



Allen Anderson, President & CEO

925-929 North Main Street  
Post Office Box 910  
Somerset, KY 42502-0910  
Telephone 606-678-4121  
Toll Free 800-264-5112  
Fax 606-679-8279  
[www.skrecc.com](http://www.skrecc.com)

November 3, 2016

Ms. Talina R. Mathews, Ph.D.  
Executive Director  
Public Service Commission  
PO Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Dear Ms. Mathews:

RE: PSC Case No. 2016-00335

Please find enclosed an original and seven copies of the response to the Public Service Commission Staff's First Data Request for Information in the above-referenced case dated October 12, 2016.

Please let me know if additional information is needed.

Respectfully,

A handwritten signature in blue ink that reads 'Allen Anderson'.

Allen Anderson  
President & CEO

AA:jcg

Enclosures

RECEIVED

NOV 07 2016

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIROMENTAL )  
SURCHARGE MECHANISM OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR THE SIX )  
MONTH BILLING PERIODS ENDING )  
JUNE 30, 2016 AND THE PASS THROUGH )  
MECHANISM FOR ITS SIXTEEN MEMBER )  
DISTRIBUTION COOPERATIVES )

CASE NO.  
2016-00335

CERTIFICATE

STATE OF KENTUCKY

COUNTY OF PULASKI

Michelle D. Herrman, being duly sworn, states that she has supervised the preparation of the Responses of South Kentucky RECC to the Public Service Commission Staff's First Data Request for Information contained in the above-referenced case dated October 12, 2016, 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.

Michelle D. Herrman

Subscribed and sworn before me on the 3rd day of November, 2016.

Ashley Kerr  
Notary Public

My commission expires 8/31/19.



**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

<b>AN EXAMINATION BY THE PUBLIC SERVICE</b>	)	
<b>COMMISSION OF THE ENVIRONMENTAL</b>	)	
<b>SURCHARGE MECHANISM OF EAST KENTUCKY</b>	)	
<b>POWER COOPERATIVE, INC. FOR THE</b>	)	<b>CASE NO.</b>
<b>SIX-MONTH BILLING PERIOD ENDING</b>	)	<b>2016-00335</b>
<b>JUNE 30, 2016, AND THE PASS THROUGH</b>	)	
<b>MECHANISM FOR ITS SIXTEEN MEMBER</b>	)	
<b>DISTRIBUTION COOPERATIVES</b>	)	

---

**DIRECT TESTIMONY OF MICHELLE D. HERRMAN**  
**ON BEHALF OF SOUTH KENTUCKY RECC**

---

**Filed: November 4, 2016**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**  
2 **OCCUPATION.**

3 A. Michelle Herrman, 925 N. Main Street, Somerset, Kentucky 42503, Vice President  
4 of Finance for South Kentucky Rural Electric Cooperative.

5 **Q. PLEASE STATE YOUR EDUCATION AND PROFESSIONAL**  
6 **EXPERIENCE.**

7 A. I hold a Bachelor's Degree from Syracuse University in Mathematics, as well as a  
8 Master's Degree in Business Administration from Phillips University. I also  
9 maintain the two following certifications: Certified Public Accountant (CPA) and  
10 Professional in Human Resources (PHR). I served on active duty in the United  
11 States Air Force, leaving the service as the rank of Captain. My field of specialty  
12 was Contracting at the base level. After leaving military service, I worked in public  
13 accounting for a small accounting firm specializing in auditing of government and  
14 not for profit entities. After eight years in public accounting, I moved to the private  
15 sector and served as the Chief Financial Officer for the Boys and Girls Clubs of  
16 Greater Cincinnati. In 2011, I was hired at Owen Electric Cooperative and served  
17 as their Controller until accepting my current position with South Kentucky Rural  
18 Electric Cooperative as Vice President of Finance in August 2013.

19 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR DUTIES AT**  
20 **SOUTH KENTUCKY RECC.**

21 A. As Vice President of Finance, I am responsible for the oversight of the accounting,  
22 information technology, warehouse functions and the regulatory affairs

1 components of the cooperative. The overarching responsibility is the financial  
2 oversight of the Cooperative.

