

ATTORNEYS AT LAW | PLLC

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COMMISSION

David S. Samford
(859) 368-7740
david@gosssamfordlaw.com

January 18, 2017

Ms. Talina Mathews, Ph.D.
Executor Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Application of Farmers Rural Electric Cooperative Corporation for an Adjustment of Rates, Case No. 2016-00365

Dear Dr. Mathews:

Enclosed please find for filing in the above-referenced case an original and ten copies of Farmers RECC's response to Commission Staff Second Request for Information, dated January 5, 2017. Also enclosed, please find an original and ten copies of both Farmers RECC's Motion for Confidential Treatment and Motion for an Informal Conference. Please return file-stamped copies of each of these filings to my office.

Sincerely,

A handwritten signature in blue ink, appearing to read "DS Samford".

David S. Samford

Enc.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

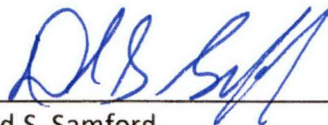
In the Matter of Adjustment of Rates
of Farmers Rural Electric Cooperative
Corporation

Case No. 2016-00365

APPLICANT'S RESPONSES TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

The applicant, Farmers Rural Electric Cooperative Corporation, makes the following responses to the "Commission Staff's Second Request for Information", as follows:

1. The witnesses who are prepared to answer questions concerning each request are William T. Prather, Jennie Phelps, James R. Adkins, Lance C. Schafer and Richard J. Macke.
2. William T. Prather, President & CEO of Farmers Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and exhibits are attached hereto and incorporated by reference herein.



David S. Samford
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KY 40504
(859) 368-7740
david@gosssamfordlaw.com

*Counsel for Farmers Rural
Electric Cooperative Corporation*

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Adjustment of Rates
of Farmers Rural Electric Cooperative
Corporation

Case No. 2016-00365

AFFIDAVIT

The undersigned, William T. Prather, as President & CEO of Farmers Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of his knowledge and belief formed after reasonable inquiry.

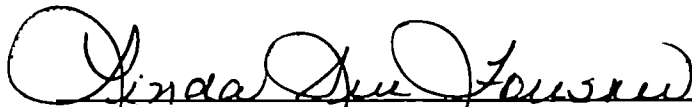
Dated: January 18, 2017

FARMERS RURAL ELECTRIC COOPERATIVE



WILLIAM T. PRATHER, PRESIDENT & CEO

Subscribed, sworn to, and acknowledged before me by William T. Prather, as President & CEO for Farmers Rural Electric Cooperative Corporation on behalf of said Corporation this 18th day of January, 2017.


Notary Public, Kentucky State At Large

ID: 446566

My Commission Expires: 07-30-19

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Adjustment of Rates
of Farmers Rural Electric Cooperative
Corporation

Case No. 2016-00365

AFFIDAVIT

The undersigned, Jennie Phelps, Vice President, Finance & Accounting of Farmers Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of her knowledge and belief formed after reasonable inquiry.

Dated: January 18, 2017

FARMERS RURAL ELECTRIC COOPERATIVE



JENNIE PHELPS

Subscribed, sworn to, and acknowledged before me by Jennie Phelps, Vice President, Finance & Accounting of Farmers Rural Electric Cooperative Corporation on behalf of said Corporation this 18th day of January, 2017.



Notary Public, Kentucky State At Large

ID: 446566

My Commission Expires: 07-30-2019

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Adjustment of Rates
of Farmers Rural Electric Cooperative
Corporation


Case No. 2016-00365

AFFIDAVIT

The undersigned, Lance C. Schafer, a Rate and Financial Analyst for Power System Engineering, Inc., being duly sworn, states that the responses herein are true and accurate to the best of his knowledge and belief formed after reasonable inquiry.

Dated: January 16, 2017

POWER SYSTEM ENGINEERING, INC



LANCE C. SCHAFER

Subscribed, sworn to, and acknowledged before me by Lance C. Schafer, a Rate and Financial Analyst for Power System Engineering, Inc. on behalf of said Corporation this 16th day of January, 2017.



Notary Public, Kentucky State At Large

ID: 543665

My Commission Expires: 11-04-2019



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Adjustment of Rates
of Farmers Rural Electric Cooperative
Corporation

Case No. 2016-00365

AFFIDAVIT

The undersigned, Richard J. Macke, Vice President, Economics, Rates & Business Planning for Power System Engineering, Inc., being duly sworn, states that the responses herein are true and accurate to the best of his knowledge and belief formed after reasonable inquiry.

Dated: January 18, 2017

POWER SYSTEM ENGINEERING, INC.


RICHARD J. MACKE

Subscribed, sworn to, and acknowledged before me by Richard J. Macke, Vice President, Economics, Rates & Business Planning for Power System Engineering, Inc. on behalf of said Corporation this 12th day of January, 2017.


Notary Public, State of Minnesota, Isanti County



ID: _____

My Commission Expires: Jan. 31, 2020

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 1.

Refer to the application, paragraph 5.a., which states in relevant part, that one of the reasons for Farmers' proposed rate adjustment is the increase in the cost of power. Confirm that Farmers' cost of power is a pass-through cost and does not affect its proposed rate adjustment.

Response 1.

Farmers' cost of power is a pass-through cost and does not affect its proposed rate.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 2.

Refer to the application, paragraph 5.c., wherein information pertaining to Farmers' 2015 test year Times Interest Earned Ratio ("TIER") and Operating Times Interest Earned Ratio ("OTIER") are discussed.

- A. Explain whether Farmers is compliant with its TIER and OTIER with respect to its mortgage covenants.
- B. Provide any correspondence that Farmers has had with respect to its TIER and OTIER mortgage covenants from January 1, 2013, through present. Consider this an ongoing request throughout this proceeding.
- C. Provide the proposed amounts of increase for each rate class and each class's contribution to TIER and OTIER before and after the proposed rate increase.
- D. For each rate class, provide the percentage return on rate base at current and proposed rates.

Response 2.

- A. Farmers is compliant with its TIER and OTIER with respect to its mortgage covenants. For the test year ending December 31, 2015, Farmers had an OTIER of 0.98. Farmers is required in its mortgage agreement to maintain at least a minimum OTIER of 1.10, based on an average of two best out of three most current years. Therefore, based on the average of year ending December 31, 2013 (OTIER – 1.74) and year ending December 31, 2014 (OTIER – 1.46), Farmers met its OTIER requirements. The same can be said for TIER.
- B. Farmers has had one correspondence with RUS regarding its OTIER mortgage covenants. The letter was received by Farmers on April 1, 2013 and it is in regards to the year ending December 31, 2012 financials. A copy of the letter and the response by Farmers is attached to this request.

Witness: Lance C. Shafer and Jennie Phelps

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 2 (continued).

- C. The proposed amounts of increase for each rate class are shown Exhibit I, Page 1 of the filing. The table below shows each class's contribution to TIER and OTIER before and after the proposed rate increase.

	Present Rates		Proposed Rates	
	OTIER	TIER ¹	OTIER	TIER
Total System	0.84	0.93	1.91	2.00
Schedule R - Residential Service	(0.08)	0.01	0.85	0.94
Schedule C - Comm. & Indust. Service Rate < 50 kW	(0.57)	(0.49)	1.05	1.13
Schedule C - Comm. & Indust. Service Rate > 50 kW	9.51	9.60	11.78	11.87
Schedule C - Time-of-Day Commercial Service	7.06	7.15	9.22	9.31
Schedule D - Large Comm/Ind Opt Time of Day Rate	2.24	2.33	4.94	5.03
Schedule E - Large Industrial Rate	8.38	8.47	10.17	10.26
Schedule LPC-2 - Large Power	13.30	13.39	15.06	15.15
Schedule LPE-4 Large Power Time of Day Rate Tariff	8.78	8.86	10.51	10.59
Schedule RM - Residential Off-Peak Marketing - ETS	(0.41)	(0.33)	4.11	4.20
Schedule CM - Small Commercial Off-Peak Marketing - ETS	(2.95)	(2.87)	3.43	3.51
Schedule OL - Outdoor Lighting Service Rate	1.73	1.82	2.36	2.45
Schedule SL - Street Lighting	1.47	1.55	1.73	1.81

¹ Non-operating margins (e.g. lender capital credits and interest income) allocated based on LT interest expense.

- D. Farmers has not requested a revenue increase or revenue requirement based on a rate of return on rate base. As such, there is no allocation of rate base to Farmer's rate class and therefore the requested information is not available.



United States Department of Agriculture
Rural Development

Response 2.B.
Page 3 of 4
Witness: Jennie
Phelps

MAR 29 2013

Mr. William T. Prather
President/CEO
Farmers Rural Electric Cooperative
Corporation
P. O. Box 1298
Glasgow, Kentucky 42142-1298

Dear Mr. Prather:

We have completed our review of Farmers Rural Electric Cooperative Corporation's Form 7, Financial and Statistical Report, for the year ending December 31, 2012. While we are pleased to note that your cooperative has exceeded the minimum financial coverage ratios outlined in Article V, Section 5.4 (b) of the Loan Contract, we are concerned that the Operating Times Interest Earned Ratio (OTIER) has declined over the last several years and that, should this trend continue, an adequate ratio will not be achieved.

Please let us know what areas have had an adverse effect on your cooperative's financial condition and outline any corrective measures that have been or will be implemented to improve this declining ratio. Please include the projected Times Interest Earned Ratio (TIER), OTIER, Debt Service Coverage (DSC), and Operating Debt Service Coverage (ODSC) for the year ending December 31, 2013.

Sincerely,

BRIAN D. JENKINS
Chief, Operations Branch
Northern Regional Division
Electric Programs

1400 Independence Ave, S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).



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

Response 2.B.
Page 4 of 4
Witness:

Jennie Phelps

April 22, 2013

Mr. Brian D. Jenkins
Chief, Operations Branch
Northern Regional Division – Electric Programs
1400 Independence Ave., S.W.
Washington, D.C. 20250-0700

Dear Mr. Jenkins,

In response to your letter, Farmers RECC will address your questions regarding the financial condition of the Cooperative.

The year ending 2012 was challenging in terms of managing our operations in an environment of a sluggish economy, low growth, increasing costs, and mild weather. Over an 8-year timeframe, from 2005 to 2012, the average number of members billed has increased only by 1.25%, while kWh sold per member has declined 2.97%. Residential and small commercial sales account for 81.43% of our operating revenues. These accounts are very weather dependent. Farmers RECC is typically a winter peaking system. However, for the first quarter of 2012, temperatures averaged 49 degrees, which was 8 degrees warmer than the first quarter of 2011. Farmers RECC reduced operational expenses, where possible, to maintain financial strength. However, in accordance with our strategic plan, we continued our right-of-way circuit work trimming in order to help substantially improve our overall reliability.

Farmers RECC was very conservative in our predictions for 2013. Currently, our 2013 budget projects a TIER of 2.31, Operating TIER of 1.18, Debt Service Coverage ratio of 2.15, and an Operating Debt Service Coverage ratio of 1.48. These values were based on the same weather pattern as the year ending 2012. However, as of March 31, 2013, margins are \$737,342 higher than projected. This is due to operating revenues being \$1,185,082 or 8.96% greater than budgeted. Average temperatures for the first quarter of 2013 were 8 degrees colder than the same 2012 period. Also, March was one of the coolest on record. Our margins have increased while continuing our right-of-way program and monitoring all other expenses.

Please let me know if you have any additional questions.

Sincerely,

Jennie Gibson Phelps
Vice President, Finance & Accounting

Enclosure

www.farmersrecc.com

A Touchstone Energy® Cooperative

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 3.

Refer to the application, paragraph 17, which states that Farmers' determination of its revenue requirement based on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, with supporting schedules, is shown in Exhibit J. Also refer to the response to Commission Staff's First Request for Information ("Staff's First Request"), Items 2 and 3. Provide the other information referenced in the paragraph 17 of the application for 2016 when it becomes available.

Response 3.

The requested information will be provided for 2016 when it becomes available.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 4.

Refer to the application, paragraph 23, wherein Farmers states that it has never completed a depreciation study.

- A. Explain why Farmers has never had a depreciation study performed.
- B. Explain how Farmers determined its current depreciation rates.
- C. State when Farmers implemented its current depreciation rates.

Response 4.

- A. Farmers management has internally reviewed and discussed the eventual completion of a depreciation study, but has not performed one to date.

The primary reason for not completing a depreciation study to date has been management's opinion that the current depreciation rates adequately represent the depreciation of the Cooperative's distribution plant. This opinion has been based on the historically low growth in the demand for new distribution plant and the replacement of existing plant. Farmers does not serve a historically fast growing service area and as such, has not been faced with the premature retirement and rebuilding of plant that more rapid growth typically requires. The system has been primarily a stable, low growth residential system. This has resulted in most of the distribution plant remaining in service for its full and useful life. Calculation and plotting of the Cooperative's depreciation reserve ratio to the ratio of current distribution plant in service on the traditional RUS Depreciation Guideline Curves indicates the Cooperative is in an acceptable and appropriate range for its rates.

- B. Farmers has historically utilized the RUS recommended range of depreciation rates.
- C. Farmers' management is not aware of any other rates having been in effect other than the current distribution plant rates.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 5.

Refer to the Application, Exhibit D. This Exhibit lists changes in rates for a Fluorescent 40-Watt, 16-kWh light, a 150-W HPS, 63-kWh light and a Metal Halide 175-Watt, 70-kWh light. Provide the Sheet number of Farmers' Commission-authorized tariff in which these charges appear.

Response 5.

These charges do not appear in the Commission-authorized tariffs for Farmers RECC. Upon review, it appears these units were installed on Farmers system in the mid to late 1990s at the special request of a small number of members (municipalities). These units have been billed at the proper and approved tariff energy rates since originally installed. Farmers has not offered these types of units for street lighting applications during the regular course of business. Current management was unaware of the existence of these units being billed under the terms of this tariff prior to this case filing, otherwise the tariff would have been previously updated and filed with the Commission. Farmers' current and past practice, outside these old and isolated incidents of the past, is to decline member requests for special, non-tariffed lamps.

Farmers proposes to remedy this situation by: 1) submitting a new Schedule SL tariff sheet which includes these lamps at the normal energy rate and rating; and 2) continuing the practice of declining member requests for special, non-tariffed lamps.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 6.

Refer to the Application, Schedule F, page 1 of 74, line 4, column (c), wherein the actual total operating revenues amount of \$49,472,781 is listed. Also refer to the application, Exhibit M, page 7 of 31, column 2015, Operating Revenue line, wherein the amount of operating revenue is listed as \$51,899,243.

- A. Explain the discrepancy between the schedules in the amount of total operating revenues.
- B. Provide a detailed breakdown of all operating revenues listed in each schedule.

Response 6.

