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PUBLIC SERVICE  
COMMISSION

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BOBBY H. RICHARDSON  
WOODFORD L. GARDNER, JR.  
T. RICHARD ALEXANDER II

December 9, 2016

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

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

Dear Ms. Mathews:

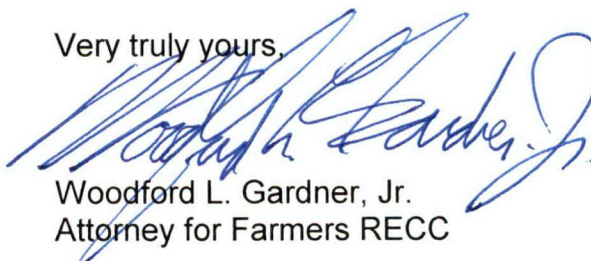
Enclosed for filing is the original and eight (8) copies of the Commission Staff's Second Request for Information, dated November 30, 2016, regarding the Examination of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. and the Pass Through Mechanism for its Sixteen Member Distribution Cooperative.

The applicant, Farmers Rural Electric Cooperative Corporation, makes the following response as follows:

1. The witness who is prepared to answer questions concerning the request is William T. Prather.
2. William T. Prather, President & CEO of Farmers RECC, is the person supervising the preparation of the responses on behalf of the applicant.
3. The response and exhibit are attached hereto and incorporated by referenced herein.

Thank you for your assistance.

Very truly yours,



Woodford L. Gardner, Jr.  
Attorney for Farmers RECC

Enclosures

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

COMMONWEALTH OF KENTUCKY

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


CERTIFICATE

William T. Prather, being duly sworn, states that he has supervised the preparation of the response of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff's Second Request for Information to East Kentucky Power Cooperative, Inc.'s Sixteen Member Distribution Cooperatives in the above-referenced case, 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.

  
\_\_\_\_\_

COMMONWEALTH OF KENTUCKY )  
  )  
COUNTY OF BARREN                                  )

Subscribed and sworn to before me by William T. Prather, President & CEO of Farmers Rural Electric Cooperative Corporation this 9<sup>th</sup> day of December, 2016.

  
\_\_\_\_\_  
Notary Public  
ID: 446566

My Commission Expires: 07-30-2019

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

**Request 3.**

This question 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 3.**

- A. Farmers uses an accrual accounting methodology.
- B. The volatility in the environmental surcharge does have an impact on our Cooperative's cash flow. The volatility is not necessarily the result of the accounting methodology but, rather, the variations in the percentages of the month-to-month pass-through mechanism.

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

**Request 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 amount billed in the month indicated in part c. above.

**Response 4.**

The pass-through mechanism factor for EKPC's December 2015 expense month is 11.72%. Therefore:

- A. February 2016 is the month Farmers records the amount billed.
- B. February 2016 is the month the customer's usage will be subject to the pass-through. Due to cycle billing, the usage could be in January and/or February.
- C. February 2016 is the month Farmers bills its retail customers.
- D. February 2016 is the month Farmers records the revenue.