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March 7, 2016

Mr. Jeff Derouen
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

MAR 10 2016

Public Service
Commission

Re: Case No. 2015-00281

Dear Mr. Derouen:

Enclosed for filing is the original and six (6) copies of a Supplemental Response from Farmers Rural Electric Cooperative Corporation, 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.
Richardson Gardner & Alexander
Attorney for Farmers RECC
270-651-8884 • 270-651-3662 (fax)

Attachment

cc: William T. Prather, Farmers RECC

F:\Clients\F\Farmers RECC\Derouen, Jeff ltr.03.07.16.wpd

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 SIX-MONTH BILLING PERIOD ENDING DECEMBER 31, 2014, TWO-YEAR BILLING PERIOD ENDING JUNE 30, 2015, AND THE PASS THROUGH MECHANISM FOR ITS SIXTEEN MEMBER DISTRIBUTION COOPERATIVES	)))))))	**CASE NO. 2015-00281**

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 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.

William T. Prather

COMMONWEATLH OF KENTUCKY)
)
COUNTY OF BARREN)

Subscribed and sworn to before me by William T. Prather, President & CEO of Farmers Rural Electric Cooperative Corporation this 7th day of March,, 2016.

Linda Sue Lowery
Notary Public
ID: 446566

My Commission Expires: 07-30-2019

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2015-00281
SUPPLEMENTAL RESPONSE

Response.
In the Response to Request 8 of the Commission Staff's First Request in stated case, dated September 28, 2015, Farmers RECC requested that the Commission consider and approve a 12-month amortization for Farmers RECC. Also, in the Response to Request 4 of the Commission Staff's Second Request, dated November 10, 2015, Farmers RECC, again, requested a 12-month amortization period.

After reviewing the current time table for this Case, Farmers RECC respectfully requests that the Commission consider and approve a 6-month amortization for Farmers RECC. As previously stated, Farmers RECC's sole objective in the Environmental Surcharge process is to accurately and timely recover or refund what it has paid East Kentucky Power Cooperative. In this case, Farmers RECC is obligated to refund $520,602 to our members. A 6-month amortization period would allow the refund to occur in 2016, impacting cash flow in one fiscal year. Therefore, the position change of amortization periods is a financial decision for Farmers RECC.

The over-recovery used to determine the impact on the average residential customer's monthly bill has been determined using the traditional methodology used in previous surcharge reviews. Exhibit A shows this approach using a 6-month amortization period. Please note this is the same exhibit provided in the Response to Request 4 of the Commission Staff's Second Request.

Witness: William T. Prather

Farmers Rural Electric Cooperative Corporation
Case No. 2015-00281
****Traditional Approach****

Actual Average Bill		
30 Day Monthly Usage	1,140 kwh	
Energy		$ 94.29
Customer Charge		9.35
Fuel @ ($0.00158)		(1.80)
Environmental Surcharge		
@ 13.20%		13.44 *
Local School Tax @ 3.0%		3.46
Total Bill Amount		**$ 118.74**

** See Exhibit A, Page 3 of 4*

Recovery Period of Six Months		
30 Day Monthly Usage	1,140 kwh	
Energy		$ 94.29
Customer Charge		9.35
Fuel @ ($0.00158)		(1.80)
Environmental Surcharge		
@ 10.93%		11.13 **
Local School Tax @ 3.0%		3.39
Total Bill Amount		**$ 116.36**

*** See Exhibit A, Page 4 of 4*

Notes:
- Fuel is calculated on kwh amount.
- Environmental Surcharge is calculated on energy, customer charge and fuel.
- School Tax is calculated on all charges.