- A. The Application, Exhibit M, Page 7 of 31, is the independent auditor's report, which includes operating revenues from Farmers RECC and its subsidiary, Farmers Energy Propane Plus. \$49,472,781 is the total operating revenue for Farmers RECC only. The Application, Exhibit M, Page 24 of 31, shows the breakdown between the two entities. The schedule is also attached to this response.
- B. The Application, Exhibit M, Page 24 of 31, shows the breakdown between Farmers RECC and its subsidiary, Farmers Energy Propane Plus. The schedule is also attached to this response.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY
 SCHEDULE II – CONSOLIDATING STATEMENT OF REVENUE
 For the Year Ended December 31, 2015

	Farmers Rural Electric Cooperative Corporation, Inc.	Farmers Energy Services Corporation	Farmers Energy Propane Plus	Consolidating Entries	Consolidated Totals
Operating revenues	\$ 49,472,781	\$ -	\$ 2,426,462	\$ -	\$ 51,899,243
Operating expenses:					
Cost of purchases	36,226,866	-	1,218,729	-	37,445,395
Distribution - operations	1,740,525	-	343,365	-	2,083,890
Distribution - maintenance	2,969,616	-	-	-	2,969,616
Consumer accounts	1,108,315	-	-	-	1,108,315
Customer services and informational expense	121,986	-	-	-	121,986
Administrative and general	2,147,127	6,121	536,748	-	2,689,996
Depreciation	2,744,248	-	173,911	-	2,918,159
Taxes	662,286	115,591	46,239	-	824,116
Total operating expenses	47,720,769	121,712	2,318,992	-	50,161,473
Operating margins	1,752,012	(121,712)	107,470	-	1,737,770
Interest on long-term debt to RUS and CFC	\$ 1,769,176	-	-	-	1,769,176
Operating margins after fixed charges	(17,164)	(121,712)	107,470	-	(31,406)
G & T and other capital credits	\$ 2,471,313	-	-	-	2,471,313
Net operating margins	2,454,149	(121,712)	107,470	-	2,439,907
Nonoperating margins:					
Interest income, net of interest expense of \$11,144	40,894	120	-	-	41,014
Other net nonoperating income (loss)	11,543	-	-	-	11,543
Income (loss) from equity investments	(12,108)	107,470	-	(93,348)	2,014
	40,329	107,590	-	(93,348)	54,571
Net margins	\$ 2,494,478	\$ (14,122)	\$ 107,470	\$ (93,348)	\$ 2,494,478

Response 6
Page 2 of 2
 Witness:
Jennie Phelps

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 7.

Refer to the Application, Schedule F, Page 39 of 74. Explain why \$13,411 of depreciation expense for GP account 392 is being allocated to Construction and Retirement WIP for transportation equipment.

Response 7.

Transportation costs are allocated to various accounts based on the vehicle use reported by employees on their daily time sheets. Transportation costs allocated to construction and retirement WIP would include vehicle utilization for construction and retirement jobs.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 8.

Refer to the Application, Exhibit G, the Direct Testimony of William T. Prather ("Prather Testimony"), Pages 2 and 3, which discuss the primary increases in costs, including the cost of the vegetation management plan.

- A. Does Farmers have a vegetation management plan? If so, provide a copy.
- B. Provide a five-year history through 2015 showing breakdown of all costs incurred in Farmers' vegetation management program.
- C. Identify and explain what adjustments were made in the test year, if any, for vegetation management expenses and capital expenditures.
- D. Provide a schedule showing the breakdown of the 2016 vegetation management expenditures when it becomes available.
- E. Also refer to the response to Staff's First Request, Item 8.C., regarding initiatives taken for cost savings and energy efficiency, specifically, the reduction in system average interruption duration index ("SAIDI") and average restoration time ("CAIDI"). Provide Farmers' SAIDI and CADI for the years 2011 through 2015, and for 2016 when it becomes available.

Response 8.

- A. A copy of the vegetation management plan is attached to this response (pages 2 – 4).
- B. A schedule of the five-year history from 2011 through 2015 is attached to this response (page 5).
- C. No adjustments were made to the test year for additional vegetation management expenditures.
- D. The data for 2016 will be submitted when it becomes available.
- E. Schedules showing the SAIDI and CADI for the years of 2011 through 2016 are attached to this response (page 6 – 11).



Farmers RECC Vegetation Management Strategy

Farmers RECC System Description

Farmers RECC provides electric service to approximately 25,000 members through a system that is comprised of about 3,350 miles of primary overhead distribution line. Farmers RECC implements a vegetation management program as a primary means of helping to ensure system safety and reliability.

The Farmers RECC right-of-way (ROW) vegetation management program consist of the following components:

- **ROW side pruning** - contract conducted under a competitive bidding system
- **ROW mowing and herbicide treatment** - contract conducted under a competitive bid process
- **On ROW tree removal and pruning** - contract based on a tree diameter
- **Off ROW tree removal (Risk Tree Assessments)** – contract based on tree diameter
- **Customer ticket and work order pruning crews** - work performed on an hourly cost basis

Farmers RECC Vegetation Management Program Overview

- **Circuit Maintenance Goals**
 - **Circuit Maintenance (ROW Side Pruning)** – The goal is to achieve a six-year vegetation maintenance cycle on a full circuit basis. Achieving this goal is imperative to reduce costly “hot spot” trimming and result in reliability improvement over the entire system. A six-year cycle results in annual maintenance of approximately 558 miles per year. This work normally includes mechanical trimming of trees along the edge of the ROW, and pruning of yard trees from aerial lift equipment. Based on historical contracts, the 2017 price per circuit mile pruned should be approximately \$2,300 per mile. Using this pricing, the 2017 cost of planned circuit maintenance of 558 miles will be approximately \$1,283,400.
- **ROW Floor Maintenance Goals**
 - **Mowing / manual cutting** –The goal is to eliminate tall-growing trees from the ROW floor to keep trees from growing into the lines from underneath and to maintain access. Where tall growing trees had not been controlled with herbicides, mowing (or hand cutting if they are too large to mow) is an effective means of regaining control of vegetation on the ROW. However, mowing is only a short-term solution since trees grow back rapidly after mowing. Currently the cost of mowing is included as part of the cyclic circuit maintenance and is included in the circuit bid price. Consistent use of herbicides should reduce the future need for mowing and the associated expense.
 - **Herbicide Treatment** – The goal is to transform the ROW floor from a woodland to more of a meadow through long-term control of all tall-growing tree species on the ROW that would otherwise grow into lines and obstruct access. This work is conducted



Farmers RECC Vegetation Management Strategy

as a separate operation and bid to contractors that specialize in herbicide application. Currently, herbicide application takes place the year after a ROW has been side-pruned and/or mowed. The plan is to re-treat every ROW approximately every two-three years, following an integrated vegetation management (IVM) evaluation process. With each subsequent treatment with herbicides the stem count becomes lower, the amount of herbicide used is reduced and the cost per acre treated declines. Through the use of herbicides, tall growing trees can be eliminated from within the ROW, eliminating the need for mowing in the future and lowering overall ROW maintenance costs. The estimated 2017 cost of herbicide treatment is \$150,000.

- **Yard Trees / Trapped Trees** – The goal is to remove tall-growing yard trees located under multi-phase lines to maintain reliable service and reduce long-term maintenance costs. Yard trees growing under lines often require frequent and costly re-pruning. Removal of such trees is undertaken as part of the cyclic circuit maintenance and is priced based on the diameter of the tree to be removed. All removals must be pre-approved by a representative of Farmers RECC before removal by the contractor. Due to the increased attention to removing these incompatible trees, an estimated cost of \$500 per mile for removals will be added to the routine maintenance costs. The total 2017 estimated tree removal cost is \$279,000.

- **Farmers Annual Vegetation Maintenance Budget Requirements**

Based on the goal of a six-year maintenance cycle, herbicide treatment, tree removal, and selective “hot spot” trimming on Member Request Tickets, the targeted 2017 vegetation maintenance budget, exclusive of management costs is:

Circuit maintenance	\$1,283,400
Tree Removals	\$279,000
Herbicide Maintenance	\$150,000
Member Request Tickets	\$175,000
TOTAL Annual ROW Maintenance Budget	\$1,887,400



Farmers RECC Vegetation Management Strategy

Basis for Farmers RECC ROW Vegetation Maintenance Cycle Goals

- **Circuit Maintenance (ROW Side Pruning)**

Based on observation of results on Farmers RECC ROW, after about six years, trees along the edge of the ROW begin to show evidence of contact with the conductors. ECI has also conducted studies of tree regrowth for other utilities in Kentucky that confirms that a six-year cycle is suitable for 15 feet of clearance to conductors as illustrated in Figure 1 for 12 common tree species in Kentucky.

Farmers RECC is able to maintain relatively low costs per mile through the use of mechanical trimming methods. As trees begin to grow into and over conductors, mechanical trimming is no longer practical due to outage and safety risks. Consequently, cycle extension beyond six years threatens the cost advantage of mechanical trimming and is counterproductive. The annual cost of a 6-year cycle is about 17 percent more than a 7-year cycle, but the additional cost of manual pruning compared to mechanical pruning is over 17 percent.

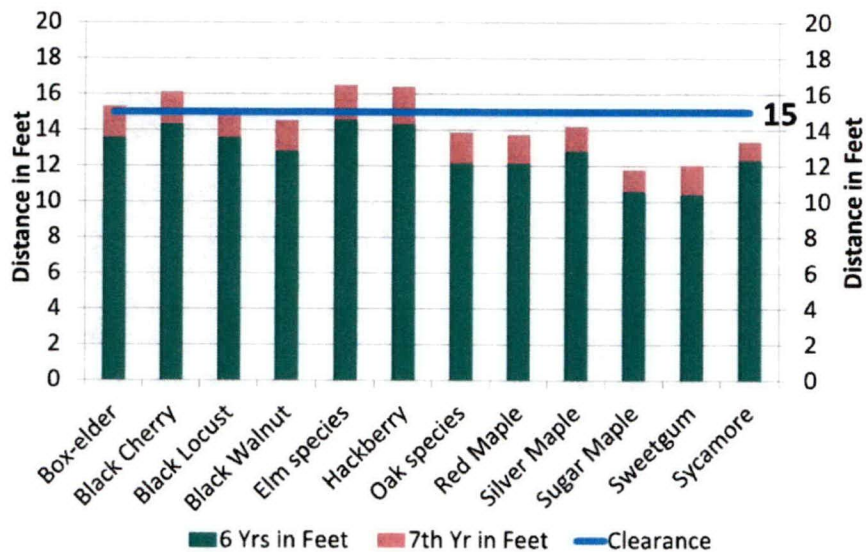


Figure 1. Cycle Length and Tree Regrowth After Side Pruning in Kentucky for 12 Common Trees

**Farmers RECC
History of R-O-W Expenses**

Year:	2010	2011	2012	2013	2014	2015
Circuit & Hourly Work	952,754	875,658	638,989	1,345,506	847,120	828,661
New Construction	13,976	33,748	31,655	55,931	185,031	73,808
Herbicide	-	76,198	61,685	64,656	62,946	77,165
TOTAL	\$ 966,731	\$ 985,604	\$ 732,328	\$ 1,466,093	\$ 1,095,097	\$ 979,634

Response 8.B.
Page 5 of 11
Witness: W. Prather

Electric Distribution Utility Annual Reliability Report

Response S.E.
Page 6 of 11
Witness: W. Prather

SECTION 1: CONTACT INFORMATION

UTILITY NAME	1.1	<u>FARMERS RURAL ELECTRIC COOP</u>
REPORT PREPARED BY	1.2	<u>TONY WELLS</u>
E-MAIL ADDRESS OF PREPARER	1.3	<u>twells@farmersrecc.com</u>
PHONE NUMBER OF PREPARER	1.4	<u>(270) 651-2191</u>

SECTION 2: REPORT YEAR

CALENDAR YEAR OF REPORT	2.1	<u>2011</u>
-------------------------	-----	-------------

SECTION 3: MAJOR EVENT DAYS

T_{MED}	3.1	<u>23.95</u>
FIRST DATE USED TO DETERMINE T_{MED}	3.2	<u>1/1/2006</u>
LAST DATE USED TO DETERMINE T_{MED}	3.3	<u>12/31/2010</u>
NUMBER OF MED IN REPORT YEAR	3.4	<u>1</u>

NOTE: Per IEEE 1366 T_{MED} should be calculated using the daily SAIDI values for the five prior years. If

SECTION 4: SYSTEM RELIABILITY RESULTS

Excluding MED

SAIDI	4.1	<u>210</u>
SAIFI	4.2	<u>1.93</u>
CAIDI	4.3	<u>109</u>

Including MED (Optional)

SAIDI	4.4	<u>248</u>
SAIFI	4.5	<u>1.94</u>
CAIDI	4.6	<u>128</u>

Notes:

- 1) All duration indices (SAIDI, CAIDI) are to be reported in units of minutes.
 - 2) Reports are due on the first business day of April of each year
 - 3) Reports cover the calendar year ending in the December before the reports are due.
 - 4) IEEE 1366 (latest version) is used to define SAIDI, SAIFI, CAIDI, and T_{MED}
-

Electric Distribution Utility Annual Reliability Report

Response B.E.
Page 7 of 11
Witness: W Prather

SECTION 1: CONTACT INFORMATION

UTILITY NAME	1.1	<u>FARMERS RURAL ELECTRIC COOP</u>
REPORT PREPARED BY	1.2	<u>TONY WELLS</u>
E-MAIL ADDRESS OF PREPARER	1.3	<u>twells@farmersrecc.com</u>
PHONE NUMBER OF PREPARER	1.4	<u>(270) 651-2191</u>

SECTION 2: REPORT YEAR

CALENDAR YEAR OF REPORT	2.1	<u>2012</u>
-------------------------	-----	-------------

SECTION 3: MAJOR EVENT DAYS

T_{MED}	3.1	<u>25.47</u>
FIRST DATE USED TO DETERMINE T_{MED}	3.2	<u>1/1/2007</u>
LAST DATE USED TO DETERMINE T_{MED}	3.3	<u>12/31/2011</u>
NUMBER OF MED IN REPORT YEAR	3.4	<u>1</u>

NOTE: Per IEEE 1366 T_{MED} should be calculated using the daily SAIDI values for the five prior years. If

SECTION 4: SYSTEM RELIABILITY RESULTS

Excluding MED

SAIDI	4.1	<u>167</u>
SAIFI	4.2	<u>1.37</u>
CAIDI	4.3	<u>115</u>

Including MED (Optional)

SAIDI	4.4	<u>232</u>
SAIFI	4.5	<u>1.71</u>
CAIDI	4.6	<u>136</u>

Notes:

- 1) All duration indices (SAIDI, CAIDI) are to be reported in units of minutes.
 - 2) Reports are due on the first business day of April of each year
 - 3) Reports cover the calendar year ending in the December before the reports are due.
 - 4) IEEE 1366 (latest version) is used to define SAIDI, SAIFI, CAIDI, and T_{MED}
-

Electric Distribution Utility Annual Reliability Report

Response B.E.
Page 8 of 11
Witness: W Prather

SECTION 1: CONTACT INFORMATION

UTILITY NAME	Farners Rural Electric Cooperative
REPORT PREPARED BY	Tony Wells
E-MAIL ADDRESS OF PREPARER	twells@farmersrecc.com
PHONE NUMBER OF PREPARER	270-651-2191 Ext 8200

SECTION 2: REPORT YEAR

CALENDAR YEAR OF REPORT	2013
-------------------------	------

SECTION 3: MAJOR EVENT DAYS

T_{MED}	30.29
FIRST DATE USED TO DETERMINE T_{MED}	5/1/2010
LAST DATE USED TO DETERMINE T_{MED}	12/31/2012
NUMBER OF MED IN REPORT YEAR	2

