FARMERS RECC

Farmers Rural Electric Cooperative Corporation

504 South Broadway Glasgow KY 42141 • P.O. Box 1298, Glasgow, KY 42142-1298 • (270) 651-2191 • FAX (270) 651-7332

January 12, 2009

HAND DELIVERED

RECEIVED

JAN 12 2009

PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: PSC Case No. 2008-00414

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and five copies of the responses of Farmers Rural Electric Cooperative Corporation to the Commission Staff's Initial Data Request, dated December 19, 2008.

Very truly yours,

Woodford L. Gardner, Jr.
Richardson, Gardner, Barrickman & Alexander
Attorneys at Law
117 E. Washington Street
Glasgow, KY 42141
Phone: (270) 651-8884

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION TO PASS-THROUGH AN INCREASE OF ITS WHOLESALE POWER SUPPLIER PURSUANT TO KRS 278.455(2)	)))))	CASE NO. 2008-00414

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

James C. Lamb, Jr., being duly sworn, states that he has supervised the preparation of the responses of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, 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.

James C. Lamb, Jr.

Subscribed and sworn before me on this 12th day of January, 2009.

Peggy S. Duffy
Notary Public

My Commission expires: December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION TO PASS-THROUGH AN INCREASE OF ITS WHOLESALE POWER SUPPLIER PURSUANT TO KRS 278.455(2)	)))))	**CASE NO. 2008-00414**

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF CLARK)

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of Farmers Rural Electric Cooperative Corporation to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F. Wood

Subscribed and sworn before me on this 9th day of January, 2009.

Peggy S. Duffin
Notary Public

My Commission expires: December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION TO PASS-THROUGH AN INCREASE OF ITS WHOLESALE POWER SUPPLIER PURSUANT TO KRS 278.455(2)	)))))	CASE NO. 2008-00414

RESPONSES TO COMMISSION STAFF'S INITIAL DATA REQUEST TO FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION DATED DECEMBER 19, 2008

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2008-00414
INITIAL DATA REQUEST RESPONSE

COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08
REQUEST 1
RESPONSIBLE PERSON: **Ann F. Wood**
COMPANY: **Farmers Rural Electric Cooperative Corporation**

Request 1. Provide the workpapers, spreadsheets, etc. which show the calculation of the increase, by individual wholesale rate schedule, in Farmers' cost of power from East Kentucky Power Cooperative, Inc. that Farmers is proposing to flow through to its customers. Include a brief narrative description of the data being provided.

Response 1. Please see pages 2 and 3 of this response. EKPC multiplied the projected wholesale billing units for all members for the test year by the EKPC existing rates to determine revenue before the rate increase. The revenue increase was then proportioned to EKPC rate classes in order to develop proposed rates. After the proposed wholesale rates were developed, the new rates were applied to the same projected billing units proportionally among all rate classes. These rates were then applied to the projected wholesale billing units of each member system, in order to determine their proportionate share of EKPC's revenue requirements.

Please note that the total wholesale increase of $2,948,175 shown on pages 2 and 3 of this response is higher than the $2,947,540 increase at retail shown in the pass-through application (Exhibit 3, Page 1 of 7). This difference represents a slight under recovery as a result of rounding.

EKPC
Farmers
Rate E
Option 2

Description	Billing Units	Current Rate		Pro Rata	
		Rate	Calculated Billings	Rate	Calculated Billings
Metering Point Charge					
All Customers	156	$ 125.00	$ 19,500.00	$ 138.00	$ 21,528.00
Substation charges					
Substation 1,000 - 2,999 kVa	-	$ 944.00	$ -	$ 1,041.00	$ -
Substation 3,000 - 7,499 kVa	12	$ 2,373.00	$ 28,476.00	$ 2,617.00	$ 31,404.00
Substation 7,500 - 14,999 kVa	132	$ 2,855.00	$ 376,860.00	$ 3,149.00	$ 415,668.00
Substation > 15,000 kVa	12	$ 4,605.00	$ 55,260.00	$ 5,079.00	$ 60,948.00
	156		$ 460,596.00		$ 508,020.00
Demand Charge					
All Kw	1,055,304	$ 5.22	$ 5,508,686.88	$ 5.76	$ 6,078,551.04
Energy Charge	kWh			kWh	
On-Peak (April - July)	87,732,929	$ 0.042470	$ 3,726,017.49		
Off-Peak (April - July)	65,970,423	$ 0.034904	$ 2,302,631.64		
On-Peak (Aug - March)	174,568,960	$ 0.042470	$ 7,413,943.73		
Off-Peak (Aug - March)	179,868,003	$ 0.034904	$ 6,278,112.78		
On-Peak				262,301,889	$ 0.046844 $ 12,287,269.69
Off-Peak				245,838,426	$ 0.038499 $ 9,464,533.56
	508,140,315		$ 19,720,705.65		$ 21,751,803.25
FAC		$ 0.007604	$ 3,863,898.96		$ 3,863,898.96
ES		13.62%	$ 4,027,895.38		$ 4,027,895.38
Total Billings			$ 33,601,282.86		$ 36,251,696.62
Increase/(Decrease)					$ 2,650,413.76
Percent Change					7.89%