Six-Month Amortization Period

Farmers RECC - Calculation of (Over)/Under

Mo/Yr	EKPC Invoice Month recorded Member's Books (1)	Billed to Retail Consumer & recorded on Member's Books (2)	Monthly (Over) or Under (3)	Cumulative (Over) or Under (4)
Jul-13	$ 466,162	$ 491,870	$ (25,708)	$ (25,708)
Aug-13	$ 432,240	$ 487,937	$ (55,697)	$ (81,405)
Sep-13	$ 369,778	$ 557,291	$ (187,513)	$ (268,918)
Oct-13	$ 329,614	$ 490,337	$ (160,723)	$ (429,640)
Nov-13	$ 441,498	$ 504,930	$ (63,432)	$ (493,072)
Dec-13	$ 541,894	$ 653,714	$ (111,820)	$ (604,892)
Jan-14	$ 570,498	$ 789,556	$ (219,058)	$ (219,058)
Feb-14	$ 355,351	$ 780,558	$ (425,207)	$ (644,265)
Mar-14	$ 164,843	$ 346,118	$ (181,275)	$ (825,540)
Apr-14	$ 262,457	$ 134,974	$ 127,483	$ (698,057)
May-14	$ 327,603	$ 250,190	$ 77,413	$ (620,645)
Jun-14	$ 454,678	$ 344,467	$ 110,211	$ (510,434)
Jul-14	$ 464,810	$ 451,799	$ 13,011	$ (497,423)
Aug-14	$ 431,176	$ 445,728	$ (14,552)	$ (511,975)
Sep-14	$ 324,377	$ 395,227	$ (70,850)	$ (582,825)
Oct-14	$ 299,695	$ 286,308	$ 13,387	$ (569,439)
Nov-14	$ 441,558	$ 371,620	$ 69,938	$ (499,501)
Dec-14	$ 503,123	$ 476,382	$ 26,741	$ (472,760)
Jan-15	$ 474,286	$ 573,772	$ (99,486)	$ (572,246)
Feb-15	$ 472,496	$ 473,270	$ (774)	$ (573,020)
Mar-15	$ 314,166	$ 427,115	$ (112,949)	$ (685,968)
Apr-15	$ 207,107	$ 266,047	$ (58,940)	$ (744,909)
May-15	$ 297,712	$ 238,725	$ 58,987	$ (685,922)
Jun-15	$ 490,737	$ 325,418	$ 165,319	$ (520,602)
Jul-15	$ 550,195	$ 482,078	$ 68,117	$ (452,485)
Aug-15	$ 427,561	$ 542,394	$ (114,833)	$ (567,318)

Cumulative 18-months (Over)/Under Recovery	(520,602)
Monthly Recovery (per month for six months)	(86,767)
Total Net (Over)/Under Recovery for 2-Year Period	(1,125,495)

Six-Month Amortization Period

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
Pass Through Mechanism Report for Farmers RECC