NOTE: Per IEEE 1366 T_{MED} should be calculated using the daily SAIDI values for the five prior years. If

SECTION 4: SYSTEM RELIABILITY INFORMATION AND RESULTS

System-wide Information

TOTAL CUSTOMERS	24257	TOTAL CIRCUITS	57
-----------------	-------	----------------	----

Excluding MED

	5 YEAR AVERAGE		REPORTING YEAR
SAIDI	230.54	SAIDI	176.9
SAIFI	2.01	SAIFI	1.8
CAIDI	114.70	CAIDI	98.28

Including MED

	5 YEAR AVERAGE		REPORTING YEAR
SAIDI	279.39	SAIDI	295.65
SAIFI	2.26	SAIFI	2.44
CAIDI	123.62	CAIDI	121.17

Notes:

- 1) All duration indices (SAIDI, CAIDI) are to be reported in units of minutes.
- 2) Reports are due on the first business day of May of each year
- 3) Reports cover the calendar year ending in the December before the reports are due.
- 4) IEEE 1366 (latest version) is used to define SAIDI, SAIFI, CAIDI, and T_{MED}

Electric Distribution Utility Annual Reliability Report

Response 8.E.
Page 9 of 11
Witness: W. Prather

SECTION 1: CONTACT INFORMATION

UTILITY NAME	Farmers Rural Electric Cooperative
REPORT PREPARED BY	Tony Wells
E-MAIL ADDRESS OF PREPARER	<u>twells@farmersrecc.com</u>
PHONE NUMBER OF PREPARER	270-651-2191 Ext 8200

SECTION 2: REPORT YEAR

CALENDAR YEAR OF REPORT	2014
-------------------------	------

SECTION 3: MAJOR EVENT DAYS

T_{MED}	26.54
FIRST DATE USED TO DETERMINE T_{MED}	5/1/2010
LAST DATE USED TO DETERMINE T_{MED}	12/31/2013
NUMBER OF MED IN REPORT YEAR	0

NOTE: Per IEEE 1366 T_{MED} should be calculated using the daily SAIDI values for the five prior years. If

SECTION 4: SYSTEM RELIABILITY INFORMATION AND RESULTS

System-wide Information

TOTAL CUSTOMERS	24318	TOTAL CIRCUITS	59
-----------------	-------	----------------	----

Excluding MED

5 YEAR AVERAGE		REPORTING YEAR	
SAIDI	211.68	SAIDI	126.1
SAIFI	1.86	SAIFI	1.24
CAIDI	113.81	CAIDI	101.69

Including MED

5 YEAR AVERAGE		REPORTING YEAR	
SAIDI	256.3	SAIDI	126.1
SAIFI	2.05	SAIFI	1.24
CAIDI	125.02	CAIDI	101.69

Notes:

- 1) All duration indices (SAIDI, CAIDI) are to be reported in units of minutes.
- 2) Reports are due on the first business day of May of each year
- 3) Reports cover the calendar year ending in the December before the reports are due.
- 4) IEEE 1366 (latest version) is used to define SAIDI, SAIFI, CAIDI, and T_{MED}

Electric Distribution Utility Annual Reliability Report

Response 8.E.
Page 10 of 11
Witness: W Prather

SECTION 1: CONTACT INFORMATION

UTILITY NAME	Farners Rural Electric Cooperative
REPORT PREPARED BY	Tony Wells
E-MAIL ADDRESS OF PREPARER	<u>twells@farmersrecc.com</u>
PHONE NUMBER OF PREPARER	270-651-2191 Ext 8200

SECTION 2: REPORT YEAR

CALENDAR YEAR OF REPORT	2015
-------------------------	------

SECTION 3: MAJOR EVENT DAYS

T_{MED}	20.9
FIRST DATE USED TO DETERMINE T_{MED}	5/1/2010
LAST DATE USED TO DETERMINE T_{MED}	12/31/2014
NUMBER OF MED IN REPORT YEAR	1

NOTE: Per IEEE 1366 T_{MED} should be calculated using the daily SAIDI values for the five prior years. If

SECTION 4: SYSTEM RELIABILITY INFORMATION AND RESULTS

System-wide Information

TOTAL CUSTOMERS	24192	TOTAL CIRCUITS	59
-----------------	-------	----------------	----

Excluding MED

5 YEAR AVERAGE		REPORTING YEAR	
SAIDI	213.52	SAIDI	149.66
SAIFI	1.9	SAIFI	1.67
CAIDI	112.38	CAIDI	89.62

Including MED

5 YEAR AVERAGE		REPORTING YEAR	
SAIDI	254.66	SAIDI	175.11
SAIFI	2.1	SAIFI	2.17
CAIDI	121.27	CAIDI	80.70

Notes:

- 1) All duration indices (SAIDI, CAIDI) are to be reported in units of minutes.
- 2) Reports are due on the first business day of May of each year
- 3) Reports cover the calendar year ending in the December before the reports are due.
- 4) IEEE 1366 (latest version) is used to define SAIDI, SAIFI, CAIDI, and T_{MED}

Electric Distribution Utility Annual Reliability Report

Response 8.E.
Page 11 of 11
Witness: W Prather

SECTION 1: CONTACT INFORMATION

UTILITY NAME	Farners Rural Electric Cooperative
REPORT PREPARED BY	Tony Wells
E-MAIL ADDRESS OF PREPARER	<u>twells@farmersrecc.com</u>
PHONE NUMBER OF PREPARER	270-651-2191 Ext 8200

SECTION 2: REPORT YEAR

CALENDAR YEAR OF REPORT	2016
-------------------------	------

SECTION 3: MAJOR EVENT DAYS

T_{MED}	16.7
FIRST DATE USED TO DETERMINE T_{MED}	1/1/2011
LAST DATE USED TO DETERMINE T_{MED}	12/31/2015
NUMBER OF MED IN REPORT YEAR	1

NOTE: Per IEEE 1366 T_{MED} should be calculated using the daily SAIDI values for the five prior years. If

SECTION 4: SYSTEM RELIABILITY INFORMATION AND RESULTS

System-wide Information

TOTAL CUSTOMERS	24300	TOTAL CIRCUITS	59
-----------------	-------	----------------	----

Excluding MED

5 YEAR AVERAGE		REPORTING YEAR	
SAIDI		SAIDI	206.33
SAIFI		SAIFI	2.23
CAIDI		CAIDI	92.52

Including MED

5 YEAR AVERAGE		REPORTING YEAR	
SAIDI		SAIDI	229.88
SAIFI		SAIFI	2.39
CAIDI		CAIDI	96.18

Notes:

- 1) All duration indices (SAIDI, CAIDI) are to be reported in units of minutes.
- 2) Reports are due on the first business day of May of each year
- 3) Reports cover the calendar year ending in the December before the reports are due.
- 4) IEEE 1366 (latest version) is used to define SAIDI, SAIFI, CAIDI, and T_{MED}

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 9.

Refer to the Prather Testimony, at page 4, regarding the voluntary prepay option to fund obligations of the National Rural Electric Cooperative Association Retirement and Security Defined Benefit Plan ("NRECA R&S Plan").

- A. What was the amount of Farmers' prepayment to the NRECA R&S Plan?
- B. How was the prepayment treated for accounting purposes?
- C. State whether the prepay option was available in 2014 or 2015, and if so, why Farmers did not participate in those years.

Response 9.

- A. The amount of Farmers' prepayment to the NRECA R&S Plan was \$1,870,578, made on March 29, 2013.
- B. Rural Utilities Services (RUS) issued a letter on February 14, 2013 stating the accounting treatment of the prepayment. A copy of the letter is attached to this response. Farmers followed the guidelines of the letter. The amount is recorded as a long term prepayment in Account 186, Miscellaneous Deferred Debits. The prepaid expense is amortized to Account 926.10, Employee Benefits, over a period of 15 years. The financing of the prepayment amount is included in interest expense.
- C. The prepayment was a one-time option and therefore not available in 2014 or 2015.



United States Department of Agriculture
Rural Development

Response 9.B.
Page 2 of 3
Witness: William
Prather

February 14, 2013

To: All Electric Program Borrowers

Subject: NRECA Retirement Security Pension Plan Prepayments

RUS has received numerous calls from borrowers with regards to the opportunity for prepayment of their NRECA Retirement Security Pension Plan (R&S Plan). Specifically, NRECA is offering an option to prepay a portion of future defined benefit R&S Plan contributions. The prepayment option allows members to prepay contributions in exchange for lower future R&S Plan billing rates.

As part of an effort to be proactive to borrower needs and providing improved customer service, Electric Program staff undertook an immediate review of the changes. Staff has held numerous discussions with the RUS Program Accounting Services Division and has prepared the following accounting guidance for our borrowers who choose to participate in this prepayment opportunity.

For accounting purposes, since the payments are voluntary prepayments of the pension costs and have a future benefit, the amounts shall be recorded as a long term prepayment in Account 186, Miscellaneous Deferred Debits, of the RUS Electric Uniform System of Accounts, 7 CFR 1767 (USOA). This prepaid expense shall be amortized to Account 926, Employee Pensions and Benefits, over a ten year period which represents the remaining service lives of all plan participants. Or as an alternative, entities may calculate the amortization period by subtracting the coop's average age of its workforce as provided by NRECA from the coop's normal retirement age (per its plan definition) up to a maximum of 20 years. If an entity chooses to finance its prepayment, interest expense shall be recorded as such in the year incurred as required by the USOA.

We consider the annual pension contribution reductions resulting from the voluntary prepayments to be in the Government's best financial interests. In order to facilitate borrower's participation in this optional NRECA program and to reduce the administrative burden on our borrowers and RUS of acting on individual borrower requests to incur unsecured indebtedness, we consent to the borrowers' excluding unsecured indebtedness incurred for this purpose from the limitation in Section 6.13(e) in their RUS Loan Contracts.

1400 Independence Ave, S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-0410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

Response 9.B.
Page 3 of 3
Witness: William
Prather

Generally speaking, Section 6.13 of the typical RUS Loan Contract places restrictions on incurring further indebtedness and then lists several exceptions to the restrictions. If an exception applies, Section 6.13 defines the excepted indebtedness as "Permitted Debt."

Not all unsecured indebtedness is "Permitted Debt." Section 6.13(e) of the RUS Loan Contract limits the amount of unsecured indebtedness that a borrower may incur to 15% of Net Utility Plant if the borrower's equity level, after giving effect to such unsecured indebtedness, is less than 30% of its Total Assets unless the borrower obtains the consent of RUS.

Since we are consenting to NRECA's request, we will consider "Permitted Debt" to include unsecured indebtedness incurred specifically for the purpose of participating in NRECA's optional prepayment of future defined benefit R&S Plan contributions. Consequently, such unsecured indebtedness will be excluded for all purposes in applying Section 6.13(e). This is an interpretation and consent under the loan contract and not an endorsement of the pension plan or the options.

This is consistent with our desire to streamline processes and to continually strive to be responsive to our borrower's needs. We are pleased to have the opportunity to take a proactive approach in addressing these concerns. Both myself, as well as the Electric Program team, look forward to working with each of you in a proactive and forward looking fashion in the future.

Sincerely,



NIVIN A. ELGOHARY
Assistant Administrator, Electric
Rural Utilities Service

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 10.

Refer to the Application, Exhibit G-5, the Direct Testimony of Lance C. Schafer, beginning at page 11 of 20, wherein the remaining pro forma adjustments to the actual operating expenses in the test year, are discussed.

- A. Refer to the Farmers' proposed payroll expense adjustment. Explain in detail what specific adjustments Farmers made for wage rate changes and any changes in staffing compared to its actual test year.
- B. Explain whether Farmers considered the impact of changes in overtime wages as a result of the changes made on May 18, 2016, to the final rule of the Fair Labor Standards Act. If not, provide the financial impact of such changes to the test-year overtime wage assumptions.
- C. Also refer to the application, Exhibit F, Schedule C, Payroll Expense. Provide, for each of the past five calendar years through 2015, a detailed list in Excel format with all formulas intact, by job title, all full-time and part-time Farmers' positions, including the President and CEO, which includes the total annual salary and/or wages, overtime if any, percentage of any pay increases, and the per-employee amount of each benefit, bonus or other award or compensation. When available, provide the same for calendar year 2016.
- D. With respect to Farmers' proposed depreciation expense, explain the statement beginning on page 11 of 20, that states, "The adjustment to the Depreciation Expense also accounts for the adoption of a historically Commission-approved rate for Distribution Plant Account 370." Explain the basis of this adjustment and the authority for the commission-approved rate.
- E. Refer to page 12 of 20 regarding Farmers' proposed depreciation expense. Explain the basis and authority for the increase in depreciation on transportation equipment and any changes to how the depreciation was allocation among expense categories.
- F. Refer to page 12 of 20 regarding Farmers' proposed adjustment for property tax expense. Provider a copy of the final assessment notice for Farmers December 31, 2015 (2016) assessment as determined by the Kentucky Department of Revenue and a schedule of the actual property taxes paid in calendar year 2016, when available.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 10 (continued).

- G. Refer to page 12 of 20 regarding Farmers' proposed rate case expense. Also refer to the response to Staff's First Request, Item 34. Provide a comparison by of Farmers' estimated and actual rate case expense in Case No. 2008-00030 in the format listed in the application, Exhibit F, Schedule F, page 42.
- H. Refer to page 12 of 20 regarding Farmers' proposed adjustments to administrative and general expense made to remove items that are either non-recurring or typically excluded for ratemaking purposes.
1. Also refer to Exhibit F, pages 43 and 44 of 74, regarding the adjustments to Account 921.00 and 165.20. Provide a schedule showing the unallowable expenses contained in the adjustments to these accounts.
 2. Also refer to Exhibit F, pages 43, 45 and 46 of 74, regarding the adjustments to Account 923.00 – Outside Services. For the expenses listed on page 46 labeled "Budgeted for 2016" that include the Update Wage Compensation Plan and Update Line Extension Policy, provide the account number and amount of expenditures that were recorded for 2011 through 2015 for these categories of expense.
 3. Also refer to Exhibit F, page 43 and pages 51 through 74, regarding Account 930.30 – Directors' Expenses. Provide a schedule showing the expenses that are unallowable for ratemaking purposes.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 10.

- A. See Exhibit F, pages 11 through 32, and the additional information provided below.

