

ORIGINAL

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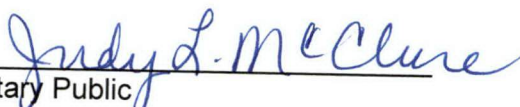
Public Service  
Commission

STATE OF KENTUCKY )  
COUNTY OF JOHNSON )

Billy O. Frasure, CPA, being duly sworn, states that he has supervised the preparation of the response of Big Sandy RECC to the Public Service Commission Staff's Second Request for Information in Case No. 2016-00335 dated November 30, 2016 and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
Billy O. Frasure, CPA

Subscribed and sworn before me on this 6<sup>th</sup> day of December, 2016

  
\_\_\_\_\_  
Notary Public



# Big Sandy Rural Electric Cooperative Corporation

504 11th Street  
Paintsville, Kentucky 41240-1422  
(606) 789-4095 • Fax (606) 789-5454  
Toll Free (888) 789-RECC (7322)

December 6, 2016

Talina R. Mathews  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602

RE: Public Service Commission Second Data Request Case No. 2016-00335

Dear Ms. Mathews:

Please find enclosed for filing with the Commission in the above-referenced case, an original and eight (8) copies of the responses of Big Sandy Rural Electric Cooperative Corporation to the Commission's second request for information, contained in the Commission's Order dated November 30, 2016. Billy Frasure will be the witness responsible for responding to the questions related to the information provided.

If you should need any additional information, please do not hesitate to contact me.

Thank you,

David Estep  
President & General Manager

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

RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION

DATED NOVEMBER 30, 2016

**REQUEST NO. 3:**

This item is addressed to each of the 16 Member Cooperatives.

- a. Provide the accounting methodology (i.e., cash or accrual) utilized by your particular Member Cooperative,
  
- b. Explain whether the accounting methodology utilized by your particular Member Cooperative could exacerbate the possible impact to cash flow and margins caused by volatility in the environmental surcharge.

**RESPONSE:**

- a. Big Sandy utilizes the accrual accounting methodology.
  
- b. Big Sandy does not believe utilizing the accrual accounting methodology exacerbates the possible impact to cash flow and margins caused by volatility in the environmental surcharge. Utilizing the accrual accounting methodology allows Big Sandy's billing of environmental surcharge to remain parallel to EKPC's environmental surcharge billing. This results in less volatility than if Big Sandy utilized a different accounting methodology.

WITNESS: BILLY FRASURE

**REQUEST NO. 4:**

This item is addressed to each of the 16 Member Cooperatives. For your particular Member Cooperative, provide the following information as it relates to the environmental surcharge calculated for EKPC's December 2015 expense month, as billed to the Member Cooperatives in February 2016 for January 2016 usage:

- a. The month in which the Member Cooperative records the amount billed in February 2016 as an expense;
- b. The month in which the retail customer's usage will be subject to the Member Cooperative's pass-through factor calculated from EKPC's December 2015 expense month;
- c. The month in which the Member Cooperative bills its retail customers the pass-through factor calculated from EKPC's December 2015 expense month;
- d. The month in which the Member Cooperative records as revenue the amounts billed in the month indicated in part c. above.

**RESPONSE:**

- a. Big Sandy will record this as an expense in January 2016 because it applies to January's usage.
- b. The retail customers January 2016 usage will be subject to the pass-through factor.
- c. Big Sandy will bill its retail customers for January's usage, which includes the pass-through factor, in February 2016.
- d. Big Sandy will record the revenue from the pass-through factor in January 2016 because this is the month the billing applies to.

WITNESS: BILLY FRASURE