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

14 A. South Kentucky has never considered being billed its environmental costs as a  
15 direct amount based on its monthly purchased power costs. In response to why it  
16 has not been considered, we rely on the direct testimony of Isaac S. Scott on behalf  
17 of EKPC, that the environmental surcharge statute specifically mentions the  
18 approval of a “rate surcharge”. South Kentucky also notes that the environmental  
19 surcharge statute was modeled after the Commission’s fuel adjustment clause  
20 (“FAC”) regulation.<sup>1</sup> The FAC utilizes a rate mechanism rather than the direct  
21 billing of any differences between the actual fuel costs incurred for a period and the

---

<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 level of fuel costs incorporated into base rates. Finally, South Kentucky was aware  
2 that all of the environmental surcharges proposed and approved by the Commission  
3 utilized rate mechanisms rather than a direct billing approach.

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

8 A. Yes. We do not believe a direct charge for environmental costs would lessen or  
9 eliminate the over-/under-recovery amounts that occur.

10 EKPC's surcharge factor is calculated by dividing the monthly environmental costs  
11 incurred by EKPC by the 12-month average Member Cooperatives' revenues.  
12 Since the 12-month average Member Cooperatives' revenues used to calculate the  
13 surcharge factor will not match the Member Cooperatives' revenues for the specific  
14 invoice billing period the surcharge factor is applied to, an over- or under-recovery  
15 will exist. Similarly, EKPC computes the percentage that the cooperative should  
16 apply to their members' bills based upon not only the amount billed by EKPC, but  
17 also revenues received by the cooperative and any amortization of a previous over-  
18 or under recovery. The cooperative then applies the computed amount to the  
19 members' bill on the billing two months following the calculation. (December  
20 2015 calculated factor is billed to the member in February 2016). Because kWh  
21 sales fluctuate from month to month, the percentage factor calculated by EKPC for  
22 December 2015 may not be applied to the same kWh sales experienced when we  
23 bill our members. Therefore, an over-/under-recovery will occur. Similarly, our

1 billing to our members is not based on the same monthly cycle as we are billed by  
2 EKPC. EKPC bills South Kentucky based on a calendar month, in the month  
3 following. South Kentucky bills our members based upon 20 billing cycles which  
4 may be composed of varying numbers of days from the Calendar month preceding  
5 EKPC's billing month. For example, we may bill a member from November 15 to  
6 December 14 as their monthly billing cycle. Due to the volume of accounts and  
7 cash flow needs, it is not feasible to bill all of our member accounts on the same  
8 day of the month; therefore, we use cycle billing. Thus, the nature of cycle billing  
9 and the crossing of calendar months, would not allow a direct billing feature to be  
10 utilized by South Kentucky because the kWh billed to our members does not  
11 necessarily match South Kentucky purchases from EKPC for a given month.

12 Additionally, the monthly power bills from EKPC fluctuate month to month, often  
13 significantly, due to load characteristics and customer mix. Assigning  
14 environmental costs to the Member Cooperatives based on monthly power bills  
15 which fluctuate significantly, would result in bill volatility. South Kentucky along  
16 with the other Member Cooperatives have had and continue to have serious  
17 concerns about bill volatility. Bill volatility can have significant impacts on the  
18 Member Cooperatives' cash flow as well as the Cooperative members' cash flow.  
19 While over time South Kentucky would recover the EKPC-billed environmental  
20 costs from its members, timing lags impact cash flow and ultimately may affect the  
21 Cooperative's borrowing needs.