Employees added during the test year (wage information for whom is included on pages 19 through 32 of Exhibit F) are summarized as following:

Employee Hired	Reason
H52	Hired Supervisor for Department
H53	Replaced R/T3 who retired
H54	Replaced R/T9 who quit
PT3	Replaced R/T8 for seasonal summer work
H55	Replaced R/T2 who quit

- B. Farmers is aware of the May 18, 2016 final rule of the Fair Labor Standards Act regarding overtime wages. However, no employee was affected by those changes.
- C. The public version of the payroll information is attached to this response as pages 5 - 10. The complete data is filed under seal.
- D. The depreciation rate in question (6.67%) applies to automated metering infrastructure ("AMI") facilities. This rate is based on a fifteen-year expected life for this type of distribution plant. This proposed depreciation rate is based on the rate approved by the Commission for the following cooperatives in the corresponding referenced cases:

<u>Cooperative</u>	<u>Case Number</u>
Big Sandy RECC	2008-00401
Big Sandy RECC	2012-00030
Blue Grass Energy	2008.00011
Clark Energy	2009-00314

Witness: Lance C. Schafer and Jennie Phelps

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 10 (continued)

Grayson Rural Electric	2008-00254
Grayson Rural Electric	2012-00426
Jackson Energy Cooperative	2013-00219
Licking Valley Rural Electric	2009-00016
Meade County Rural Electric	2010-00222
Owen Electric Cooperative	2008-00154
Taylor County Rural Electric	2012-00023

- E. The difference between the historical test-year depreciation amount and the proposed depreciation amount for General Plant account 392 is owing to the fact that the account balance for General Plant account 392 as of 12/31/2015 was used to determine normalized depreciation expense. The depreciation rate associated with this account was not changed. There were no changes to how the depreciation was allocated among expenses categories.
- F. A copy of the final assessment notice for Farmers December 31, 2015 (2016) assessment and a schedule of the actual property taxes paid in calendar year 2016 is attached to this response as pages 11 - 21.
- G. Farmers' estimated and actual rate case expense in Case No. 2008-00030 is shown in the attached response as page 22 of 31.
- H. 1. The information is attached to this response as page 23 of 31.
2. \$15,777.21 was expensed for the year ending December 31, 2013 for the wage compensation plan. This was recorded in Account 923.00 – Outside Services. Monies were not spent to update the line extension policy.
3. The information is attached to this response as pages 24 - 31.

Farmers Rural Electric Cooperative Corporation
 Case No. 2016-00365
 For The Test Year Ending December 31, 2015

Line No.	Employee Designation	Job Title	Wages - Year 2011				Wages - Year 2012				Wages - Year 2013		
			Regular	Overtime	Bonus	Total	Regular	Overtime	Bonus	Total	Regular	Overtime	Bonus
50	H41												
51	H42												
52	H43												
53	H44												
54	H45												
55	H46												
56	H47												
57	H48												
58	H49												
59	H50												
60	H51												
61	H52												
62	H53												
63	H54												
64	H55												
65													
66													
67	Part Time/Summer Employees:												
68	PT1												
69	PT2												
70	PT3												
71													
72													
73	Retired/Terminated Employees:												
74													
75													
76													
77													
78													
79													
80													
81													
82													
83													
84													
85	New Hires - FYE 2016												
86													
87													
88													
89													
90			482,787	19,380	215	502,382	317,192	17,682	105	334,979	185,443	3,024	200
91													
92	TOTAL		3,185,467	292,018	10,610	3,488,095	3,298,656	239,000	11,095	3,548,752	3,271,557	286,003	11,510

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
For The Test Year Ending December 31, 2015

Line No.	Employee Designation	Wages - Year 2014				Actual Test Year Wages - 2015				Wages - Year 2016			
		Regular	Overtime	Bonus	Total	Regular	Overtime	Bonus	Total	Regular	Overtime	Bonus	Total
Salaried Employees:													
1	S1					180,305		280	180,585				
2	S2					91,639		230	91,869				
3	S3					97,945		195	98,140				
4	S4					91,639		170	91,809				
5	S5					91,639		130	91,769				
6	S6					96,680		125	96,805				
7													
8													
Hourly Employees:													
9	H1					57,005	245	260	57,510				
10	H2					66,666	4,782	255	71,703				
11	H3					60,757	6,491	285	67,533				
12	H4					63,245		295	63,540				
13	H5					73,369		285	73,654				
14	H6					60,568	5,120	260	65,948				
15	H7					38,947	1,859	250	41,056				
16	H8					56,630	527	245	57,402				
17	H9					34,715		245	34,960				
18	H10					56,211		240	56,451				
19	H11					47,998	3,561	235	51,794				
20	H12					39,461		235	39,696				
21	H13					37,018	119	215	37,352				
22	H14					62,096		215	62,311				
23	H15					36,287	156	205	36,648				
24	H16					59,628	7,100	205	66,933				
25	H17					41,003	458	200	41,661				
26	H18					57,677	9,029	200	66,906				
27	H19					31,927	607	195	32,729				
28	H20					54,387	6,754	195	61,336				
29	H21					47,894	6,561	195	54,650				
30	H22					41,188	575	190	41,953				
31	H23					47,198		190	47,388				
32	H24					39,659	2,043	185	41,887				
33	H25					53,009	7,848	185	61,042				
34	H26					50,343	524	180	51,047				
35	H27					60,001	5,743	180	65,924				
36	H28					42,510	122	180	42,812				
37	H29					53,009	29,260	180	82,449				
38	H30					62,065	18,722	175	80,962				
39	H31					44,250	3,364	170	47,784				
40	H32					48,837	5,299	160	54,296				
41	H33					36,538	1,187	155	37,880				
42	H34					41,285	9,286	145	50,716				
43	H35					34,172	73	145	34,390				
44	H36					32,094	2,801	140	35,035				
45	H37					34,247	297	135	34,679				
46	H38					32,172	980	135	33,287				
47	H39					47,645	8,750	130	56,525				
48	H40					35,219	3,588	125	38,932				

Farmers Rural Electric Cooperative Corporation
 Case No. 2016-00365
 For The Test Year Ending December 31, 2015

Line No.	Employee Designation	Total	Wages - Year 2014				Actual Test Year Wages - 2015				Wages - Year 2016				
			Regular	Overtime	Bonus	Total	Regular	Overtime	Bonus	Total	Regular	Overtime	Bonus	Total	
50	H41						47,743	18,498	125	66,366					
51	H42						32,494	81	125	32,700					
52	H43						61,132	16,425	120	77,677					
53	H44						32,181	69	120	32,370					
54	H45						44,582	6,218	120	50,920					
55	H46						45,001	145	120	45,266					
56	H47						42,487	10,868	115	53,470					
57	H48						42,488	18,357	115	60,960					
58	H49						30,963	1,373	110	32,446					
59	H50						42,488	8,474	110	51,072					
60	H51						39,701	7,609	110	47,420					
61	H52						72,338		100	72,438					
62	H53						27,981	617	100	28,698					
63	H54						23,514	9,684	100	33,298					
64	H55						13,528	2,793	100	16,421					
65															
66															
67	Part Time/Summer Employees:														
68	PT1						2,736		100	2,836					
69	PT2						12,961		100	13,061					
70	PT3						4,260			4,260					
71															
72															
73	Retired/Terminated Employees:														
74							6,536	-		6,536					
75							32,514	2,449		34,963					
76							51,116	472		51,588					
77							55,950			55,950					
78							18,576	94		18,670					
79							4,750			4,750					
80							27,897			27,897					
81							1,680			1,680					
82							6,304	1,300		7,604					
83															
84															
85	New Hires - FYE 2016														
86															
87															
88															
89															
90		188,667													
91															
92		3,569,070	3,267,580	280,487	11,350	3,559,417	3,392,678	259,357	11,020	3,663,055	-	3,335,060	278,371	11,390	3,624,821

Line No.	Employee Designation	Wage Rate		Percent Increase	Wage Rate		Percent Increase	Wage Rate		Percent Increase	Wage Rate		Percent Increase	Wage Rate		Percent Increase
		2014	2015		2014	2015		2014	2015		2014	2015		2014	2015	
Salaried Employees:																
1	S1	71.35	74.91	5.0%	77.16	3.0%	79.86	3.5%	84.65	6.0%	87.19	2.9%				
2	S2	36.05	37.13	3.0%	38.24	3.0%	42.36	10.8%	43.74	3.3%	44.62	2.0%				
3	S3	39.50	40.69	3.0%	42.73	5.0%	45.28	6.0%	46.75	3.2%	47.69	2.0%				
4	S4	36.42	39.23	7.7%	40.41	3.0%	42.36	4.8%	43.74	3.3%	44.62	2.0%				
5	S5	29.71	32.19	8.3%	36.83	14.4%	42.36	15.0%	43.74	3.3%	44.62	2.0%				
6	S6	32.93	33.92	3.0%	35.28	4.0%	44.19	25.3%	46.07	4.3%	47.45	2.9%				

Hourly Employees:

9	H1	22.46	23.13	3.0%	23.82	3.0%	26.42	10.9%	27.21	3.0%	27.75	2.0%				
10	H2	29.12	29.70	2.0%	30.29	2.0%	31.20	3.0%	31.82	2.0%	32.46	2.0%				
11	H3	26.53	27.06	2.0%	27.60	2.0%	28.43	3.0%	29.00	2.0%	29.58	2.0%				
12	H4	29.12	29.70	2.0%	30.29	2.0%	30.29	0.0%	30.29	0.0%	30.29	0.0%				
13	H5	29.12	29.70	2.0%	30.29	2.0%	34.00	12.2%	35.02	3.0%	35.72	2.0%				
14	H6	26.53	27.06	2.0%	27.60	2.0%	28.15	2.0%	29.00	3.0%	29.58	2.0%				
15	H7	17.25	17.60	2.0%	17.95	2.0%	18.22	1.5%	18.59	2.0%	18.96	2.0%				
16	H8	24.97	25.47	2.0%	25.98	2.0%	26.50	2.0%	27.03	2.0%	27.57	2.0%				
17	H9	15.01	15.31	2.0%	15.62	2.0%	16.09	3.0%	16.57	3.0%	16.90	2.0%				
18	H10	24.30	24.79	2.0%	25.29	2.0%	26.05	3.0%	26.83	3.0%	27.37	2.0%				
19	H11	21.06	21.48	2.0%	21.91	2.0%	22.24	1.5%	22.91	3.0%	23.37	2.0%				
20	H12	17.17	17.51	2.0%	17.86	2.0%	18.40	3.0%	18.91	2.8%	19.29	2.0%				
21	H13	16.32	16.65	2.0%	16.98	2.0%	17.32	2.0%	17.67	2.0%	18.02	2.0%				
22	H14	21.67	22.10	2.0%	22.76	3.0%	24.48	7.6%	25.64	21.1%	30.23	2.0%				
23	H15	12.57	16.32	29.8%	16.65	2.0%	16.98	2.0%	17.32	2.0%	17.67	2.0%				
24	H16	22.56	23.01	2.0%	24.00	4.3%	27.81	15.9%	28.64	3.0%	29.21	2.0%				
25	H17	17.90	18.26	2.0%	18.81	3.0%	19.19	2.0%	19.57	2.0%	19.97	2.0%				
26	H18	24.11	24.71	2.5%	25.95	5.0%	26.73	3.0%	27.53	3.0%	28.08	2.0%				
27	H19	14.08	14.36	2.0%	14.65	2.0%	14.94	2.0%	15.24	2.0%	15.54	2.0%				
28	H20	22.22	22.66	2.0%	24.00	5.9%	25.20	5.0%	25.96	3.0%	26.48	2.0%				
29	H21	20.71	21.12	2.0%	21.54	2.0%	22.19	3.0%	22.86	3.0%	23.32	2.0%				
30	H22	18.47	18.53	2.0%	18.90	2.0%	19.09	1.0%	19.66	3.0%	20.05	2.0%				
31	H23	20.80	21.22	2.0%	21.22	0.0%	21.75	2.5%	22.51	3.5%	23.07	2.5%				
32	H24	17.08	17.42	2.0%	17.84	2.4%	18.38	3.0%	18.93	3.0%	19.31	2.0%				
33	H25	22.29	22.74	2.0%	24.00	5.5%	24.72	3.0%	25.46	3.0%	25.97	2.0%				
34	H26	22.69	23.14	2.0%	23.14	0.0%	23.60	2.0%	24.07	2.0%	24.31	1.0%				
35	H27	22.22	22.66	2.0%	24.00	5.9%	27.81	15.9%	28.64	3.0%	29.21	2.0%				
36	H28	18.38	19.31	5.1%	19.31	0.0%	19.70	2.0%	20.29	3.0%	20.70	2.0%				
37	H29	21.63	22.06	2.0%	24.00	8.8%	24.72	3.0%	25.46	3.0%	25.97	2.0%				
38	H30	21.63	22.06	2.0%	27.00	8.0%	28.84	6.8%	29.71	3.0%	30.30	2.0%				
39	H31	19.01	19.97	5.0%	20.67	3.5%	21.50	4.0%	22.01	11.7%	23.08	2.0%				
40	H32	17.38	18.26	5.1%	19.54	7.0%	16.45	7.0%	17.44	6.0%	17.79	2.0%				
41	H33	14.21	14.64	3.0%	15.37	5.0%	16.45	7.0%	17.44	6.0%	17.79	2.0%				
42	H34	17.24	17.84	3.5%	18.38	3.0%	18.93	3.0%	19.69	4.0%	20.18	2.5%				
43	H35	14.08	14.50	3.0%	15.23	5.0%	15.99	5.0%	16.31	2.0%	16.64	2.0%				
44	H36	13.29	13.69	3.0%	14.10	3.0%	14.45	2.5%	15.32	6.0%	15.62	2.0%				
45	H37	17.41	17.76	2.0%	18.12	2.0%	18.66	3.0%	19.13	2.5%	19.47	1.8%				
46	H38	13.49	13.89	3.0%	14.45	4.0%	14.88	3.0%	15.33	3.0%	15.79	3.0%				
47	H39	16.66	18.09	8.6%	18.63	3.0%	19.96	7.1%	22.58	13.1%	23.46	3.9%				
48	H40	13.42	13.82	3.0%	14.65	6.0%	16.16	10.3%	16.81	4.0%	17.15	2.0%				

Employee Designation	Wage Rate		Wage Rate		Wage Rate		Wage Rate		Wage Rate		Wage Rate	
	Rate	Increase	Rate	Increase	Rate	Increase	Rate	Increase	Rate	Increase	Rate	Increase

H41	16.00	17.51	9.4%	23.46	4.4%	15.82	2.0%	2.0%	15.82	2.0%	2.0%	2.0%
H42	13.03	13.69	5.1%	15.51	4.9%	29.76	2.0%	2.0%	15.82	2.0%	2.0%	2.0%
H43	n/a	26.70	n/a	29.76	3.0%	29.76	2.0%	2.0%	15.82	2.0%	2.0%	2.0%
H44	n/a	13.42	n/a	15.67	2.0%	21.93	5.9%	5.9%	15.67	2.0%	2.0%	2.0%
H45	n/a	16.51	n/a	21.93	3.3%	21.93	2.0%	2.0%	21.93	2.0%	2.0%	2.0%
H46	n/a	19.23	n/a	20.91	9.3%	20.91	9.3%	9.3%	20.91	9.3%	9.3%	9.3%
H47	n/a	17.00	n/a	19.13	6.1%	19.13	6.1%	6.1%	20.91	12.6%	12.6%	12.6%
H48	n/a	17.00	6.1%	19.13	6.1%	19.13	6.1%	6.1%	15.07	7.0%	7.0%	7.0%
H49	n/a	13.81	n/a	14.78	7.0%	14.78	7.0%	7.0%	15.07	2.0%	2.0%	2.0%
H50	n/a	17.50	n/a	18.57	6.1%	18.57	6.1%	6.1%	20.91	12.6%	12.6%	12.6%
H51	n/a	17.50	n/a	18.57	6.1%	18.57	6.1%	6.1%	19.70	6.1%	6.1%	6.1%
H52	n/a	n/a	n/a	n/a	n/a	37.50	n/a	n/a	37.50	n/a	n/a	n/a
H53	n/a	n/a	n/a	n/a	n/a	20.40	n/a	n/a	20.40	n/a	n/a	n/a
H54	n/a	n/a	n/a	n/a	n/a	19.57	n/a	n/a	19.57	n/a	n/a	n/a
H55	n/a	n/a	n/a	n/a	n/a	19.00	n/a	n/a	19.00	n/a	n/a	n/a

