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March 20, 2017

PARTIES OF RECORD

Re: Case No. 2016-00365

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter.

If you have any questions, please contact John Park, Commission Staff Attorney, at 502-782-2589.

Sincerely,


A handwritten signature in blue ink that reads "Talina R. Mathews".

Talina R. Mathews
Executive Director

JBP/ph

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2016-00365
FROM: John B. Park, Staff Attorney 
DATE: March 20, 2017
RE: Informal Conference of March 15, 2017

Pursuant to the Commission's Order entered March 13, 2017, an informal conference was held in this matter on March 15, 2017, at the Commission's offices in Frankfort, Kentucky. The purpose of the informal conference was to discuss issues related to the application of Farmers Rural Electric Cooperative Corporation ("Farmers"). A list of the attendees is attached hereto.

Commission Staff ("Staff") advised Farmers that any views expressed by Staff at the informal conference were not binding on the Commission. Staff stated that notes would be taken during the conference and that Staff would prepare and enter into the record a memorandum regarding the conference. Staff further stated that Farmers would have five days after the memorandum is entered into the record to file comments on the memorandum.

Farmers presented an overview of its operations and discussed changes that have occurred since its last base rate case before the Commission in Case No. 2008-00030. Farmers explained the reasons it is now seeking an adjustment of rates emphasizing the flatten growth since 2005 due to conservation, weather, and the 2008 recession. Farmers discussed its infrastructure improvements, maintenance program, and right of way work plan. Farmers also discussed its efforts to control labor and benefit costs. Farmers passed out two charts showing historic total annual kWh sales and one table with Times Interest Earned Ratio information. The charts and table are attached hereto.

Farmers noted that they will be adopting a formal nepotism policy and the need for a depreciation study. Farmers also thanked Staff for finding the group of street lights that were located in the wrong tariff, and stated that these accounts were charged the proper amount and will be moved to the appropriate tariff.

Staff discussed additional requests of information that it would be issuing to Farmers. Staff stated that responses to the additional requests would be due March 23, 2017. The due date has been changed to March 24, 2017.

There being no further business, the informal conference adjourned.

Attachments

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

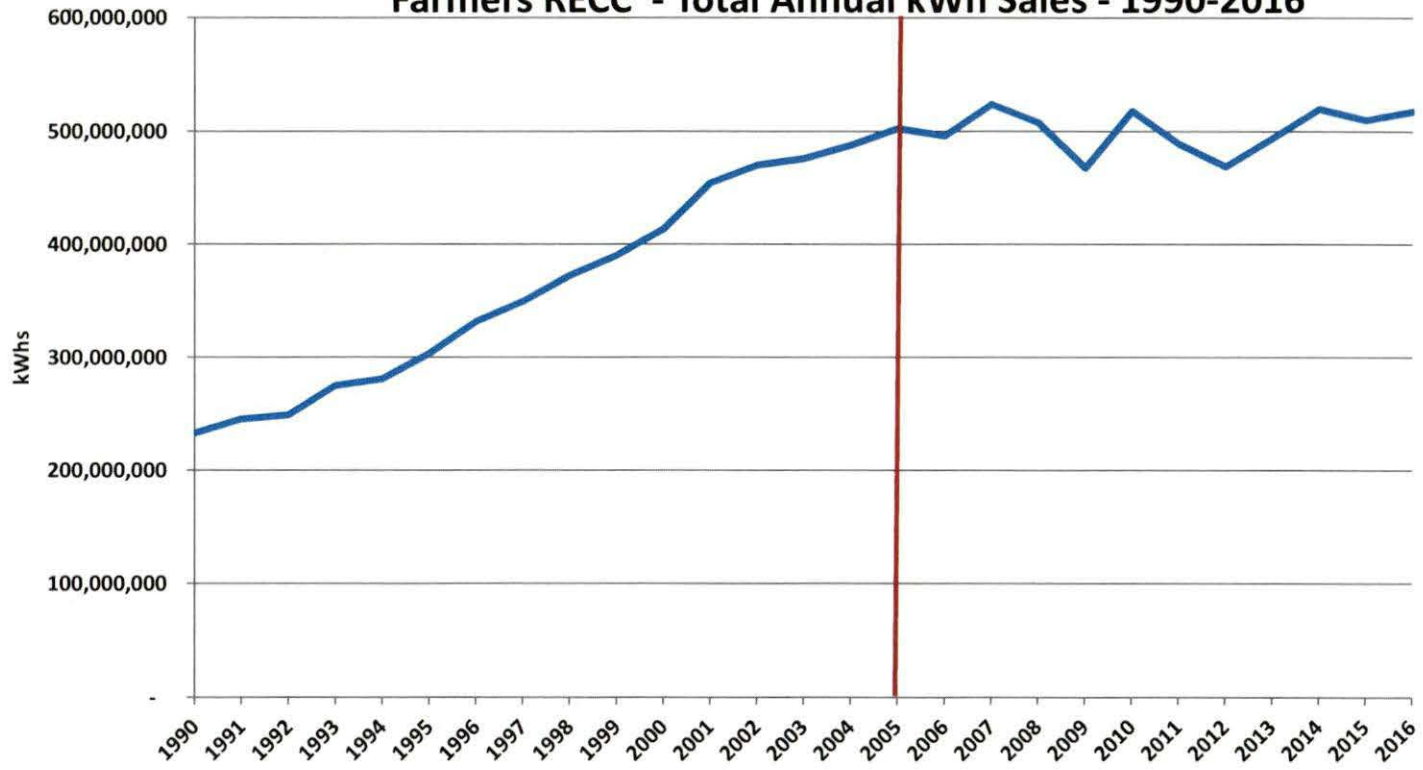
APPLICATION OF FARMERS RURAL)
ELECTRIC COOPERATIVE) CASE NO. 2016-00365
CORPORATION FOR AN INCREASE IN)
RETAIL RATES)