22 **Q. Would you address the third question concerning whether being billed a direct**  
23 **amount for environmental costs would cause the environmental surcharge**

1           **billings to the Member Cooperatives' member customer to be less volatile and**  
2           **result in more timely recovery of environmental costs?**

3    A.    Yes.  As noted previously, South Kentucky's monthly power bills from EKPC  
4           fluctuate, sometimes by significant amounts.  Each of the Member Cooperatives  
5           experience this fluctuation.  Assigning EKPC's environmental costs based on the  
6           Member Cooperatives' monthly power bills would likely result in fluctuations in  
7           the amount of environmental costs assigned to any one Member Cooperative, which  
8           would then have to be recovered from the member customers.  Thus, South  
9           Kentucky believes that rather than lessen volatility, this approach would simply  
10          replace the volatility that comes with the surcharge factor approach with volatility  
11          resulting from assigning environmental costs recovery on fluctuating monthly  
12          power bills.

13          The utilization of a direct billing approach would not result in more timely recovery  
14          of environmental costs from South Kentucky's member customers.  Once South  
15          Kentucky was billed a particular month's environmental costs, it would in turn bill  
16          its member customers the appropriate share of those costs in conjunction with the  
17          appropriate billing cycle.  This process would be no different than the current  
18          arrangement.

19  
20



**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIROMENTAL )  
SURCHARGE MECHANISM OF EAST KENTUCKY )  
POWER COOPERATIVE, INC. FOR THE SIX )  
MONTH BILLING PERIODS ENDING )  
JUNE 30, 2016 AND THE PASS THROUGH )  
MECHANISM FOR ITS SIXTEEN MEMBER )  
DISTRIBUTION COOPERATIVES )**

**CASE NO.  
2016-00335**

**VERIFICATION OF MICHELLE D. HERRMAN**

**STATE OF KENTUCKY**

**COUNTY OF PULASKI**

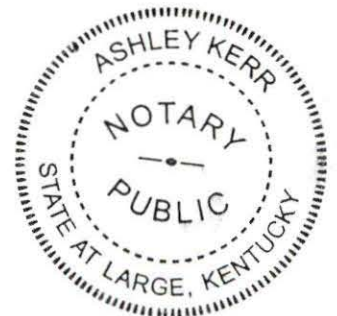
Michelle D. Herrman, Vice President of Finance of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that she has read the foregoing prepared testimony and that she would respond in the same manner to the questions if so asked upon taking the stand, and that the matters and things set forth therein are true and correct to the best of her knowledge, information, and belief.

Michelle D. Herrman

Subscribed and sworn before me on the 4th day of November, 2016.

Ashley Kerr  
Notary Public

My commission expires 8/31/19.



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2016-00335  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION DATED OCTOBER 12, 2016

**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**

Page 2 of 2 shows the calculation of the Over-recovery in the amount of \$109,641.

Please see East Kentucky Power Cooperative's response to Request No. 2 of the Commission Staff's First Request for Information dated October 12, 2016 for the Excel spreadsheet supporting the calculations of the under-recovery.

South Kentucky - 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				\$554,611
1b	From Case No. 2015-00281 (Over)/Under-Recovery				\$541,986
1c	From Case No. 2016-00144 (Over)/Under-Recovery				\$157,458
1d	Total Previous (Over)/Under-Recovery				\$1,254,055
2	Jan-16	\$1,679,765	\$1,568,733	\$111,032	\$1,365,087
3	Feb-16	\$1,277,485	\$1,900,465	(\$622,980)	\$742,107
4	Mar-16	\$646,946	\$1,286,562	(\$639,616)	\$102,491
5	Apr-16	\$708,448	\$635,461	\$72,987	\$175,478
6	May-16	\$891,734	\$763,541	\$128,193	\$303,671
7	Jun-16	\$1,168,702	\$1,063,234	\$105,468	\$409,139
Post Review	Jul-16	\$1,352,952	\$1,298,361	\$54,591	\$463,730
	Aug-16	\$1,170,824	\$1,471,419	(\$300,595)	\$163,135
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	(\$554,611)	\$554,613		\$2
8b	Case No. 2015-00281 Recovery	(\$541,986)	\$180,662		(\$361,324)
8c	Case No. 2016-00144 Recovery	(\$157,458)	\$0		(\$157,458)
8d	Total Order amounts remaining - Over/(Under):				(\$518,780)
9	Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&8d)]				(\$109,641)
10	Monthly recovery (per month for six months)				(\$18,273)
<b>Reconciliation:</b>					
11	Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period				\$1,254,055
12	Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period				(\$518,780)
13	Total Amortization during Review Period				\$735,275
14	(Over)/Under-Recovery from Column 5, Line 9				(\$109,641)
15	Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7)				(\$844,915)
16	Difference (reflects rounding differences)				\$735,274