Part Time/Summer Employees:

PT1	11.94	11.94	0.0%	11.94	0.0%	11.94	0.0%	0.0%	11.94	0.0%	0.0%	0.0%
PT2	11.94	12.12	1.5%	12.86	2.0%	12.86	2.0%	2.0%	12.86	2.0%	2.0%	2.0%
PT3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Retired/Terminated Employees:

New Hires - FYE 2016

Line No. 50
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Taxing District	Assessment for 2015 Taxes - Received Year 2016			Assessment for 2014 Taxes - Received Year 2015			Increase Decrease in Taxes	
	Assessed Value	Tax Rate	Tax Due	Assessed Value	Tax Rate	Tax Due		
<i>Updated as of Dec. 31, 2016</i>								
1	Adair County							
2	Tangible - County	244,058	0.1837	448	233,463	0.1901	444	5
3	Tangible - School	244,058	0.5160	1,259	233,463	0.5170	1,207	52
4	Tangible - Extension	244,058	0.0742	181	233,463	0.0769	180	2
5	Tangible - Health	244,058	0.0300	73	233,463	0.0300	70	3
6	Tangible - Library	244,058	0.0530	129	233,463	0.0534	125	5
7	Tangible - Ambulance	244,058	0.0740	181	233,463	0.0745	174	7
8	Tangible - Hospital	244,058	0.1000	244	233,463	0.1000	233	11
9								
10	Barren County							
11	Real Estate - County	1,718,984	0.1460	2,510	1,702,441	0.1380	2,349	160
12	Tangible - County	20,380,181	0.1530	31,182	19,592,908	0.1530	29,977	1,205
13	Real Estate - Library	1,718,984	0.0290	499	1,702,441	0.0290	494	5
14	Tangible - Library	20,380,181	0.0254	5,177	19,592,908	0.0254	4,977	200
15	Real Estate - Extension	1,718,984	0.0168	289	1,702,441	0.0160	272	16
16	Tangible - Extension	20,380,181	0.0196	3,986	19,592,908	0.0167	3,272	714
17	Other Barren School	18,585,803	0.6520	121,179	17,715,268	0.6420	113,732	7,447
18	Other Glasgow School	1,718,984	0.8590	14,766	1,702,441	0.8640	14,709	57
19	Other Glasgow School	1,674,973	0.8660	14,505	1,763,470	0.8640	15,236	(731)
20	Other Caverna School	119,405	0.7510	897	114,170	0.7300	833	63
21								
22	Edmonson County							
23	Tangible - County	157,572	0.1950	307	149,915	0.1950	292	15
24	Tangible - School	157,572	0.4270	673	149,915	0.4330	649	24
25	Tangible - Library	157,572	0.2000	315	149,915	0.2000	300	15
26	Tangible - Ambulance	157,572	0.0990	156	149,915	0.1000	150	6
27	Tangible - Health	157,572	0.0200	32	149,915	0.0200	30	2
28	Tangible - Extension	157,572	0.0175	28	149,915	0.0175	26	1
29								
30	Grayson County							
31	Tangible - County	301,195	0.0790	238	284,679	0.0790	225	13
32	Tangible - School	301,195	0.5020	1,512	284,679	0.4900	1,395	117
33	Tangible - Library	301,195	0.0795	239	284,679	0.0779	222	18
34	Tangible - Ambulance	301,195	0.0300	90	284,679	0.0300	85	5
35	Tangible - Health	301,195	0.0500	151	284,679	0.0500	142	8
36	Tangible - Extension	301,195	0.1828	551	284,679	0.1601	456	95
37								
38	Green County							
39	Tangible - Ambulance	421,941	0.1000	422	403,438	0.1000	403	19
40	Tangible - Extension	421,941	0.0745	314	403,438	0.0745	301	14
41	Tangible - County	421,941	0.1070	451	403,438	0.1070	432	20
42	Tangible - Health	421,941	0.0340	143	403,438	0.0340	137	6
43	Tangible - Library	421,941	0.1700	717	403,438	0.1700	686	31
44	Tangible - School	421,941	0.5060	2,135	403,438	0.5060	2,041	94
45								
46	Hart County							
47	Real Estate - Ambulance	395,433	0.0740	293	401,158	0.0740	297	(4)
48	Real Estate - County	395,433	0.1050	415	401,158	0.1060	425	(10)
49	Real Estate - Library	395,433	0.0760	301	401,158	0.0680	273	28
50	Real Estate - School	395,433	0.5850	2,313	401,158	0.5750	2,307	7
51	Tangible - Ambulance	12,796,146	0.0900	11,517	12,208,423	0.0900	10,988	529
52	Tangible - County	12,796,146	0.1219	15,599	12,208,423	0.1219	14,882	716
53	Tangible - Library	12,796,146	0.1530	19,578	12,208,423	0.1336	16,310	3,268
54	Tangible - School	12,728,295	0.5850	74,461	12,143,761	0.5750	69,827	4,634
55	Tangible - School	67,851	0.7510	510	64,662	0.7300	472	38
56								
57	LaRue County							
58	Tangible - County	39,393	0.2885	114	36,278	0.2985	108	5
59	Tangible - School	39,393	0.4760	188	36,278	0.4500	163	24
60	Tangible - Library	39,393	0.0784	31	36,278	0.0911	33	(2)
61	Tangible - Health	39,393	0.0280	11	36,278	0.0280	10	1
62	Tangible - Extension	39,393	0.0631	25	36,278	0.0781	28	(3)
63								
64	Metcalfe County							
65	Real Estate - County	248,944	0.0900	224	261,685	0.0870	228	(4)
66	Real Estate - School	248,944	0.5340	1,329	261,685	0.5140	1,345	(16)
67	Real Estate - Ambulance	248,944	0.0610	152	261,685	0.0590	154	(3)
68	Real Estate - Library	248,944	0.1060	264	261,685	0.0940	246	18
69	Real Estate - Extension	248,944	0.1038	258	261,685	0.0940	246	12
70	Real Estate - Soil	248,944	0.0150	37	261,685	0.0150	39	(2)
71	Tangible - County	7,840,995	0.1000	7,841	7,490,631	0.1000	7,491	350
72	Tangible - School	7,840,995	0.5340	41,871	7,490,631	0.5140	38,502	3,369
73	Tangible - Ambulance	7,840,995	0.0600	4,705	7,490,631	0.0600	4,494	210
74	Tangible - Library	7,840,995	0.1522	11,934	7,490,631	0.1669	12,502	(568)
75	Tangible - Extension	7,840,995	0.1271	9,966	7,490,631	0.1582	11,850	(1,884)
76								

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
OFFICE OF PROPERTY VALUATION
PUBLIC SERVICE BRANCH
STATION 32 4TH FL, 501 HIGH STREET
FRANKFORT, KY 40601-2103
Phone (502) 564-8175 Fax (502) 564-8192

Response 10.F.
Page 13 of 31
Witness: Jennie Phelps

08/22/2016

FARMERS RECC
ATTN: JENNIE GIBSON PHELPS
504 SOUTH BROADWAY
GLASGOW, KY 42141-2504

GNC: 005740
TYPE CO: RECC
TAX TYPE: 035

RE: Property Tax Certifications for Public Service & Centrally Assessed Companies

Certification of your assessment for 2016 taxes is being mailed today to the county clerk (s) of the county (s) in which you operate and have certifiable property. The enclosed copy is for your use in checking tax bills submitted by local taxing districts.

If you have any questions or if additional information is needed, please contact the Public Service Branch.

Sincerely,


Michael A Baker, Branch Manager
State Valuation Branch

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
OFFICE OF PROPERTY VALUATION
PUBLIC SERVICE BRANCH
STATION 32 4TH FL, 501 HIGH STREET
FRANKFORT, KY 40601-2103
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Response D.F.
Page 14 of 31
Witness: Jennie
Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
TAX YEAR 2016

FARMERS RECC
ATTN: JENNIE GIBSON PHELPS
504 SOUTH BROADWAY
GLASGOW, KY 42141-2504

GNC: 005740
TYPE CO: RECC
TAX TYPE: 035
TAX ID:
PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

Original Certification Date: 8/22/2016			
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
ADAIR COUNTY			
FISCAL COURT GENERAL	0.00	244,058.00	244,058.00
SCHOOL			
ADAIR COUNTY GENERAL	0.00	244,058.00	244,058.00

COMMONWEALTH OF KENTUCKY
 DEPARTMENT OF REVENUE
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 PUBLIC SERVICE BRANCH
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 Phone (502) 564-8175 Fax (502) 564-8192

Response 10.F.
 Page 15 of 31
 Witness: Jennie Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
 TAX YEAR 2016

FARMERS RECC
 ATTN: JENNIE GIBSON PHELPS
 504 SOUTH BROADWAY
 GLASGOW, KY 42141-2504

GNC: 005740
 TYPE CO: RECC
 TAX TYPE: 035
 TAX ID:
 PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

				Original Certification Date:	8/22/2016
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT		
BARREN COUNTY					
FISCAL COURT GENERAL	1,718,984.00	20,380,181.00	22,099,165.00		
SCHOOL					
BARREN COUNTY GENERAL	0.00	18,585,803.00	18,585,803.00		
CAVERNA INDEPENDENT GENERAL	0.00	119,405.00	119,405.00		
GLASGOW INDEPENDENT GENERAL	1,718,984.00	1,674,973.00	3,393,957.00		
CITY					
CAVE CITY	0.00	119,406.00	119,406.00		
GLASGOW	1,718,984.00	1,674,973.00	3,393,957.00		

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF REVENUE
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Response 10.F.
Page 16 of 31
Witness: Jennie
Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
TAX YEAR 2016

FARMERS RECC
ATTN: JENNIE GIBSON PHELPS
504 SOUTH BROADWAY
GLASGOW, KY 42141-2504

GNC: 005740
TYPE CO: RECC
TAX TYPE: 035
TAX ID:
PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

<hr/>			
Original Certification Date:			8/22/2016
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
<hr/>			
EDMONSON COUNTY			
FISCAL COURT GENERAL	0.00	157,572.00	157,572.00
SCHOOL			
EDMONSON COUNTY GENERAL	0.00	157,572.00	157,572.00

COMMONWEALTH OF KENTUCKY
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Response D.F.
Page 17 of 31
Witness: Jennie Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
TAX YEAR 2016

FARMERS RECC
ATTN: JENNIE GIBSON PHELPS
504 SOUTH BROADWAY
GLASGOW, KY 42141-2504

GNC: 005740
TYPE CO: RECC
TAX TYPE: 035
TAX ID:
PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

Original Certification Date: 8/22/2016

TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
GRAYSON COUNTY			
FISCAL COURT GENERAL	0.00	301,195.00	301,195.00
SCHOOL			
GRAYSON COUNTY GENERAL	0.00	301,195.00	301,195.00

COMMONWEALTH OF KENTUCKY
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Response 10.F.
 Page 18 of 31
 Witness: Jennie Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
 TAX YEAR 2016

FARMERS RECC
 ATTN: JENNIE GIBSON PHELPS
 504 SOUTH BROADWAY
 GLASGOW, KY 42141-2504

GNC: 005740
 TYPE CO: RECC
 TAX TYPE: 035
 TAX ID:
 PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

Original Certification Date: 8/22/2016			
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
GREEN COUNTY			
FISCAL COURT GENERAL	0.00	421,941.00	421,941.00
SCHOOL			
GREEN COUNTY GENERAL	0.00	421,941.00	421,941.00

COMMONWEALTH OF KENTUCKY
 DEPARTMENT OF REVENUE
 OFFICE OF PROPERTY VALUATION
 PUBLIC SERVICE BRANCH
 STATION 32 4TH FL, 501 HIGH STREET
 FRANKFORT, KY 40601-2103
 Phone (502) 564-8175 Fax (502) 564-8192

Response 10.F.
 Page 19 of 31
 Witness: Jennie Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
 TAX YEAR 2016

FARMERS RECC
 ATTN: JENNIE GIBSON PHELPS
 504 SOUTH BROADWAY
 GLASGOW, KY 42141-2504

GNC: 005740
 TYPE CO: RECC
 TAX TYPE: 035
 TAX ID:
 PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

Original Certification Date: 8/22/2016			
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
HART COUNTY			
FISCAL COURT GENERAL	395,433.00	12,796,146.00	13,191,579.00
SCHOOL			
CAVERNA INDEPENDENT GENERAL	0.00	67,851.00	67,851.00
HART COUNTY GENERAL	395,433.00	12,728,295.00	13,123,728.00
CITY			
MUNFORDVILLE	395,433.00	0.00	395,433.00

COMMONWEALTH OF KENTUCKY
 DEPARTMENT OF REVENUE
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Response 10.F.
 Page 20 of 31
 Witness: Jennie Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
 TAX YEAR 2016

FARMERS RECC
 ATTN: JENNIE GIBSON PHELPS
 504 SOUTH BROADWAY
 GLASGOW, KY 42141-2504

GNC: 005740
 TYPE CO: RECC
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 PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

Original Certification Date: 8/22/2016			
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
LARUE COUNTY			
FISCAL COURT GENERAL	0.00	39,393.00	39,393.00
SCHOOL			
LARUE COUNTY GENERAL	0.00	39,393.00	39,393.00

COMMONWEALTH OF KENTUCKY
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Response 10.F.
 Page 21 of 31
 Witness: Jennie Phelps

CERTIFICATION OF PROPERTY ASSESSMENT
 TAX YEAR 2016

FARMERS RECC
 ATTN: JENNIE GIBSON PHELPS
 504 SOUTH BROADWAY
 GLASGOW, KY 42141-2504

GNC: 005740
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 PRINT DATE: 08/22/2016

The Department of Revenue certifies this assessment to the County Clerk in accordance with KRS136.180. This assessment is subject to all tax levies as explained below.