For the Month Ending August 2015

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Surcharge Factor Expense Month	EKPC CESF %	EKPC BESF %	EKPC MESF %	EKPC Monthly Revenues from Sales to Farmers	On-peak Revenue Adjustment	EKPC Net Monthly Sales to Farmers	EKPC 12-months Ended Average Monthly Revenue from Sales to Farmers	Farmers Revenue Requirement	Amortization of (Over)/Under Recovery	Farmers Net Revenue Revenue Requirement	Farmers Total Monthly Retail Revenues	On-Peak Retail Revenue Adjustment	Farmers Net Monthly Retail Revenues	12-months ended Avg. Retail Revenues, Net	Farmers Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col (3) x Col (7)		Col (8) + Col (9)			Col. (11) - Col. (12)		Col (10) / Col (14)
Sep-13	14.93%	0.00%	14.93%	$ 2,387,197		$ 2,387,197	$ 2,636,856	$ 393,683	$ 159,971	$ 553,654	$ 3,160,830		$ 3,160,830	$ 3,690,829	15.11%
Oct-13	16.69%	0.00%	16.69%	$ 2,207,728		$ 2,207,728	$ 2,643,104	$ 441,134	$ 159,971	$ 601,105	$ 3,341,727		$ 3,341,727	$ 3,690,743	16.29%
Nov-13	17.43%	0.00%	17.43%	$ 2,645,278		$ 2,645,278	$ 2,645,577	$ 461,124	$ 159,971	$ 621,095	$ 4,012,992		$ 4,012,992	$ 3,729,876	16.83%
Dec-13	14.54%	0.00%	14.54%	$ 3,108,968		$ 3,108,968	$ 2,666,768	$ 387,748	$ 159,971	$ 547,719	$ 4,690,507		$ 4,690,507	$ 3,762,225	14.68%
Jan-14	10.92%	0.00%	10.92%	$ 3,923,632		$ 3,923,632	$ 2,733,782	$ 298,529	$ 14,745	$ 313,274	$ 5,317,160		$ 5,317,160	$ 3,825,718	8.33%
Feb-14	5.44%	0.00%	5.44%	$ 3,254,143		$ 3,254,143	$ 2,766,522	$ 150,499	$ -	$ 150,499	$ 4,154,488		$ 4,154,488	$ 3,836,421	3.93%
Mar-14	11.62%	0.00%	11.62%	$ 3,030,176		$ 3,030,176	$ 2,777,879	$ 322,790	$ (10,054)	$ 312,736	$ 3,439,445		$ 3,439,445	$ 3,828,265	8.15%
Apr-14	13.47%	0.00%	13.47%	$ 2,258,681		$ 2,258,681	$ 2,780,485	$ 374,531	$ (10,054)	$ 364,477	$ 3,069,624		$ 3,069,624	$ 3,831,317	9.52%
May-14	15.84%	0.00%	15.84%	$ 2,432,083		$ 2,432,083	$ 2,792,716	$ 442,366	$ (10,054)	$ 432,312	$ 3,618,329		$ 3,618,329	$ 3,852,690	11.28%
Jun-14	15.67%	0.00%	15.67%	$ 2,871,288		$ 2,871,288	$ 2,798,981	$ 438,600	$ (10,054)	$ 428,546	$ 4,005,345		$ 4,005,345	$ 3,868,759	11.12%
Jul-14	14.38%	0.00%	14.38%	$ 2,965,406		$ 2,965,406	$ 2,818,790	$ 405,342	$ (10,054)	$ 395,288	$ 4,008,303		$ 4,008,303	$ 3,872,750	10.22%
Aug-14	12.62%	0.00%	12.62%	$ 2,998,459		$ 2,998,459	$ 2,840,253	$ 358,440	$ (10,054)	$ 348,386	$ 3,867,156		$ 3,867,156	$ 3,890,492	9.00%
Sep-14	13.53%	0.00%	13.53%	$ 2,570,326		$ 2,570,326	$ 2,855,514	$ 386,351	$ -	$ 386,351	$ 3,178,323		$ 3,178,323	$ 3,891,950	9.93%
Oct-14	15.57%	0.00%	15.57%	$ 2,215,033		$ 2,215,033	$ 2,856,123	$ 444,698	$ -	$ 444,698	$ 3,740,732		$ 3,740,732	$ 3,925,200	11.43%
Nov-14	16.95%	0.00%	16.95%	$ 2,835,945		$ 2,835,945	$ 2,872,012	$ 486,806	$ -	$ 486,806	$ 4,167,821		$ 4,167,821	$ 3,938,103	12.40%
Dec-14	13.88%	0.00%	13.88%	$ 2,968,291		$ 2,968,291	$ 2,860,289	$ 397,008	$ -	$ 397,008	$ 4,626,045		$ 4,626,045	$ 3,932,731	10.08%
Jan-15	13.67%	0.00%	13.67%	$ 3,417,046		$ 3,417,046	$ 2,818,073	$ 385,231	$ -	$ 385,231	$ 4,595,094		$ 4,595,094	$ 3,872,559	9.80%
Feb-15	11.49%	0.00%	11.49%	$ 3,456,440		$ 3,456,440	$ 2,834,931	$ 325,734	$ -	$ 325,734	$ 4,358,231		$ 4,358,231	$ 3,889,537	8.41%
Mar-15	10.90%	0.00%	10.90%	$ 2,734,256		$ 2,734,256	$ 2,810,271	$ 306,320	$ -	$ 306,320	$ 3,163,438		$ 3,163,438	$ 3,866,537	7.88%
Apr-15	14.44%	0.00%	14.44%	$ 1,900,065		$ 1,900,065	$ 2,780,387	$ 401,488	$ -	$ 401,488	$ 3,029,485		$ 3,029,485	$ 3,863,192	10.38%
May-15	18.09%	0.00%	18.09%	$ 2,061,720		$ 2,061,720	$ 2,749,523	$ 497,389	$ -	$ 497,389	$ 3,135,042		$ 3,135,042	$ 3,822,918	12.88%
Jun-15	18.44%	0.00%	18.44%	$ 2,712,742		$ 2,712,742	$ 2,736,311	$ 504,576	$ -	$ 504,576	$ 3,742,771		$ 3,742,771	$ 3,801,037	13.20%
Jul-15	15.91%	0.00%	15.91%	$ 2,983,706		$ 2,983,706	$ 2,737,836	$ 435,590	$ -	$ 435,590	$ 4,109,024		$ 4,109,024	$ 3,809,430	11.46%
Aug-15	16.25%	0.00%	16.25%	$ 2,687,371		$ 2,687,371	$ 2,711,912	$ 440,686	$ (50,408)	$ 390,278					10.25%

Note:
Farmers Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.

Six-Month Amortization Period

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
Pass Through Mechanism Report for Farmers RECC