Amortization Detail, Column 3, Line 8:

Month & Year	Case No. 2014-00051	Case No. 2015-00281	Case No. 2016-00144
Jan-16	\$184,871	\$0	\$0
Feb-16	\$184,871	\$0	\$0
Mar-16	\$184,871	\$0	\$0
Apr-16	\$0	\$0	\$0
May-16	\$0	\$90,331	\$0
Jun-16	\$0	\$90,331	\$0
Totals	\$554,613	\$180,662	\$0

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2016-00335  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION DATED OCTOBER 12, 2016

**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 East Kentucky Power Cooperative's response to Request No. 2 of the Commission Staff's First Request for Information dated October 12, 2016 for the calculation of the review period's over- or under-recovery.

South Kentucky has used a six-month amortization for the Over Recovery in this case.

Please see Item 7, pages 2 and 3 of 5 for the requested calculations.

South Kentucky RECC  
Average Residential Consumer's Usage

		<u># Customers</u>	<u>kWh</u>
June	2015	60,746	52,815,776
July		61,089	59,495,440
Aug		60,872	64,443,890
Sept		60,866	55,795,954
Oct		61,092	43,974,615
Nov		60,764	48,984,346
Dec		60,878	61,843,892
Jan	2016	60,639	80,129,781
Feb		60,847	104,030,900
Mar		60,911	70,676,984
Apr		61,140	53,153,136
May		<u>60,970</u>	<u>43,625,699</u>
Totals		<u>730,814</u>	<u>738,970,413</u>
Average Residential Usage			<u>1,011</u>

## South Kentucky RECC Impact on Average Residential Consumer's Bill

Average Residential Account:	<b>Actual</b>	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,011	\$86.37
Fuel Adjustment	-\$0.00827	-\$8.36
		\$90.83
*Environmental Monthly Charge	<b>13.34%</b>	\$12.12
School Tax	3.00%	\$3.09
<b>Total Monthly Bill</b>		<b>\$106.04</b>

Average Residential Account:	<b>6 Month Recovery</b>	
	<u>Rate</u>	<u>Bill Amount</u>
Consumer Charge	\$12.82	\$12.82
kWh Charge	\$0.08543	
kWh Average Monthly Usage	1,011	\$86.37
Fuel Adjustment	-\$0.00827	-\$8.36
		\$90.83
*Environmental Monthly Charge	<b>13.13%</b>	\$11.93
School Tax	3.00%	\$3.08
<b>Total Monthly Bill</b>		<b>\$105.84</b>
	<b>Impact</b>	<b>-\$0.20</b>

\*Based on Rates on Page 4 & 5.