Original Certification Date: 8/22/2016			
TAXING JURISDICTION	REAL ESTATE	TANGIBLE PERSONAL	TOTAL ASSESSMENT
METCALFE COUNTY			
FISCAL COURT GENERAL	248,944.00	7,840,995.00	8,089,939.00
SCHOOL			
METCALFE COUNTY GENERAL	248,944.00	7,840,995.00	8,089,939.00
CITY			
EDMONTON	248,944.00	106,685.00	355,629.00

Rate Case Expense for Case No. 2008-00030

<u>Description</u>	<u>Estimated</u>	<u>Actual</u>
Attorney	5,000	5,338
Consulting	60,000	56,157
Advertising	5,000	14,244
Supplies and Miscellaneous	<u>2,000</u>	<u>5,168</u>
Total	72,000	80,907

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
Case No. 2016-00365
Response 10.H.1
Exclusions from Accounts 921 and 165

Line No.	ACCOUNT SOURCE	R-ACCT	ITEM ID	DEPT	BATCH DATE	CHECK	VENDOR	VENDOR NAME	DEBIT	CREDIT DESCRIPTION	INVOICE NBR
1	921.00 Accounts Payable	232.03	DUES 07	10	2017 02/24/15	35602	10734	GLASGOW ROTARY CLUB	150.00	00 JAN-MAR 2015 DUES/BILL PRATHER	SA00000000055343
2	921.00 Accounts Payable	232.03	DUES 07	40	2017 03/17/15	35757	1216	GLASGOW KIWANIS CLUB	300.00	00 JAN-DEC 2015 DUES/SCOTT LESTER	SA00000000055421
3	921.00 Accounts Payable	232.03	DUES 07	10	838 03/26/15	35886	1213	GLASGOW BARREN CO CHAMBER	150.00	00 AMBASSADOR CLUB DUES/BILL, CARALY	14316
4	921.00 Accounts Payable	232.03	DUES 07	10	2017 04/22/15	36128	10734	GLASGOW ROTARY CLUB	165.00	00 APR-JUNE DUES/BILL PRATHER	948557
5	921.00 Accounts Payable	232.03	DUES 07	20	2017 04/22/15	36128	10734	GLASGOW ROTARY CLUB	165.00	00 APR-JUNE DUES/J CARTER	948517
6	921.00 Accounts Payable	232.03	DUES 07	10	2017 07/10/15	36767	10734	GLASGOW ROTARY CLUB	165.00	00 JULY-DEC 2015 DUES/BILL PRATHER	26636
7	921.00 Accounts Payable	232.03	DUES 07	20	828 07/13/15	36793	10734	GLASGOW ROTARY CLUB	165.00	00 JULY-SEPT DUES/JERRY CARTER	1023559
8	921.00 Accounts Payable	232.03	DUES 07	10	2017 10/01/15	37387	12719	RERC	900.00	00 MEMBERSHIP INVESTMENT RENEWAL	4534
9	921.00 Accounts Payable	232.03	DUES 07	10	848 10/13/15	37507	10734	GLASGOW ROTARY CLUB	165.00	00 OCT-DEC DUES/BILL PRATHER	28437
10	921.00 Accounts Payable	232.03	DUES 07	20	2017 11/19/15	37795	10734	GLASGOW ROTARY CLUB	165.00	00 OCT-DEC 2015 DUES/J CARTER	1097465
11											
12	ACCOUNT SOURCE	R-ACCT	ITEM ID	DEPT	BATCH DATE	CHECK	VENDOR	VENDOR NAME	DEBIT	CREDIT DESCRIPTION	INVOICE NBR
13	165.00	[no exclusions]									
14											
15								Total Exclusions	2,490.00		

FARMERS RECC

Case No. 2016-00365

Response 10.H.3 - Exclusions from Account 930.30

Line No.	Payee	Date	Check Number	Description	Invoice No.	Amount
1	NRECA GROUP BENEFITS TRUST	01/02/15	35184	DIRECTOR PAID LIFE INSURANCE	15011063	75.33
2	BUTTON FREDDIE D	01/26/15	35364	FRECC BRD MTG/1-22-15/F BUTTON	SA00000000055208	1,112.04
3	HAWKINS PAUL C	01/26/15	35365	FRECC BRD MTG 1-22-15/P HAWKINS	SA00000000055209	1,115.05
4	LONDON RANDY	01/26/15	35369	FRECC BRD MTG 1-22-15/R LONDON	SA00000000055210	1,086.30
5	MARTIN C F JR	01/26/15	35367	FRECC BRD MTG 1-22-15/CF MARTIN	SA00000000055211	1,122.39
6	PENDYGRAFT NEIL	01/26/15	35366	FRECC BRD MTG 1-22-15/N PENDYGRAF	SA00000000055212	1,106.87
7	SEXTON RANDY D	01/26/15	35368	FRECC BRD MTG 1-22-15/R SEXTON	SA00000000055213	1,120.50
8	SMITH RONNIE D	01/26/15	35370	FRECC BRD MTG 1-22-15/R SMITH	SA00000000055214	1,099.53
9	NRECA GROUP BENEFITS TRUST	02/02/15	35443	DIRECTOR PAID LIFE INSURANCE	15021063	75.33
10	BUTTON FREDDIE D	02/24/15	35603	FRECC BRD MTG 2-19-15/F BUTTON	SA00000000055344	1,112.04
11	HAWKINS PAUL C	02/24/15	35604	FRECC BRD MTG 2-19-15/P HAWKINS	SA00000000055345	1,115.05
12	LONDON RANDY	02/24/15	35608	FRECC BRD MTG 2-19-15/R LONDON	SA00000000055346	1,086.30
13	MARTIN C F JR	02/24/15	35606	FRECC BRD MTG 2-19-15/CF MARTIN	SA00000000055347	1,122.39
14	PENDYGRAFT NEIL	02/24/15	35605	FRECC BRD MTG 2-19-15/NEIL PENDYGR	SA00000000055348	1,106.87
15	SEXTON RANDY D	02/24/15	35607	FRECC BRD MTG 2-19-15/RANDY SEXTON	SA00000000055349	1,120.50
16	SMITH RONNIE D	02/24/15	35609	FRECC BRD MTG 2-19-15/R SMITH	SA00000000055350	1,099.53
17	NRECA GROUP BENEFITS TRUST	03/03/15	35653	DIRECTOR PAID LIFE INSURANCE	15031063	74.86
18	BUTTON FREDDIE D	03/24/15	35832	FRECC BRD MTG 3-19-15/F BUTTON	SA00000000055462	1,112.04
19	HAWKINS PAUL C	03/24/15	35833	FRECC BRD MTG 3-19-15/P HAWKINS	SA00000000055463	1,115.05
20	LONDON RANDY	03/24/15	35837	FRECC BRD MTG 3-19-15/R LONDON	SA00000000055464	1,086.30
21	MARTIN C F JR	03/24/15	35835	FRECC BRD MTG 3-19-15/CF MARTIN	SA00000000055465	1,122.39
22	PENDYGRAFT NEIL	03/24/15	35834	FRECC BRD MTG 3-19-15/N PENDYGRAF	SA00000000055466	1,106.87
23	SEXTON RANDY D	03/24/15	35836	FRECC BRD MTG 3-19-15/R SEXTON	SA00000000055467	1,120.50
24	SMITH RONNIE D	03/24/15	35838	FRECC BRD MTG 3-19-15/R SMITH	SA00000000055468	1,099.53
25	NRECA GROUP BENEFITS TRUST	04/02/15	35925	DIRECTOR PAID LIFE INSURANCE	15041063	74.86
26	NATIONAL RURAL ELECTRIC	04/16/15	36119	NRECA SUMMER SCHOOL/R SMITH	1336644	2,071.00
27	BUTTON FREDDIE D	04/20/15	36074	FRECC BRD MTG 4-16-15/F BUTTON	SA00000000055557	1,112.04
28	HAWKINS PAUL C	04/20/15	36075	FRECC BRD MTG 4-16-15/P HAWKINS	SA00000000055558	1,115.05
29	LONDON RANDY	04/20/15	36079	FRECC BRD MTG 4-16-15/RANDY LOND	SA00000000055559	1,086.30
30	MARTIN C F JR	04/20/15	36077	FRECC BRD MTG 4-16-15/CF MARTIN	SA00000000055560	1,122.39
31	PENDYGRAFT NEIL	04/20/15	36076	FRECC BRD MTG 4-16-15/NEIL PENDY	SA00000000055561	1,106.87
32	SEXTON RANDY D	04/20/15	36078	FRECC BRD MTG 4-19-15/RANDY SEXT	SA00000000055562	1,120.50
33	SMITH RONNIE D	04/20/15	36080	FRECC BRD MTG 4-16-15/R SMITH	SA00000000055563	1,099.53
34	NRECA GROUP BENEFITS TRUST	05/01/15	36193	DIRECTOR PAID LIFE INSURANCE	15051063	74.86

FARMERS RECC

Case No. 2016-00365

Response 10.H.3 - Exclusions from Account 930.30

Witness: Lance C. Schafer

Line No.	Payee	Date	Check Number	Description	Invoice No.	Amount
35	BUTTON FREDDIE D	05/26/15	36379	FRECC BRD MTG 5-22-15/F BUTTON	SA00000000055725	1,112.04
36	HAWKINS PAUL C	05/26/15	36380	FRECC BRD MTG 5-22-15/P HAWKINS	SA00000000055726	1,115.05
37	LONDON RANDY	05/26/15	36384	FRECC BRD MTG 5-22-15/R LONDON	SA00000000055727	1,086.30
38	MARTIN C F JR	05/26/15	36382	FRECC BRD MTG 5-22-15/CF MARTIN	SA00000000055728	1,122.39
39	PENDYGRAFT NEIL	05/26/15	36381	FRECC BRD MTG 5-22-15/NEIL PENDYGR	SA00000000055729	1,106.87
40	SEXTON RANDY D	05/26/15	36383	FRECC BRD MTG 5-22-15/R SEXTON	SA00000000055730	1,120.50
41	SMITH RONNIE D	05/26/15	36385	FRECC BRD MTG 5-22-15/R SMITH	SA00000000055731	1,099.53
42	SMITH RONNIE D	05/26/15	36385	MILEAGE/KAEC MTG/R SMITH	SA00000000055731	111.55
43	NRECA GROUP BENEFITS TRUST	06/01/15	36454	DIRECTOR PAID LIFE INSURANCE	15061063	74.86
44	BUTTON FREDDIE D	06/19/15	36558	FRECC BRD MTG 6-18-15/F BUTTON	SA00000000055794	1,112.04
45	HAWKINS PAUL C	06/19/15	36559	FRECC BRD MTG 6-18-15/P. HAWKINS	SA00000000055795	1,115.05
46	LONDON RANDY	06/19/15	36563	FRECC BRD MTG 6-18-15/R LONDON	SA00000000055796	1,086.30
47	MARTIN C F JR	06/19/15	36561	FRECC BRD MTG 6-18-15/CF MARTIN	SA00000000055797	1,122.39
48	PENDYGRAFT NEIL	06/19/15	36560	FRECC BRD MTG 6-18-15/N PENDYGRA	SA00000000055798	1,106.87
49	SEXTON RANDY D	06/19/15	36562	FRECC BRD MTG 6-18-15/R SEXTON	SA00000000055799	1,120.50
50	SMITH RONNIE D	06/19/15	36564	FRECC BRD MTG 6-18-15/R SMITH	SA00000000055800	1,099.53
51	VISA	06/26/15	36664	BOARD AGENDA MTG MEAL/NEIL P	SA00000000055849	12.19
52	NRECA GROUP BENEFITS TRUST	07/01/15	36640	DIRECTOR PAID LIFE INSURANCE	15071063	74.86
53	BUTTON FREDDIE D	07/23/15	36844	FREDD BRD MTG 7-16-15/F BUTTON	SA00000000055929	1,099.39
54	HAWKINS PAUL C	07/23/15	36850	FRECC BRD MTG 7-16-15/P HAWKINS	SA00000000055930	1,115.05
55	LONDON RANDY	07/23/15	36863	FRECC BRD MTG 7-16-15/R LONDON	SA00000000055931	1,086.30
56	MARTIN C F JR	07/23/15	36854	FRECC BRD MTG 7-16-15/CF MARTIN	SA00000000055932	1,122.39
57	PENDYGRAFT NEIL	07/23/15	36853	FRECC BRD MTG 7-16-15/NEIL PENDYGR	SA00000000055933	1,106.87
58	SEXTON RANDY D	07/23/15	36860	DIRECTOR'S MONTHLY STIPEND	SA00000000055934	798.65
59	SMITH RONNIE D	07/23/15	36865	FRECC BRD MTG 7-16-15/R SMITH	SA00000000055935	1,099.53
60	SMITH RONNIE D	07/23/15	36865	NRECA DIR CONF BRANSON/R SMITH	SA00000000055935	2,341.56
61	NRECA GROUP BENEFITS TRUST	08/03/15	36921	DIRECTOR PAID LIFE INSURANCE	15081063	74.86
62	BUTTON FREDDIE D	08/26/15	37088	FRECC BRD MTG 8-20-15/F BUTTON	SA00000000056068	1,112.04
63	HAWKINS PAUL C	08/26/15	37090	FRECC BRD MTG 8-20-15/P HAWKINS	SA00000000056069	1,115.05
64	LONDON RANDY	08/26/15	37094	FRECC BRD MTG 8-20-15/R LONDON	SA00000000056070	1,086.30
65	MARTIN C F JR	08/26/15	37092	FRECC BRD MTG 8-20-15/CF MARTIN	SA00000000056071	1,122.39
66	PENDYGRAFT NEIL	08/26/15	37091	FRECC BRD MTG 8-20-15/NEIL PENDY	SA00000000056072	1,106.87
67	SEXTON RANDY D	08/26/15	37093	FRECC BRD MTG 8-20-15/R SEXTON	SA00000000056073	1,120.50
68	SMITH RONNIE D	08/26/15	37095	FRECC BRD MTG 8-20-15/R SMITH	SA00000000056074	1,099.53
69	SMITH RONNIE D	08/26/15	37095	DIRECTOR'S MILEAGE	SA00000000056074	89.70
70	NRECA GROUP BENEFITS TRUST	09/01/15	37134	DIRECTOR PAID LIFE INSURANCE	15091063	74.86