Informal Conference – March 15, 2017

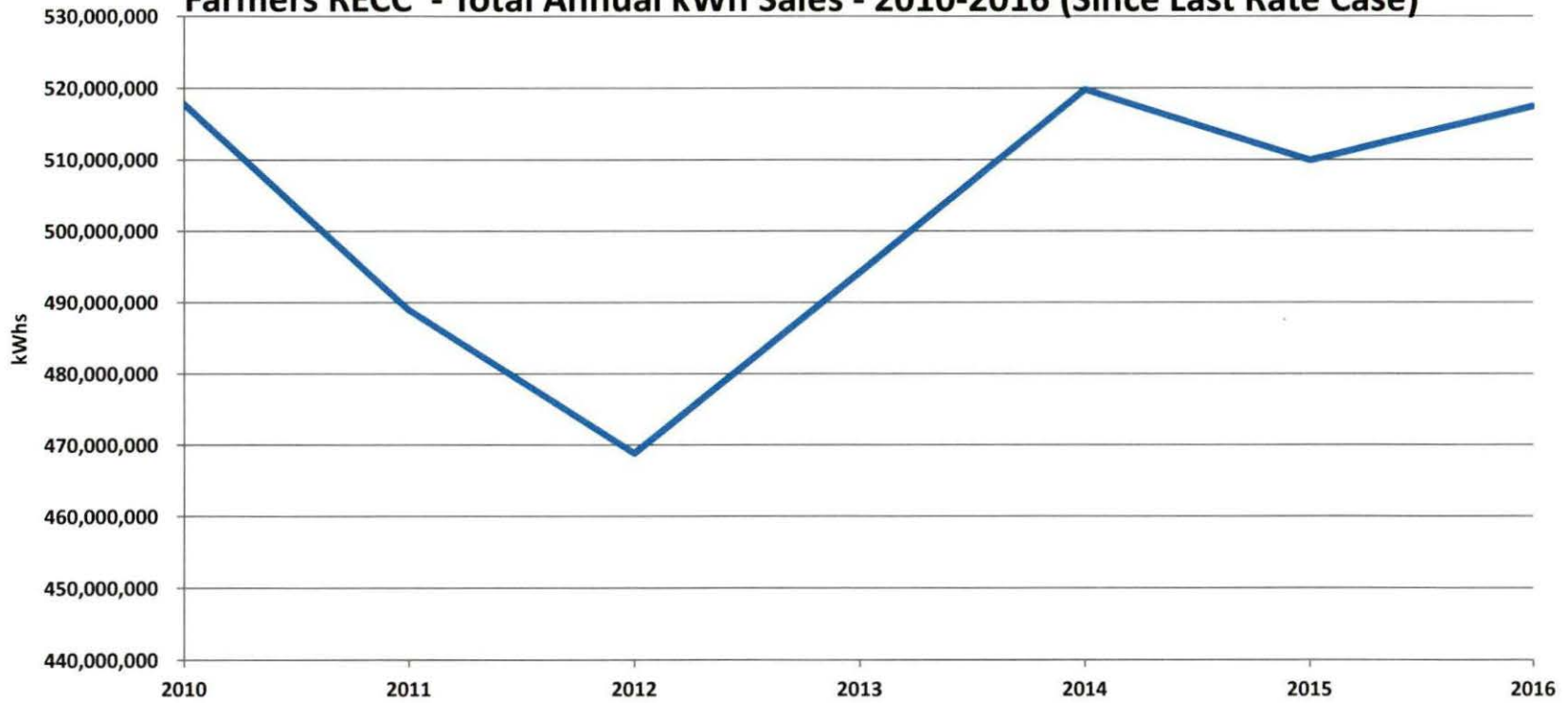
Please sign in:

NAME	REPRESENTING
John Park	PSC Legal
Jennifer Fell	PSC Legal
MaryBeth Purvis	PSC FA
Jim Livers	Psc FA
David Samford	Goss Samford - Farmers
Bill Prather	Farmers RECC
Jennie Phelps	Farmers RECC
Bob Russell	PSC
RICHARD RAFF	PSC-LEGAL
Matthew Baer	PSC -FA

Farmers RECC - Total Annual kWh Sales - 1990-2016



Farmers RECC - Total Annual kWh Sales - 2010-2016 (Since Last Rate Case)



Farmers RECC
Ratios

Note >> Year 2016 financials are based on unaudited results.

TIER		TIER (2 of 3 Yr Hi Avg)	
2013	3.50	2013	3.14
2014	3.04	2014	3.27
2015	2.41	2015	3.27
2016	2.68	2016	2.86

Pro-Forma TIER (excludes G&T capital credits)	
2013	1.92
2014	1.62
2015	1.07
2016	1.33

Operating TIER		OTIER (2 of 3 Yr Hi Avg)	
2013	1.74	2013	1.58
2014	1.46	2014	1.60
2015	0.98	2015	1.60
2016	1.16	2016	1.31

Modified DSC		MDSC (2 of 3 Yr Hi Avg)	
2013	1.62	2013	1.59
2014	1.47	2014	1.53
2015	1.17	2015	1.53
2016	1.25	2016	1.36

Equity as of % of Assets		Distribution Equity	
2013	38.90	2013	21.35
2014	39.36	2014	18.44
2015	39.54	2015	19.03
2016	40.11	2016	18.71

Equity as a % of Total Capitalization	
2013	43.54
2014	44.40
2015	44.09
2016	44.81

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