Monthly Recovery of \$18,273 for six months

Total Recovery \$109,641/6

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

For the Month Ending June 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 South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky 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)
Jul-14	14.38%	0.00%	14.38%	\$ 7,024,102		\$ 7,024,102	\$ 7,338,975	\$ 1,055,345	\$ (60,127)	\$ 995,218	\$ 9,678,462		\$ 9,678,462	\$ 10,028,718	9.95%
Aug-14	12.62%	0.00%	12.62%	\$ 7,115,619		\$ 7,115,619	\$ 7,381,420	\$ 931,535	\$ (60,127)	\$ 871,408	\$ 9,495,747		\$ 9,495,747	\$ 10,031,144	8.69%
Sep-14	13.53%	0.00%	13.53%	\$ 6,082,960		\$ 6,082,960	\$ 7,409,004	\$ 1,002,438	\$ -	\$ 1,002,438	\$ 9,691,541		\$ 9,691,541	\$ 10,077,955	9.99%
Oct-14	15.57%	0.00%	15.57%	\$ 5,397,739		\$ 5,397,739	\$ 7,388,497	\$ 1,150,389	\$ -	\$ 1,150,389	\$ 8,031,738		\$ 8,031,738	\$ 10,110,050	11.41%
Nov-14	16.95%	0.00%	16.95%	\$ 7,667,059		\$ 7,667,059	\$ 7,428,431	\$ 1,259,119	\$ -	\$ 1,259,119	\$ 9,537,438		\$ 9,537,438	\$ 10,185,724	12.45%
Dec-14	13.88%	0.00%	13.88%	\$ 7,966,235		\$ 7,966,235	\$ 7,383,687	\$ 1,024,856	\$ -	\$ 1,024,856	\$ 11,033,974		\$ 11,033,974	\$ 10,223,061	10.06%
Jan-15	13.67%	0.00%	13.67%	\$ 9,674,817		\$ 9,674,817	\$ 7,242,730	\$ 990,081	\$ -	\$ 990,081	\$ 12,067,988		\$ 12,067,988	\$ 10,157,727	9.68%
Feb-15	11.49%	0.00%	11.49%	\$ 10,192,879		\$ 10,192,879	\$ 7,343,820	\$ 843,805	\$ -	\$ 843,805	\$ 13,473,758		\$ 13,473,758	\$ 10,027,250	8.31%
Mar-15	10.90%	0.00%	10.90%	\$ 7,563,960		\$ 7,563,960	\$ 7,282,424	\$ 793,784	\$ -	\$ 793,784	\$ 12,100,415		\$ 12,100,415	\$ 10,111,357	7.92%
Apr-15	14.44%	0.00%	14.44%	\$ 4,848,805		\$ 4,848,805	\$ 7,193,869	\$ 1,038,795	\$ -	\$ 1,038,795	\$ 8,567,084		\$ 8,567,084	\$ 10,027,895	10.27%
May-15	18.09%	0.00%	18.09%	\$ 5,088,027		\$ 5,088,027	\$ 7,118,568	\$ 1,287,749	\$ -	\$ 1,287,749	\$ 7,416,764		\$ 7,416,764	\$ 9,996,877	12.84%
Jun-15	18.44%	0.00%	18.44%	\$ 6,383,050		\$ 6,383,050	\$ 7,083,771	\$ 1,306,247	\$ -	\$ 1,306,247	\$ 7,997,527		\$ 7,997,527	\$ 9,924,370	13.07%
Jul-15	15.91%	0.00%	15.91%	\$ 6,915,402		\$ 6,915,402	\$ 7,074,713	\$ 1,125,587	\$ -	\$ 1,125,587	\$ 8,531,822		\$ 8,531,822	\$ 9,828,816	11.34%
Aug-15	16.25%	0.00%	16.25%	\$ 6,307,683		\$ 6,307,683	\$ 7,007,385	\$ 1,138,700	\$ 184,871	\$ 1,323,571	\$ 9,867,060		\$ 9,867,060	\$ 9,859,759	13.47%
Sep-15	17.07%	0.00%	17.07%	\$ 5,787,473		\$ 5,787,473	\$ 6,982,761	\$ 1,191,957	\$ 184,871	\$ 1,376,828	\$ 9,041,887		\$ 9,041,887	\$ 9,805,621	13.96%
Oct-15	18.51%	0.00%	18.51%	\$ 5,165,143		\$ 5,165,143	\$ 6,963,378	\$ 1,288,921	\$ 184,871	\$ 1,473,792	\$ 7,665,477		\$ 7,665,477	\$ 9,775,100	15.03%
Nov-15	18.81%	0.00%	18.81%	\$ 6,110,967		\$ 6,110,967	\$ 6,833,703	\$ 1,285,420	\$ 184,871	\$ 1,470,291	\$ 7,879,060		\$ 7,879,060	\$ 9,636,901	15.04%
Dec-15	18.40%	0.00%	18.40%	\$ 6,490,563		\$ 6,490,563	\$ 6,710,731	\$ 1,234,774	\$ 184,871	\$ 1,419,645	\$ 8,686,476		\$ 8,686,476	\$ 9,441,277	14.73%
Jan-16	16.00%	0.00%	16.00%	\$ 9,129,144		\$ 9,129,144	\$ 6,665,258	\$ 1,066,441	\$ 184,871	\$ 1,251,312	\$ 10,429,755		\$ 10,429,755	\$ 9,304,757	13.25%
Feb-16	10.92%	0.00%	10.92%	\$ 7,984,282		\$ 7,984,282	\$ 6,481,208	\$ 707,748	\$ -	\$ 707,748	\$ 12,900,118		\$ 12,900,118	\$ 9,256,954	7.61%
Mar-16	14.30%	0.00%	14.30%	\$ 5,924,419		\$ 5,924,419	\$ 6,344,580	\$ 907,275	\$ 90,331	\$ 997,606	\$ 9,704,152		\$ 9,704,152	\$ 9,057,265	10.78%
Apr-16	17.59%	0.00%	17.59%	\$ 4,954,170		\$ 4,954,170	\$ 6,353,360	\$ 1,117,556	\$ 90,331	\$ 1,207,887	\$ 8,348,211		\$ 8,348,211	\$ 9,039,026	13.34%
May-16	18.99%	0.00%	18.99%	\$ 5,069,549		\$ 5,069,549	\$ 6,351,820	\$ 1,206,211	\$ 90,331	\$ 1,296,542	\$ 7,081,000		\$ 7,081,000	\$ 9,011,045	14.34%
Jun-16	19.60%	0.00%	19.60%	\$ 6,154,304		\$ 6,154,304	\$ 6,332,758	\$ 1,241,221	\$ 90,331	\$ 1,331,552					14.78%