FARMERS RECC

Case No. 2016-00365

Response 10.H.3 - Exclusions from Account 930.30

Witness: Lance C. Schafer

Line No.	Payee	Date	Check Number	Description	Invoice No.	Amount
71	BUTTON FREDDIE D	09/21/15	37312	FRECC BRD MTG 9-17-15/F BUTTON	SA0000000056171	1,112.04
72	HAWKINS PAUL C	09/21/15	37313	FRECC BRD MTG 9-17-15/P HAWKINS	SA0000000056172	1,115.05
73	LONDON RANDY	09/21/15	37317	FRECC BRD MTG 9-17-15/R LONDON	SA0000000056173	1,086.30
74	MARTIN C F JR	09/21/15	37315	FRECC BRD MTG 9-17-15/CF MARTIN	SA0000000056174	1,122.39
75	PENDYGRAFT NEIL	09/21/15	37314	FRECC BRD MTG 9-17-15/NEIL PENDY	SA0000000056175	1,106.87
76	SEXTON RANDY D	09/21/15	37316	FRECC BRD MTG 9-17-15/R SEXTON	SA0000000056176	1,120.50
77	SMITH RONNIE D	09/21/15	37318	FRECC BRD MTG 9-17-15/R SMITH	SA0000000056177	1,099.53
78	NRECA GROUP BENEFITS TRUST	10/01/15	37400	DIRECTOR PAID LIFE INSURANCE	1510163	74.86
79	BUTTON FREDDIE D	10/20/15	37568	FRECC BRD MTG 10-15-15/F BUTTON	SA0000000056286	1,112.04
80	HAWKINS PAUL C	10/20/15	37569	FRECC BRD MTG 10-15-15/P HAWKINS	SA0000000056287	1,115.05
81	LONDON RANDY	10/20/15	37573	FRECC BRD MTG 10-15-15/R LONDON	SA0000000056288	1,086.30
82	MARTIN C F JR	10/20/15	37571	FRECC BRD MTG 10-15-15/CF MARTIN	SA0000000056289	1,122.39
83	PENDYGRAFT NEIL	10/20/15	37570	FRECC BRD MTG 10-15-15/NEIL PEND	SA0000000056290	1,106.87
84	SEXTON RANDY D	10/20/15	37572	FRECC BRD MTG 10-15-15/R SEXTON	SA0000000056291	1,120.50
85	SMITH RONNIE D	10/20/15	37574	FRECC BRD MTG 10-15-15/R SMITH	SA0000000056292	1,099.53
86	SMITH RONNIE D	10/20/15	37574	MILEAGE/KAEC/R SMITH	SA0000000056292	268.08
87	NRECA GROUP BENEFITS TRUST	11/02/15	37648	DIRECTOR PAID LIFE INSURANCE	15111063	74.86
88	BUTTON FREDDIE D	11/24/15	37816	FRECC BRD MTG 11-17-15/F BUTTON	SA0000000056407	1,112.04
89	HAWKINS PAUL C	11/24/15	37817	FRECC BRD MTG 11-17-15/P HAWKINS	SA0000000056408	1,115.05
90	HAWKINS PAUL C	11/24/15	37817	DIRECTOR'S MILEAGE	SA0000000056408	126.50
91	LONDON RANDY	11/24/15	37821	FRECC BRD MTG 11-17-15/R LONDON	SA0000000056409	1,086.30
92	LONDON RANDY	11/24/15	37821	KAEC ANN MTG/R LONDON	SA0000000056409	600.00
93	MARTIN C F JR	11/24/15	37819	FRECC BRD MTG 11-17-15/CF MARTIN	SA0000000056410	1,122.39
94	MARTIN C F JR	11/24/15	37819	KAEC ANN MTG/CF MARTIN	SA0000000056410	600.00
95	PENDYGRAFT NEIL	11/24/15	37818	FRECC BRD MTG 11-17-15/NEIL PEND	SA0000000056411	1,106.87
96	PENDYGRAFT NEIL	11/24/15	37818	KAEC ANN MTG/NEIL PENDYGRAFT	SA0000000056411	721.90
97	SEXTON RANDY D	11/24/15	37820	FRECC BRD MTG 11-17-1/R SEXTON	SA0000000056412	1,120.50
98	SEXTON RANDY D	11/24/15	37820	KAEC ANN MTG/R SEXTON	SA0000000056412	1,065.59
99	SMITH RONNIE D	11/24/15	37822	FRECC BRD MTG 11-17-15/R SMITH	SA0000000056413	1,099.53
100	SMITH RONNIE D	11/24/15	37822	KAEC ANN MTG/R SMITH	SA0000000056413	807.00
101	BUTTON FREDDIE D	12/01/15	37800	DIRECTOR'S/CHRISTMAS GIFT	SA0000000056398	100.00

FARMERS RECC
Case No. 2016-00365
Response 10.H.3 - Exclusions from Account 930.30

Response 10
Page 27 of 31
Witness: Lance C. Schafer

Line No.	Payee	Date	Check Number	Description	Invoice No.	Amount
102	HAWKINS PAUL C	12/01/15	37801	DIRECTOR'S/CHRISTMAS GIFT	SA00000000056399	100.00
103	LONDON RANDY	12/01/15	37810	DIRECTOR'S/CHRISTMAS GIFT	SA00000000056400	100.00
104	MARTIN C F JR	12/01/15	37803	DIRECTOR'S/CHRISTMAS GIFT	SA00000000056401	100.00
105	PENDYGRAFT NEIL	12/01/15	37802	DIRECTOR'S/CHRISTMAS GIFT	SA00000000056402	100.00
106	SEXTON RANDY D	12/01/15	37808	DIRECTOR'S/CHRISTMAS GIFT	SA00000000056403	100.00
107	SMITH RONNIE D	12/01/15	37811	DIRECTOR'S/CHRISTMAS GIFT	SA00000000056404	100.00
108	NRECA GROUP BENEFITS TRUST	12/01/15	37874	DIRECTOR PAID LIFE INSURANCE	1512063	74.86
109	VISA	12/09/15	37923	NRECA WINTER SCHOOL/R LONDON	SA00000000056477	1,176.00
110	VISA	12/09/15	37923	KAEC ANN MTG/R SMITH	SA00000000056478	167.53
111	KENTUCKY ASSOCIATION OF	12/14/15	38050	KAEC TRNG/R SMITH	11558358	94.00
112	KENTUCKY ASSOCIATION OF	12/14/15	38088	KAEC ANN MTG MEALS/DIRECTORS	11558638	1,036.00
113	BUTTON FREDDIE D	12/21/15	38031	FRECC BRD MTG 12-17-15/F BUTTON	SA00000000056532	1,112.04
114	LONDON RANDY	12/21/15	38036	FRECC BRD MTG 12-17-15/R LONDON	SA00000000056534	1,086.30
115	LONDON RANDY	12/21/15	38036	NRECA WINTER SCHOOL/R LONDON	SA00000000056534	1,016.73
116	MARTIN C F JR	12/21/15	38034	FRECC BRD MTG 12-17-15/CF MRTIN	SA00000000056535	1,122.39
117	PENDYGRAFT NEIL	12/21/15	38033	FRECC BRD MTG 12-17-15/NEIL P	SA00000000056536	1,106.87
118	SEXTON RANDY D	12/21/15	38035	FRECC BRD MTG 12-17-15/R SEXTON	SA00000000056537	1,120.50
119	SMITH RONNIE D	12/21/15	38037	FRECC BRD MTG 12-17-15/R SMITH	SA00000000056538	1,099.53
120	HAWKINS PAUL C	12/21/15	38032	FRECC BRD MTG 12-21-15/P HAWKINS	SA00000000056539	1,115.05
121	VISA	12/31/15	38115	NRECA WINTER SCHOOL ROOM/R LOND	SA00000000056563	600.69
122	VISA	12/31/15	38115	KAEC ANN MTG/F BUTTON	SA00000000056564	311.06
123	VISA	12/31/15	38115	KAEC ANN MTG/CF MARTIN	SA00000000056565	335.06
124	VISA	12/31/15	38115	KAEC ANN MTG/NEIL PENDYGRAFT	SA00000000056566	335.06
125	VISA	12/31/15	38115	KAEC ANN MTG MEAL/P HAWKINS	SA00000000056568	21.22
126	VISA	12/31/15	38115	KAEC ANN MTG MEAL/R SEXTON	SA00000000056568	21.22
127	VISA	12/31/15	38115	KAEC ANN MTG MEAL/N PENDYGRAFT	SA00000000056568	21.22
128	VISA	12/31/15	38115	KAEC ANN MTG MEAL/R SMITH	SA00000000056568	21.22
129	VISA	12/31/15	38115	KAEC ANN MTG MEAL/F BUTTON	SA00000000056568	21.22
130	VISA	12/31/15	38115	UUS/KAEC BRD MTG/R SMITH	SA00000000056568	15.21
131	VISA	12/31/15	38115	KAEC ANN MTG ROOM/R SMITH	SA00000000056580	311.06
132	VISA	12/31/15	38115	BRD LEADERSHIP TRNG ROOM/R SMITH	SA00000000056580	145.09
133						
134						
135						
136						

FARMERS RECC
Case No. 2016-00365

Response 10.H.3 - Exclusions from Account 930.30

Witness: Lance C. Schafer

Line No.	Payee	Excluded Amounts								
		Other Meetings	Mileage Reimb - Other Mtgs	Airfare	Class Training	Hotel	Meals	Parking	Insurance	Other
35	BUTTON FREDDIE D								(0.61)	
36	HAWKINS PAUL C								(24.05)	
37	LONDON RANDY								(24.05)	
38	MARTIN C F JR								(0.61)	
39	PENDYGRAFT NEIL								(0.61)	
40	SEXTON RANDY D								(1.35)	
41	SMITH RONNIE D								(24.05)	
42	SMITH RONNIE D		111.55							
43	NRECA GROUP BENEFITS TRUST								74.86	
44	BUTTON FREDDIE D								(0.61)	
45	HAWKINS PAUL C								(24.05)	
46	LONDON RANDY								(24.05)	
47	MARTIN C F JR								(0.61)	
48	PENDYGRAFT NEIL								(0.61)	
49	SEXTON RANDY D								(1.35)	
50	SMITH RONNIE D								(24.05)	
51	VISA						12.19			
52	NRECA GROUP BENEFITS TRUST								74.86	
53	BUTTON FREDDIE D								(0.61)	
54	HAWKINS PAUL C								(24.05)	
55	LONDON RANDY								(24.05)	
56	MARTIN C F JR								(0.61)	
57	PENDYGRAFT NEIL								(0.61)	
58	SEXTON RANDY D								(1.35)	
59	SMITH RONNIE D								(24.05)	
60	SMITH RONNIE D	1,200.00	500.00			540.84	100.72			
61	NRECA GROUP BENEFITS TRUST								74.86	
62	BUTTON FREDDIE D								(0.61)	
63	HAWKINS PAUL C								(24.05)	
64	LONDON RANDY								(24.05)	
65	MARTIN C F JR								(0.61)	
66	PENDYGRAFT NEIL								(0.61)	
67	SEXTON RANDY D								(1.35)	
68	SMITH RONNIE D								(24.05)	
69	SMITH RONNIE D		89.70							
70	NRECA GROUP BENEFITS TRUST								74.86	

FARMERS RECC
Case No. 2016-00365

Response 10.H.3 - Exclusions from Account 930.30

Witness: Lance C. Schafer

Line No.	Payee	Excluded Amounts								
		Other Meetings	Mileage Reimb - Other Mtgs	Airfare	Class Training	Hotel	Meals	Parking	Insurance	Other
102	HAWKINS PAUL C									100.00
103	LONDON RANDY									100.00
104	MARTIN C F JR									100.00
105	PENDYGRAFT NEIL									100.00
106	SEXTON RANDY D									100.00
107	SMITH RONNIE D									100.00
108	NRECA GROUP BENEFITS TRUST								74.86	
109	VISA				1,176.00					
110	VISA					145.09	22.44			
111	KENTUCKY ASSOCIATION OF				94.00					
112	KENTUCKY ASSOCIATION OF						1,036.00			
113	BUTTON FREDDIE D								(0.61)	
114	LONDON RANDY								(24.05)	
115	LONDON RANDY	900.00	116.73							
116	MARTIN C F JR								(0.61)	
117	PENDYGRAFT NEIL								(0.61)	
118	SEXTON RANDY D								(1.35)	
119	SMITH RONNIE D								(24.05)	
120	HAWKINS PAUL C								(24.05)	
121	VISA					600.69				
122	VISA					311.06				
123	VISA					311.06		24.00		
124	VISA					311.06		24.00		
125	VISA						21.22			
126	VISA						21.22			
127	VISA						21.22			
128	VISA						21.22			
129	VISA						21.22			
130	VISA						15.21			
131	VISA					311.06				
132	VISA					145.09				
133										
134		5,100.00	1,516.03	-	3,341.00	3,156.10	1,303.53	48.00	(4.70)	700.00
135										
136	Tot. Exclusions:		15,159.96							

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 11.

Provide Farmers' current nepotism policy and indicate when it was most recently changed.

Response 11.

Farmers does not have a formal nepotism policy in place. The Bylaws of the Cooperative contain nepotism provisions as they pertain to the board of directors. Management has used those guidelines in its employee hiring practices. While it has not been prohibited by the board to hire relatives of current employees, the practice has been to discourage and avoid the hiring of immediate family members when other equally qualified/appropriate applicants exist.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 12.

Provide Exhibits F, H and I of the application in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible.

Response 12.

See the contents of the flash drive submitted with these responses.

Farmers Rural Electric Cooperative Corporation
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Commission Staff's Second Request for Information

Request 13.

Refer to the application, Exhibit S, the detailed comparative income statement, statement of cash flows and balance sheet. Explain in detail the basis for the restatement of the 2014 financial statements and provide a copy of the original 2014 financial statements.

Response 13.

Farmers was granted permission from Rural Utilities Service ("RUS") to restate the 2014 financials in order to record its environmental surcharge calculation in the appropriate accounting period. Therefore, Farmers changed its accounting process to reflect a more accurate accounting for the collection and return of the environmental surcharge.

A copy of the original 2014 financial statements is attached to this response.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
BALANCE SHEET

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>	<u>Original 2014</u>
Current Assets:			
Cash and cash equivalents	\$ 385,911	\$ 528,703	\$ 528,703
Accounts receivable, less allowance for doubtful accounts	3,998,892	5,249,910	5,249,910
Materials and supplies, at average cost	824,947	770,707	770,707
Prepaid expenses	195,246	201,368	201,368
Total current assets	<u>5,404,996</u>	<u>6,750,688</u>	<u>6,750,688</u>
Other assets and investments:			
Cash - special funds	453,668	-	-
Investments in subsidiary companies	1,497,806	1,509,914	1,509,914
Investment in associated organizations	25,802,197	23,360,199	23,360,199
Deferred charges	2,086,249	2,239,750	2,239,750
Note receivable	888,880	1,000,000	1,000,000
Total other assets	<u>30,728,800</u>	<u>28,109,863</u>	<u>28,109,863</u>
Utility plant in service	86,525,960	82,623,898	82,623,898
Construction work in progress	662,102	886,561	886,561
	<u>87,188,062</u>	<u>83,510,459</u>	<u>83,510,459</u>
less accumulated depreciation	<u>(25,640,619)</u>	<u>(24,476,870)</u>	<u>(24,476,870)</u>
Utility plant, net	61,547,443	59,033,589	59,033,589
Total assets	<u>\$ 97,681,239</u>	<u>\$ 93,894,140</u>	<u>\$ 93,894,140</u>
	<u>2015</u>	<u>Restated 2014</u>	<u>Original 2014</u>
Current liabilities:			
Accounts payable	\$ 3,915,501	\$ 5,343,442	\$ 4,265,790
Accrued expense	1,302,849	1,317,413	1,317,413
Customer deposits	861,686	900,227	900,227
Current portion of capital leases	27,667	33,905	33,905
Current portion of long-term debt	2,265,120	2,110,120	2,110,120
Total current liabilities	<u>8,372,823</u>	<u>9,705,107</u>	<u>8,627,455</u>
Long-term liabilities:			
Capital lease less current maturities	18,597	46,264	46,264
Long-term debt less current maturities	48,983,611	46,280,237	46,280,237
	<u>49,002,208</u>	<u>46,326,501</u>	<u>46,326,501</u>
Noncurrent liabilities:			
Regulatory liability	453,668	-	-
Post retirement benefit obligations	878,967	531,973	531,973
Customer advances for construction	347,450	369,932	369,932
Total noncurrent liabilities	<u>1,680,085</u>	<u>901,905</u>	<u>901,905</u>
Members' equities:			
Memberships	540,380	536,810	536,810
Patronage capital	37,076,738	35,198,638	36,276,290
Accumulated other comprehensive income	(794,396)	(454,986)	(454,986)
Other equities	1,803,481	1,680,165	1,680,165
Total members' equities	<u>38,626,203</u>	<u>36,960,627</u>	<u>38,038,279</u>
Total liabilities and equity	<u>\$ 97,681,319</u>	<u>\$ 93,894,140</u>	<u>\$ 93,894,140</u>

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
STATEMENTS OF REVENUE
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>	<u>Original 2014</u>
Operating revenue	\$ 49,472,781	\$ 52,839,277	\$ 53,312,037
Operating expenses:			
Cost of purchases	36,226,666	38,924,102	38,924,102
Distribution - operations	1,740,525	1,660,558	1,660,558
Distribution - maintenance	2,969,616	2,960,807	2,960,807
Consumer accounts	1,108,315	1,093,049	1,093,049
Customer services and information expense	121,986	169,746	169,746
Administrative and general	2,147,127	2,125,970	2,125,970
Depreciation	2,744,248	2,610,589	2,610,589
Taxes	662,286	603,454	603,454
Total operating expenses	47,720,769	50,148,275	50,148,275
Operating margins	1,752,012	2,691,002	3,163,762
Interest on long-term debt to RUS and CFC	\$ 1,769,176	\$ 1,832,381	\$ 1,832,381
Operating margins after fixed charges	(17,164)	858,621	1,331,381
G & T and other capital credits	\$ 2,471,313	\$ 2,693,970	\$ 2,693,970
Net operating margins	2,454,149	3,552,591	4,025,351
Nonoperating margins:			
Interest income, net of expenses	40,894	56,976	56,976
Other net nonoperating income (loss)	11,543	827	827
Income (loss) from equity investments	(12,108)	121,375	121,375
	40,329	179,178	179,178
Net margins	\$ 2,494,478	\$ 3,731,769	\$ 4,204,529

Farmers Rural Electric Cooperative Corporation
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Request 14.