PSC Request 1
Page 2 of 3

EKPC
Farmers
Rate C

Description		Billing Units	Current Rate Rate	Current Rate Calculated Billings	Description		Billing Units	Pro Rata Rate	Pro Rata Calculated Billings
Demand Charge					**Demand Charge**				
Billing kW		114,840	$ 6.22	$ 714,304.80	#REF!		114,840	$ 6.86	$ 787,802.40
Energy Charge	kWh				**Energy Charge**	kWh			
All kWh		65,079,389	$ 0.033455	$ 2,177,230.96	All kWh		65,079,389	$ 0.036901	$ 2,401,494.53
		65,079,389		$ 2,891,535.76					$ 3,189,296.93
			$ 0.007604	$ 494,863.67					$ 494,863.67
FAC					FAC				
ES			13.62%	$ 461,227.60	ES				$ 461,227.60
Total Billings				$ 3,847,627.04	**Total Billings**				$ 4,145,388.21
					Increase/(Decrease)				$ 297,761.17
					Percent Change				7.74%

PSC Request 1
Page 3 of 3

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2008-00414
INITIAL DATA REQUEST RESPONSE

COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08
REQUEST 2
RESPONSIBLE PERSON: **James C. Lamb, Jr./Ann F. Wood**
COMPANY: **Farmers Rural Electric Cooperative Corporation**

Request 2. Refer to Exhibit 3 of the application. The billing analysis shows various rate schedules with escalation percentages applied to the billing determinants. Explain the need for the escalation percentages and provide workpapers, spreadsheets, etc. for the calculation of the percentages, as well as a narrative explanation of how the percentages were determined.

Response 2. Since EKPC is using a forecasted test period, the increase is calculated based on projected billing determinants. In order to appropriately match retail rates to the forecasted test year used for wholesale rates, an escalation factor was used. The escalated data was applied to Residential and Small Commercial classes only due to the wide variance and unpredictable nature of the Large Commercial/Industrial class.

The Attachment shows the escalation percentages calculated by the Resource Planning Department of EKPC and the supporting calculations.

EKPC prepares a load forecast by working jointly with its member systems in preparing their individual load forecasts. Factors considered in preparing the forecasts include national, regional, and local economic performance, appliance saturations and

efficiencies, population and housing trends, service area industrial development, electric price, household income, and weather. Each member system reviews the preliminary forecast for reasonability.

The general steps followed by EKPC in developing its load forecast are summarized as follows:
EKPC subscribes to Global Insight, Inc., in order to analyze regional economic performance. Global Insight provides EKPC projections for population, employment, and income as well as other variables.

EKPC prepares a preliminary forecast for each of its member systems for each classification using monthly data as reported on the Rural Utilities Services (RUS) Form 7, which contains publicly available retail sales data for member systems. These include: residential, seasonal, small commercial, public buildings, large commercial, and other. EKPC's sales to member systems are then determined by adding distribution losses to total retail sales. Seasonal peak demands are determined by applying peak factors for heating, cooling, and water heating to energy.

The supplementary spreadsheets in the Attachment contain the data resulting from the above-described process. The growth rates for energy sales, winter peak demand, and customers are based upon the monthly forecasts for the test period.

Escalation for Farmers

Escalation - MWH - Energy	
Time Period	MWH Sales
May 2008 to April 2009	520,449
May 2009 to April 2010	525,097
Percent change	**0.9%**

Escalation - MW - Demand	
Time Period	
Winter 2009-2010	136.7
Winter 2010-2011	138.5
Percent change	**1.3%**

Escalation - Customers - Residential	
Time Period	Average Annual Customers
2009	22,322
2010	22,631
Percent change	**1.4%**

Escalation - Customers - Small Commercial	
Time Period	Average Annual Customers
2009	1,755
2010	1,797
Percent change	**2.4%**