Notes:  
 South Kentucky 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 South Kentucky RECC

For the Month Ending June 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 South Kentucky	On-peak Revenue Adjustment	EKPC Net Monthly Sales to South Kentucky	EKPC 12-months Ended Average Monthly Revenue from Sales to South Kentucky	South Kentucky Revenue Requirement	Amortization of (Over)/Under Recovery	South Kentucky Net Revenue Requirement	South Kentucky Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	South Kentucky Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	South Kentucky 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)
Jul-14	14.38%	0.00%	14.38%	\$ 7,024,102		\$ 7,024,102	\$ 7,338,975	\$ 1,055,345	\$ (60,127)	\$ 995,218	\$ 9,678,462		\$ 9,678,462	\$ 10,028,718	9.95%
Aug-14	12.62%	0.00%	12.62%	\$ 7,115,619		\$ 7,115,619	\$ 7,381,420	\$ 931,535	\$ (60,127)	\$ 871,408	\$ 9,495,747		\$ 9,495,747	\$ 10,031,144	8.69%
Sep-14	13.53%	0.00%	13.53%	\$ 6,082,960		\$ 6,082,960	\$ 7,409,004	\$ 1,002,438	\$ -	\$ 1,002,438	\$ 9,691,541		\$ 9,691,541	\$ 10,077,955	9.99%
Oct-14	15.57%	0.00%	15.57%	\$ 5,397,739		\$ 5,397,739	\$ 7,388,497	\$ 1,150,389	\$ -	\$ 1,150,389	\$ 8,031,738		\$ 8,031,738	\$ 10,110,050	11.41%
Nov-14	16.95%	0.00%	16.95%	\$ 7,667,059		\$ 7,667,059	\$ 7,428,431	\$ 1,259,119	\$ -	\$ 1,259,119	\$ 9,537,438		\$ 9,537,438	\$ 10,185,724	12.45%
Dec-14	13.88%	0.00%	13.88%	\$ 7,966,235		\$ 7,966,235	\$ 7,383,687	\$ 1,024,856	\$ -	\$ 1,024,856	\$ 11,033,974		\$ 11,033,974	\$ 10,223,061	10.06%
Jan-15	13.67%	0.00%	13.67%	\$ 9,674,817		\$ 9,674,817	\$ 7,242,730	\$ 990,081	\$ -	\$ 990,081	\$ 12,067,988		\$ 12,067,988	\$ 10,157,727	9.68%
Feb-15	11.49%	0.00%	11.49%	\$ 10,192,879		\$ 10,192,879	\$ 7,343,820	\$ 843,805	\$ -	\$ 843,805	\$ 13,473,758		\$ 13,473,758	\$ 10,027,250	8.31%
Mar-15	10.90%	0.00%	10.90%	\$ 7,563,960		\$ 7,563,960	\$ 7,282,424	\$ 793,784	\$ -	\$ 793,784	\$ 12,100,415		\$ 12,100,415	\$ 10,111,357	7.92%
Apr-15	14.44%	0.00%	14.44%	\$ 4,848,805		\$ 4,848,805	\$ 7,193,869	\$ 1,038,795	\$ -	\$ 1,038,795	\$ 8,567,084		\$ 8,567,084	\$ 10,027,895	10.27%