For the Month Ending August 2015

Surcharge Factor Expense Month	(1) EKPC CESF %	(2) EKPC BESF %	(3) EKPC MESF %	(4) EKPC Monthly Revenues from Sales to Farmers	(5) On-peak Revenue Adjustment	(6) EKPC Net Monthly Sales to Farmers	(7) EKPC 12-months Ended Average Monthly Revenue from Sales to Farmers	(8) Farmers Revenue Requirement	(9) Amortization of (Over)/Under Recovery	(10) Farmers Net Revenue Revenue Requirement	(11) Farmers Total Monthly Retail Revenues	(12) On-Peak Retail Revenue Adjustment	(13) Farmers Net Monthly Retail Revenues	(14) 12-months ended Avg. Retail Revenues, Net	(15) Farmers Pass Through Mechanism Factor
			Col. (1) - Col. (2)			Col. (4) - Col. (5)		Col (3) x Col (7)		Col (8) + Col (9)			Col. (11) - Col. (12)		Col (10) / Col (14)
Sep-13	14.93%	0.00%	14.93%	$ 2,387,197		$ 2,387,197	$ 2,636,856	$ 393,683	$ 159,971	$ 553,654	$ 3,160,830		$ 3,160,830	$ 3,690,829	15.11%
Oct-13	16.69%	0.00%	16.69%	$ 2,207,728		$ 2,207,728	$ 2,643,104	$ 441,134	$ 159,971	$ 601,105	$ 3,341,727		$ 3,341,727	$ 3,690,743	16.29%
Nov-13	17.43%	0.00%	17.43%	$ 2,645,278		$ 2,645,278	$ 2,645,577	$ 461,124	$ 159,971	$ 621,095	$ 4,012,992		$ 4,012,992	$ 3,729,876	16.83%
Dec-13	14.54%	0.00%	14.54%	$ 3,108,968		$ 3,108,968	$ 2,666,768	$ 387,748	$ 159,971	$ 547,719	$ 4,690,507		$ 4,690,507	$ 3,762,225	14.68%
Jan-14	10.92%	0.00%	10.92%	$ 3,923,632		$ 3,923,632	$ 2,733,782	$ 298,529	$ 14,745	$ 313,274	$ 5,317,160		$ 5,317,160	$ 3,825,718	8.33%
Feb-14	5.44%	0.00%	5.44%	$ 3,254,143		$ 3,254,143	$ 2,766,522	$ 150,499	$ -	$ 150,499	$ 4,154,488		$ 4,154,488	$ 3,836,421	3.93%
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Sep-14	13.53%	0.00%	13.53%	$ 2,570,326		$ 2,570,326	$ 2,855,514	$ 386,351	$ -	$ 386,351	$ 3,178,323		$ 3,178,323	$ 3,891,950	9.93%
Oct-14	15.57%	0.00%	15.57%	$ 2,215,033		$ 2,215,033	$ 2,856,123	$ 444,698	$ -	$ 444,698	$ 3,740,732		$ 3,740,732	$ 3,925,200	11.43%
Nov-14	16.95%	0.00%	16.95%	$ 2,835,945		$ 2,835,945	$ 2,872,012	$ 486,806	$ -	$ 486,806	$ 4,167,821		$ 4,167,821	$ 3,938,103	12.40%
Dec-14	13.88%	0.00%	13.88%	$ 2,968,291		$ 2,968,291	$ 2,860,289	$ 397,008	$ -	$ 397,008	$ 4,626,045		$ 4,626,045	$ 3,932,731	10.08%
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Feb-15	11.49%	0.00%	11.49%	$ 3,456,440		$ 3,456,440	$ 2,834,931	$ 325,734	$ -	$ 325,734	$ 4,358,231		$ 4,358,231	$ 3,889,537	8.41%
Mar-15	10.90%	0.00%	10.90%	$ 2,734,256		$ 2,734,256	$ 2,810,271	$ 306,320	$ -	$ 306,320	$ 3,163,438		$ 3,163,438	$ 3,866,537	7.88%
Apr-15	14.44%	0.00%	14.44%	$ 1,900,065		$ 1,900,065	$ 2,780,387	$ 401,488	$ -	$ 401,488	$ 3,029,485		$ 3,029,485	$ 3,863,192	10.38%
May-15	18.09%	0.00%	18.09%	$ 2,061,720		$ 2,061,720	$ 2,749,523	$ 497,389	$ -	$ 497,389	$ 3,135,042		$ 3,135,042	$ 3,822,918	12.88%
Jun-15	18.44%	0.00%	18.44%	$ 2,712,742		$ 2,712,742	$ 2,736,311	$ 504,576	$ (86,767)	$ 417,809	$ 3,742,771		$ 3,742,771	$ 3,801,037	10.93% **
Jul-15	15.91%	0.00%	15.91%	$ 2,983,706		$ 2,983,706	$ 2,737,836	$ 435,590	$ -	$ 435,590	$ 4,109,024		$ 4,109,024	$ 3,809,430	11.46%
Aug-15	16.25%	0.00%	16.25%	$ 2,687,371		$ 2,687,371	$ 2,711,912	$ 440,686	$ (50,408)	$ 390,278					10.25%

Note:
Farmers Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.

Six-Month Amortization Period

EXHIBIT A