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July 15, 2008

**PARTIES OF RECORD:**

Case No. 2008-00030

Farmers Rural Electric Cooperative Corporation

Attached is a copy of the informal conference memorandum which is being filed in the record of the above-referenced case. If you wish to make any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Quang Nguyen at 502/564-3940, Extension 256.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie Stumbo".

Stephanie Stumbo  
Executive Director

QN:v

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Main Case File No. 2008-00030

**FROM:** Quang D. Nguyen, Staff Attorney

**DATE:** July 14, 2008

**RE:** Notice of Intent of Farmers Rural Electric Cooperative Corporation ("Farmers") to File an Application for an Increase in Retail Rates

Pursuant to the Commission Staff's notice of July 1, 2008, an informal conference was held at the Commission's offices on July 2, 2008. A list of the attendees is attached hereto.

The purpose of the conference was to discuss Farmers' planned base rate case application. Farmers stated that it had originally anticipated filing its rate application on June 1, 2008. However, due to delays in obtaining approval for funding from RUS, Farmers indicated that it would most likely file its rate application in September 2008. Farmers further indicated that it would prefer to draw down on its RUS loan prior to filing any rate application.

Farmers also expressed concern regarding the potential impact of East Kentucky Power Corporation, Inc.'s ("EKPC") upcoming rate application upon Farmers' rate application. Farmers said that several other EKPC distribution coops could have rate cases pending at the same time and that these coops would also likely be impacted by EKPC's rate application. Farmers provided a handout listing the potential issues. A copy of the handout is attached hereto. The potential issues raised by Farmers are primarily the result of EKPC's plans to use a forecasted test year and to significantly change its rate design, and several distribution coops' preference to use a flow-through methodology other than the proportional method. A discussion was then had on whether the distribution coops were required to use a forecasted test year if EKPC used a forecasted test year, and EKPC's potential change in rate design altering the results of any cost-of-service study for distribution coops.

There being no other questions from any party, the informal conference was adjourned.

Attachment  
cc: Parties of Record

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF INTENT OF FARMERS RURAL )  
ELECTRIC COOPERATIVE TO FILE AN ) CASE NO.  
APPLICATION FOR AN INCREASE IN RETAIL ) 2008-00030  
RATES )

SIGN IN

July 2, 2008

PERSON

REPRESENTING

Quang D. Nguyen

PSC - Legal

Loose J. Sato

PSC - Financial Analysis

Jim Adkins

Farmers RECC

WAYNE DAVIS

FARMERS RECC

BILL PRATHER

FARMERS RECC

Larry Cook

OAG

Richard Roff

PSC - Legal

Scott Ladless

PSC

Dawn McGee

PSC - FA

Dayl Newby

PSC F/A

John Regness

" "

Ginny Smith

PSC - Consumer Services

## **POTENTIAL ISSUES ON FLOW THROUGH RATE APPLICATIONS 2008**

Several potential issues exist in dealing with EKPC's upcoming rate application to be filed this fall. These issues are primarily a result of the following situations:

- EKPC plans to use a forecasted/forward test year;
- At present, EKPC is planning to change its rate design significantly;
- Several distribution coops will have their own rate cases going at the same time; and,
- Several distribution cooperatives prefer a flow through methodology different than the proportional method.

In light of the above statements, several questions do come to mind for the distribution cooperatives:

1. Do the distribution cooperatives have to use a forecasted/forward test year if EKPC uses a forecasted/forward test year? If a forecasted test year is selected, what is the data and information that needs to be filed.
2. Do distribution cooperatives have to use the proportional flow through methodology?
3. May the distribution systems use a Section 10 approach and request waivers on much of the required material?
4. What about distribution cooperatives with rate cases in process?
5. What about the impact of EKPC's potential change in rate design which could significantly alter the results of any cost of service study for distribution cooperatives.

It is believed that three alternatives may be available that could satisfy these situations:

1. Distribution cooperatives could use the proportional method if that is appropriate and feasible to them.
2. Distribution cooperatives with rate cases in process would supplement their application with the following documentation as an example:
  - Document to supplement application,
  - Impact of proposed EKPC rates on coop,

- New cost of service study
- New rate design
- Notice to members,
- Comparison of the current rates, the originally proposed rates and the newly proposed rates
- Old tariff sheets,
- Proposed tariff sheets

3. Distribution cooperatives without a rate case in process and the desire not to use the proportional method. Document to supplement application,

- Application
- Impact of proposed EKPC rates on coop,
- New cost of service study
- New rate design
- Notice to members,
- Comparison of the current rates, the originally proposed rates and the newly proposed rates
- Old tariff sheets,
- Proposed tariff sheets

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