May-15	18.09%	0.00%	18.09%	\$ 5,088,027		\$ 5,088,027	\$ 7,118,568	\$ 1,287,749	\$ -	\$ 1,287,749	\$ 7,416,764		\$ 7,416,764	\$ 9,996,877	12.84%
Jun-15	18.44%	0.00%	18.44%	\$ 6,383,050		\$ 6,383,050	\$ 7,083,771	\$ 1,306,247	\$ -	\$ 1,306,247	\$ 7,997,527		\$ 7,997,527	\$ 9,924,370	13.07%
Jul-15	15.91%	0.00%	15.91%	\$ 6,915,402		\$ 6,915,402	\$ 7,074,713	\$ 1,125,587	\$ -	\$ 1,125,587	\$ 8,531,822		\$ 8,531,822	\$ 9,828,816	11.34%
Aug-15	16.25%	0.00%	16.25%	\$ 6,307,683		\$ 6,307,683	\$ 7,007,385	\$ 1,138,700	\$ 184,871	\$ 1,323,571	\$ 9,867,060		\$ 9,867,060	\$ 9,859,759	13.47%
Sep-15	17.07%	0.00%	17.07%	\$ 5,787,473		\$ 5,787,473	\$ 6,982,761	\$ 1,191,957	\$ 184,871	\$ 1,376,828	\$ 9,041,887		\$ 9,041,887	\$ 9,805,621	13.96%
Oct-15	18.51%	0.00%	18.51%	\$ 5,165,143		\$ 5,165,143	\$ 6,963,378	\$ 1,288,921	\$ 184,871	\$ 1,473,792	\$ 7,665,477		\$ 7,665,477	\$ 9,775,100	15.03%
Nov-15	18.81%	0.00%	18.81%	\$ 6,110,967		\$ 6,110,967	\$ 6,833,703	\$ 1,285,420	\$ 184,871	\$ 1,470,291	\$ 7,879,060		\$ 7,879,060	\$ 9,636,901	15.04%
Dec-15	18.40%	0.00%	18.40%	\$ 6,490,563		\$ 6,490,563	\$ 6,710,731	\$ 1,234,774	\$ 184,871	\$ 1,419,645	\$ 8,686,476		\$ 8,686,476	\$ 9,441,277	14.73%
Jan-16	16.00%	0.00%	16.00%	\$ 9,129,144		\$ 9,129,144	\$ 6,665,258	\$ 1,066,441	\$ 184,871	\$ 1,251,312	\$ 10,429,755		\$ 10,429,755	\$ 9,304,757	13.25%
Feb-16	10.92%	0.00%	10.92%	\$ 7,984,282		\$ 7,984,282	\$ 6,481,208	\$ 707,748	\$ -	\$ 707,748	\$ 12,900,118		\$ 12,900,118	\$ 9,256,954	7.61%
Mar-16	14.30%	0.00%	14.30%	\$ 5,924,419		\$ 5,924,419	\$ 6,344,580	\$ 907,275	\$ 90,331	\$ 997,606	\$ 9,704,152		\$ 9,704,152	\$ 9,057,265	10.78%
Apr-16	17.59%	0.00%	17.59%	\$ 4,954,170		\$ 4,954,170	\$ 6,353,360	\$ 1,117,556	\$ 72,058	\$ 1,189,614	\$ 8,348,211		\$ 8,348,211	\$ 9,039,026	13.13%
May-16	18.99%	0.00%	18.99%	\$ 5,069,549		\$ 5,069,549	\$ 6,351,820	\$ 1,206,211	\$ 90,331	\$ 1,296,542	\$ 7,081,000		\$ 7,081,000	\$ 9,011,045	14.34%
Jun-16	19.60%	0.00%	19.60%	\$ 6,154,304		\$ 6,154,304	\$ 6,332,758	\$ 1,241,221	\$ 90,331	\$ 1,331,552					14.78%

