



Farmers Rural Electric Cooperative Corporation

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May 19, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

RECEIVED
MAY 22 2008
PUBLIC SERVICE
COMMISSION

Re: Case 2007-00378

Dear Ms. Stumbo;

Attached is Farmers response to the information requested in the Commission's Order dated May 1, 2008.

H. Wayne Davis is responsible for responding to questions relating to the information provided.

Sincerely;

A handwritten signature in cursive script that reads 'H. Wayne Davis'.

H. Wayne Davis
Vice President and CFO
Encl:

www.farmersrecc.com

A Touchstone Energy® Cooperative The logo for Touchstone Energy, featuring a stylized 'T' and 'E' intertwined.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 22 2008

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 PERIODS ENDING)
JUNE 30, 2007 AND DECEMBER 31, 2006, FOR)
THE TWO-YEAR BILLING PERIOD ENDING)
JUNE 30, 2007, AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)**

CASE NO. 2007-00378

**RESPONSES TO INFORMATION REQUEST
BY FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**

The undersigned, H. Wayne Davis, as Vice President and CFO of Farmers Rural Electric Cooperative Corporation (Farmers), being first duly sworn, states as responses to Requests for information herein as follows:

Request No. 1: Has your cooperative experienced any problems in administering its environmental surcharge pass through mechanism over the 2-year period under review in this case? If yes, explain in detail the nature of the problems and any suggested changes to cure the problems.

Response No. 1: Farmers has experienced a slight under-recovery of the environmental surcharge from large industrial customers, due to the pass-through allocation methodology used to bill for the surcharge at retail. East Kentucky Power Cooperative, Inc. is currently evaluating this situation, in an effort to determine if changes can be made in the pass-through mechanism which would resolve this under-recovery, but Farmers does not have a specific change to recommend, at this time.

Request No. 2: Has your cooperative received any customer complaints regarding the environmental surcharge pass through mechanism during the 2-year period under review in this case?

Response No. 2: No, not on the mechanism. However, we have received numerous inquiries, mostly residential, about why the environmental surcharge is on the bill.

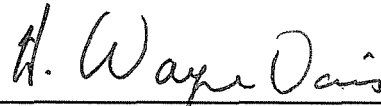
Request No. 3: Does your cooperative believe that its environmental surcharge pass through mechanism has operated reasonably over the 2-year period under review in this case?

Response No. 3: Yes.

Request No. 4: Does your cooperative have any recommended changes for its existing environmental surcharge pass through mechanism? If yes, explain in detail the nature of each change and the reasons why the change is needed.

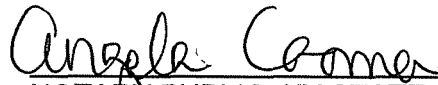
Response No. 4: As referenced in the response to Request No. 1, East Kentucky Power Cooperative, Inc. ("EKPC") has been made aware of the fact that some EKPC member systems are experiencing an under-recovery of the environmental surcharge from certain customer classes, or large customers, due to the pass-through mechanism. Since the impact of this situation varies among different member systems, EKPC is currently evaluating this issue, in an attempt to identify possible changes in the allocation methodology which would be equitable for all member systems and retail customers. It is hoped that some acceptable changes to the pass-through methodology can be developed within the next 60 days. EKPC plans to present any proposed changes to the pass-through methodology to the Commission for review at the earliest appropriate time.

I certify that the above responses to the requests for information are true and accurate to the best of my knowledge and belief formed after a reasonable inquiry.



H. Wayne Davis, Vice President & CFO
Farmers Rural Electric Cooperative Corporation

Subscribed and sworn to before me by H. Wayne Davis as Vice President and CFO of Farmers Rural Electric Cooperative Corporation this 19th day of May, 2008.



NOTARY PUBLIC, KY STATE AT LARGE
My Commission Expires: 5-2-2011



John B. Gardner.
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Cooperative Corporation
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the above Responses to Information Request was served by U. S. mail to all parties on the 19th day of May, 2008.

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