 147,058	\$ -	\$ 1,233,451	\$ -	\$ 1,233,451	\$ 6,560,600	\$ 6,560,600	\$ 6,560,600	\$ 8,506,103	14.40%	
Jun-15	18.44%	0.00%	18.44%	\$ 9,399,657	\$ 9,399,657	\$ 9,590,691	\$ 1,787,000	\$ 462,885	\$ -	\$ 207,705	\$ -	\$ 1,095,310	\$ -	\$ 1,095,310	\$ 7,304,717	\$ 7,304,717	\$ 7,304,717	\$ 8,442,542	12.86%	
Jul-15	15.91%	0.00%	15.91%	\$ 9,591,949	\$ 9,591,949	\$ 9,543,740	\$ 1,618,410	\$ 466,890	\$ -	\$ 209,213	\$ -	\$ 852,298	\$ -	\$ 852,298	\$ 7,800,054	\$ 7,800,054	\$ 7,800,054	\$ 8,340,868	10.10%	
Aug-15	16.25%	0.00%	16.25%	\$ 9,579,234	\$ 9,579,234	\$ 9,373,338	\$ 1,523,167	\$ 445,236	\$ -	\$ 181,436	\$ -	\$ 895,486	\$ (146,233)	\$ 750,262	\$ 8,204,048	\$ 8,204,048	\$ 8,204,048	\$ 8,402,130	9.00%	
Sep-15	17.07%	0.00%	17.07%	\$ 8,907,082	\$ 8,907,082	\$ 9,326,963	\$ 1,592,118	\$ 422,945	\$ -	\$ 180,128	\$ -	\$ 989,045	\$ (146,233)	\$ 842,812	\$ 8,507,224	\$ 8,507,224	\$ 8,507,224	\$ 8,350,433	10.03%	
Oct-15	18.51%	0.00%	18.51%	\$ 7,001,451	\$ 7,001,451	\$ 6,134,154	\$ 1,690,732	\$ 345,984	\$ -	\$ 177,290	\$ -	\$ 1,167,478	\$ (101,374)	\$ 1,066,104	\$ 7,066,102	\$ 7,066,102	\$ 7,066,102	\$ 8,348,771	12.77%	
Nov-15	18.81%	0.00%	18.81%	\$ 8,381,348	\$ 8,381,348	\$ 8,994,968	\$ 1,691,653	\$ 527,810	\$ -	\$ 190,637	\$ -	\$ 973,208	\$ (101,374)	\$ 871,832	\$ 6,672,829	\$ 6,672,829	\$ 6,672,829	\$ 8,263,004	10.44%	
Dec-15	18.40%	0.00%	18.40%	\$ 9,287,280	\$ 9,287,280	\$ 8,990,945	\$ 1,636,934	\$ 590,660	\$ -	\$ 206,657	\$ -	\$ 846,878	\$ (101,374)	\$ 744,304	\$ 7,249,541	\$ 7,249,541	\$ 7,249,541	\$ 8,128,312	9.01%	
Jan-16	18.00%	0.00%	18.00%	\$ 10,223,171	\$ 10,223,171	\$ 8,908,222	\$ 1,424,995	\$ 506,755	\$ -	\$ 204,904	\$ -	\$ 713,336	\$ (101,374)	\$ 611,962	\$ 8,552,817	\$ 8,552,817	\$ 8,552,817	\$ 8,030,085	7.63%	
Feb-16	10.92%	0.00%	10.92%	\$ 6,697,505	\$ 6,697,505	\$ 6,696,122	\$ 971,784	\$ 486,400	\$ -	\$ 174,729	\$ -	\$ 310,668	\$ (101,374)	\$ 209,282	\$ 10,758,793	\$ 10,758,793	\$ 10,758,793	\$ 8,061,357	2.61%	
Mar-16	14.30%	0.00%	14.30%	\$ 8,450,447	\$ 8,450,447	\$ 8,626,356	\$ 1,282,169	\$ 314,534	\$ -	\$ 119,554	\$ -	\$ 628,061	\$ (214,914)	\$ 413,167	\$ 7,964,517	\$ 7,964,517	\$ 7,964,517	\$ 7,930,788	7.61%	
																			9.91%	

**OWEN ELECTRIC COOPERATIVE, INC.**

**PSC CASE NO. 2016-00335**

**ENVIRONMENTAL SURCHARGE MECHANISM**

**RESPONSE TO FIRST INFORMATION REQUEST**

**COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO EAST  
KENTUCKY POWER COOPERATIVE, INC. AND EACH OF ITS SIXTEEN MEMBER  
COOPERATIVES DATED 10/12/2016**

**REQUEST 9**

**RESPONSIBLE PARTY: Ann F. Wood**

**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 cooperatives. Include in the response a discussion of timing and accounting methodology.

**Response 9:** The environmental surcharge amounts billed by EKPC are recorded as revenue by EKPC and as purchased power expense by Owen Electric based on the month the service was rendered by EKPC and received by Owen Electric. Please see the response to Request 12a.

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**REQUEST 12**

**RESPONSIBLE PARTY: Ann F. Wood**

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

**Request 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 12a.** Please refer to the response to Request 2, page 2 of 3, column 2, line 2. The \$1,169,404 represents the environmental surcharge amount billed by EKPC to Owen Electric for service rendered in January 2016, based on EKPC's environmental surcharge factor filed for the December 2015 expense month. EKPC records this environmental surcharge revenue in January 2016 to correspond with the period in which service was rendered. Accordingly, Owen Electric records the EKPC power bill, which contains the

environmental surcharge amount billed by EKPC, in January 2016. Owen Electric records the billing by EKPC in account 555, Purchased Power.

**Request 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 12b.** EKPC prepares the response to Request 2 and Owen Electric provides 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 Owen Electric based on the involvement of Owen Electric's retail members in the Direct Load Control program. The demand credit impacts the revenues included to determine the surcharge and a separate surcharge credit is calculated. There is also an adjustment to reflect a classification adjustment for two substations to better match Owen Electric's reporting. However, these adjustments are reflected on the invoice EKPC sends to Owen Electric.

**Request 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 12c.** Owen Electric confirms that the amounts contained in the column labelled "Billed to Retail Consumer & Recorded on Member's Books" are the actual environmental surcharge amounts billed for that particular month.

**OWEN ELECTRIC COOPERATIVE, INC.**

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**REQUEST 13**

**RESPONSIBLE PARTY: Ann F. Wood**

**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:** Please refer to the response to Request 7, page 4 of 5. Owen Electric applied the March 2016 factor of 7.05% (Column 15) to its May 2016 revenue month.