Notes:

South Kentucky 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.

Case Number No. 2015-00281	\$ 90,331
Case Number No. 2016-00335	\$ (18,273)
	\$ 72,058



SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2016-00335  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION DATED OCTOBER 12, 2016

**Request 9**

This question is addressed to each of the 16 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 responses a discussion of timing and accounting methodology.

**Response**

Monthly Process

1. The environmental surcharge billed by EKPC for the month is recorded as an expense for the month incurred. (Bill dated January 4, 2016 for purchases from December 1, 2015 to December 31, 2015, recorded on South Kentucky books as of December 31, 2015)
2. The environmental surcharge billed to the member customers in the current month is the rate from the monthly Pass Through Mechanism Report for South Kentucky from two months prior. (The factor from October 2015-15.03% - was applied to the member's bills generated in December 2015)
3. The environmental surcharge amount billed to the members is recorded as revenue for the month billed.
4. Since the environmental surcharge is a pass thru cost from EKPC (revenue neutral to South Kentucky), the amount billed to the customer each month is compared to the amount billed to South Kentucky by EKPC for the month.
5. The difference in #4 above is recorded as a debit or credit in Account 142.32 Accounts Receivable – Environmental Surcharge. A rolling total is retained with each month's differences being recorded in this manner.

Additional Procedures

6. When a final order is issued for an environmental surcharge review case, the over- or under-recovery amount is moved from Account 142.32 to Account 182.31 – Other Regulatory Asset – Environmental Surcharge.

7. The amount in 182.31 is amortized over the approved six-month period (per the corresponding factor calculated for the month from the monthly Pass Through Mechanism Report.) The amortization results in the appropriate debit or credit of account 182.31, with account 142.32 being the other side of the entry. This is recorded in the month corresponding to the computed factor being billed to the member. There may be no entry recorded in a given month if there was no amortization of a final order in the corresponding billed monthly factor.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2016-00335  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION DATED OCTOBER 12, 2016

**Request 12**

This question is addressed to each of the 16 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 Book's 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**

We record the expense to coincide with the month that SKRECC incurred the expense. The invoice presented to us in February 2016 from EKPC, for service received in January 2016, would be reflected on our January 2016 expense records.

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**

This is the amount billed by EKPC for the environmental surcharge, less any amount applied on the bill for the Direct Load control credit. There are no other adjustments at this time.

c. Refer to the column labelled "Billed to Retail Consumer & Recorded on Member's Book's." Confirm that these amounts are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers.

**Response**

These amounts are the amounts billed to the consumer.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE  
PSC CASE NO. 2016-00335  
ENVIRONMENTAL SURCHARGE MECHANISM  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST  
FOR INFORMATION DATED OCTOBER 12, 2016

**Request 13**

This question is addressed to each of the 16 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**

Referring to the December 2015 report, this would be billed to our members in February 2016. Refer to Item 7, page 4 of 5 to this response. 14.73% is the factor for December 2015. This was applied to our members' bills in February 2016.