Provide a copy of the 2016 financial statements when they become available.

Response 14.

Farmers will provide a copy of the 2016 financial statements when they become available.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 15.

Refer to Staff's First Request, Item 6, regarding Farmers' long-term and short-term debt.

- A. Provide the totals and grand total for the long term, pages 2 through 5, as originally requested, for the total amount of long-term debt and annualized and actual interest paid to each lender and the grand total of all long-term debt for 2014 and 2015.
- B. Explain why there is no debt outstanding or annualized cost of debt listed for lines 31, 39, 40, 44, 45 and 56.
- C. Refer to page 2 of the response, line 56, wherein the term "REDLG" is listed. Explain the source of this long-term debt, why the interest rate is 0.00 percent, and why there is no annualized cost associated with the debt.

Response 15.

- A. The updated spreadsheets are attached to this response.
- B. There is no debt outstanding and/or annualized cost of debt listed for lines 31, 39, 40, 44, and 45 because the debt matured prior to the December 31, 2015 year-end. Line 56 is the "REDLG" loan which has a 0.00 percent interest rate. Please see response C to this request.
- C. Farmers participates in the USDA Rural Economic Development Loan and Grant Program ("REDLG") and operates as an intermediary to the sub-recipient of these funds. The original \$1,000,000 loan to the City of Glasgow (the sub-recipient) was finalized on January 24, 2014. The City of Glasgow received this no-interest, ten-year loan to assist with the construction of a methane recovery system. The City of Glasgow pays the monthly principal directly to Farmers and Farmers, in turn, pays USDA.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Case No. 2016-00365

Schedule of Outstanding Long-Term Debt

For the Year Ended December 31, 2015

Line No.	Type of debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Amount Outstanding (d)	Coupon Interest Rate ⁽¹⁾ (e)	Cost Rate at Issue ⁽²⁾ (f)	Cost Rate to Maturity ⁽³⁾ (g)	Bond Rating at Time of Issue ⁽⁴⁾ (h)	Type of Obligation (i)	Annualized Cost CoL (d) x CoL (g) (j)
1	RUS - 1B310	Aug-98	Aug-33	1,617,611			5.12%			82,822
2	RUS - 1B315	Jan-99	Jan-34	863,302			4.50%			38,849
3	RUS - 1B316	Aug-99	Aug-34	636,321			4.12%			26,216
4	RUS - TOTAL			3,117,234						147,887
5										
6	FFB - H0010	Jan-01	Jan-35	3,567,192			5.49%			195,875
7	FFB - H0015	Jan-01	Jan-35	351,253			5.62%			19,730
8	FFB - H0020	Aug-03	Dec-37	4,108,291			4.77%			195,965
9	FFB - H0025	Nov-03	Dec-37	821,658			4.77%			39,193
10	FFB - H0030	Feb-04	Dec-37	821,658			4.77%			39,193
11	FFB - H0035	Dec-04	Dec-37	1,643,316			4.77%			78,386
12	FFB - H0040	Aug-05	Dec-37	2,449,001			4.35%			106,605
13	FFB - H0045	Dec-05	Dec-37	829,562			4.67%			38,749
14	FFB - H0050	Feb-06	Dec-37	828,079			4.59%			37,984
15	FFB - H0055	Oct-06	Dec-37	843,698			4.90%			41,324
16	FFB - H0060	Feb-07	Dec-37	847,452			4.93%			41,771
17	FFB - H0065	Apr-07	Dec-37	1,894,174			4.92%			93,099
18	FFB - H0070	Jan-09	Dec-40	6,209,305			3.41%			211,489
19	FFB - H0075	Mar-09	Dec-40	890,775			3.63%			32,335
20	FFB - H0080	Feb-10	Dec-40	903,673			4.45%			40,204
21	FFB - H0085	Nov-10	Dec-40	896,417			3.49%			31,294
22	FFB - H0090	Aug-11	Dec-40	675,932			2.87%			19,386
23	FFB - H0095	Jan-12	Mar-16	870,270			0.21%			1,862
24	FFB - H0100	Nov-12	Mar-16	893,403			0.21%			1,912
25	FFB - H0105	Jan-13	Mar-16	1,352,057			0.21%			2,893
26	FFB - H0110	Jul-13	Mar-16	2,892,909			0.21%			6,191
27	FFB - H0115	Jul-14	Mar-16	1,260,759			0.21%			2,698
28	FFB - H0120	Sep-14	Mar-16	969,815			0.21%			2,075
29	FFB - H0125	Feb-15	Mar-16	969,784			0.21%			2,075
30	FFB - H0130	May-15	Mar-16	984,680			0.21%			2,107
31	FFB - H00135	Aug-15	Mar-16	1,488,590			0.21%			3,186
32	FFB - H00140	Dec-15	Mar-16	1,500,000			0.28%			4,155
33	FFB - TOTAL			41,763,703						1,291,737
34										
35	CFC - 9011-001	Feb-80	Feb-15	-			6.800%	**		-
36	CFC - 9014-001	Apr-82	Mar-17	63,759.00			6.800%			4,336
37	CFC - 9015-001	Feb-86	Feb-21	105,322.00			6.800%			7,162
38	CFC - 9016-001	Dec-88	Dec-23	269,463.00			6.800%			18,323
39	CFC - 9017-001	Jan-92	Jan-27	572,215.00			6.800%			38,911
40	CFC - 9018-001	Apr-98	Apr-33	685,520.00			6.800%			46,615
41	CFC - 9018-002	Sep-98	Apr-33	304,676.00			6.800%			20,718
42	CFC - 9018-003	Nov-98	Apr-33	486,952.00			6.800%			33,113
43	CFC - 9019-004	Sep-10	May-14	-			3.100%	**		-
44	CFC - 9019-005	Sep-10	May-15	-			3.400%	**		-
45	CFC - 9019-006	Sep-10	May-16	41,958.00			3.700%			1,552
46	CFC - 9019-007	Sep-10	May-17	87,417.00			3.900%			3,409
47	CFC - 9019-008	Sep-10	May-18	42,960.00			4.100%			1,761
48	CFC - 9020-002	Jul-12	May-14	-			2.800%	**		-
49	CFC - 9020-003	Jul-12	May-15	-			2.900%	**		-
50	CFC - 9020-004	Jul-12	May-16	101,587.00			3.050%			3,098
51	CFC - 9020-005	Jul-12	May-17	215,713.00			3.300%			7,119
52	CFC - 9020-006	Jul-12	May-18	220,112.00			3.500%			7,704
53	CFC - 9020-007	Jul-12	May-19	228,652.00			3.750%			8,574
54	CFC - 9020-008	Jul-12	May-20	236,677.00			3.900%			9,230
55	CFC - 9020-009	Jul-12	May-21	230,578.00			4.050%			9,338
56	CFC - 9020-010	Jul-12	May-22	195,552.00			4.200%			8,213
57	CFC - 9020-011	Jul-12	May-23	218,285.00			4.300%			9,386
58	CFC - 9020-012	Jul-12	May-24	151,914.00			4.400%			6,684
59	CFC - 9021-001	Mar-13	Nov-16	1,111,353.00			2.250%			25,005
60	CFC - TOTAL			5,570,665.00						270,254
61										
62	REDLG Loan	Jan-15		888,880			0.00%			-
63	REDLG - TOTAL			888,880						-
64										
65	Total - ALL DEBT			51,340,482						1,709,878

** There is no debt outstanding and/or annualized cost of debt because the debt matured prior to the December 31, 2015 year end.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Case No. 2016-00365

Schedule of Outstanding Long-Term Debt

For the Year Ended December 31, 2015

Line No.	Type of debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Amount Outstanding (d)	Coupon Interest Rate ⁽¹⁾ (e)	Cost Rate at Issue ⁽²⁾ (f)	Cost Rate to Maturity ⁽³⁾ (g)	Bond Rating at Time of Issue ⁽⁴⁾ (h)	Type of Obligation (i)	Annualized Cost Col. (d) x Col. (g) (j)	Actual Test Year Interest Cost ⁽⁵⁾ (k)
1	RUS - 1B310	Aug-98	Aug-33	1,617,611			5.12%			82,822	84,525
2	RUS - 1B315	Jan-99	Jan-34	863,302			4.50%			38,849	39,665
3	RUS - 1B316	Aug-99	Aug-34	636,321			4.12%			26,216	26,819
4	RUS - TOTAL			3,117,234						147,887	151,009
5											
6	FFB - H0010	Jan-01	Jan-35	3,567,192			5.49%			195,875	203,973
7	FFB - H0015	Jan-01	Jan-35	351,253			5.62%			19,730	20,530
8	FFB - H0020	Aug-03	Dec-37	4,108,291			4.77%			195,965	204,251
9	FFB - H0025	Nov-03	Dec-37	821,658			4.77%			39,193	40,851
10	FFB - H0030	Feb-04	Dec-37	821,658			4.77%			39,193	40,851
11	FFB - H0035	Dec-04	Dec-37	1,643,316			4.77%			78,386	81,700
12	FFB - H0040	Aug-05	Dec-37	2,449,001			4.35%			106,605	111,482
13	FFB - H0045	Dec-05	Dec-37	829,562			4.67%			38,749	40,416
14	FFB - H0050	Feb-06	Dec-37	828,079			4.59%			37,984	39,645
15	FFB - H0055	Oct-06	Dec-37	843,698			4.90%			41,324	43,032
16	FFB - H0060	Feb-07	Dec-37	847,452			4.93%			41,771	43,487
17	FFB - H0065	Apr-07	Dec-37	1,894,174			4.92%			93,099	96,933
18	FFB - H0070	Jan-09	Dec-40	6,209,305			3.41%			211,489	222,658
19	FFB - H0075	Mar-09	Dec-40	890,775			3.63%			32,335	33,951
20	FFB - H0080	Feb-10	Dec-40	903,673			4.45%			40,204	41,882
21	FFB - H0085	Nov-10	Dec-40	896,417			3.49%			31,294	32,912
22	FFB - H0090	Aug-11	Dec-40	675,932			2.87%			19,386	20,571
23	FFB - H0095	Jan-12	Mar-16	870,270			0.21%			1,862	1,333
24	FFB - H00100	Nov-12	Mar-16	893,403			0.21%			1,912	1,369
25	FFB - H00105	Jan-13	Mar-16	1,352,057			0.21%			2,893	2,072
26	FFB - H00110	Jul-13	Mar-16	2,892,909			0.21%			6,191	4,433
27	FFB - H00115	Jul-14	Mar-16	1,260,759			0.21%			2,698	1,922
28	FFB - H00120	Sep-14	Mar-16	969,815			0.21%			2,075	1,478
29	FFB - H00125	Feb-15	Mar-16	969,784			0.21%			2,075	1,327
30	FFB - H00130	May-15	Mar-16	984,680			0.21%			2,107	825
31	FFB - H00135	Aug-15	Mar-16	1,488,590			0.21%			3,186	1,270
32	FFB - H00140	Dec-15	Mar-16	1,500,000			0.28%			4,155	-
33	FFB - TOTAL			41,763,703						1,291,737	1,335,154
34											
35	CFC - 9011-001	Feb-80	Feb-15	-			6.800%		**	-	-
36	CFC - 9014-001	Apr-82	Mar-17	63,759			6.800%			4,336	6,245
37	CFC - 9015-001	Feb-86	Feb-21	105,322			6.800%			7,162	7,751
38	CFC - 9016-001	Dec-88	Dec-23	269,463			6.800%			18,323	19,021
39	CFC - 9017-001	Jan-92	Jan-27	572,215			6.800%			38,911	39,623
40	CFC - 9018-001	Apr-98	Apr-33	685,520			6.800%			46,615	46,634
41	CFC - 9018-002	Sep-98	Apr-33	304,676			6.800%			20,718	20,727
42	CFC - 9018-003	Nov-98	Apr-33	486,952			6.800%			33,113	33,127
43	CFC - 9019-004	Sep-10	May-14	-			3.100%		**	-	640
44	CFC - 9019-005	Sep-10	May-15	-			3.400%		**	-	313
45	CFC - 9019-006	Sep-10	May-16	41,958			3.700%			1,552	2,882
46	CFC - 9019-007	Sep-10	May-17	87,417			3.900%			3,409	3,409
47	CFC - 9019-008	Sep-10	May-18	42,960			4.100%			1,761	1,761
48	CFC - 9020-002	Jul-12	May-14	-			2.800%		**	-	-
49	CFC - 9020-003	Jul-12	May-15	-			2.900%		**	-	1,189
50	CFC - 9020-004	Jul-12	May-16	101,587			3.050%			3,098	5,762
51	CFC - 9020-005	Jul-12	May-17	215,713			3.300%			7,119	7,118
52	CFC - 9020-006	Jul-12	May-18	220,112			3.500%			7,704	7,705
53	CFC - 9020-007	Jul-12	May-19	228,652			3.750%			8,574	8,574
54	CFC - 9020-008	Jul-12	May-20	236,677			3.900%			9,230	9,231
55	CFC - 9020-009	Jul-12	May-21	230,578			4.050%			9,338	9,339
56	CFC - 9020-010	Jul-12	May-22	195,552			4.200%			8,213	8,213
57	CFC - 9020-011	Jul-12	May-23	218,285			4.300%			9,386	9,386
58	CFC - 9020-012	Jul-12	May-24	151,914			4.400%			6,684	6,684
59	CFC - 9021-001	Mar-13	Nov-16	1,111,353			2.250%			25,005	30,091
60	CFC - TOTAL			5,570,665						270,254	285,425
61											
62	REDLG Loan	Jan-15		888,880			0.00%			-	-
63	REDLG - TOTAL			888,880						-	-
64											
65	Total - ALL DEBT			51,340,482						1,709,878	1,771,588

** There is no debt outstanding and/or annualized cost of debt because the debt matured prior to the December 31, 2015 year end.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Case No. 2016-00365

Schedule of Outstanding Long-Term Debt

For the Year Ended December 31, 2014

Line No.	Type of debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Amount Outstanding (d)	Coupon Interest Rate ⁽¹⁾ (e)	Cost Rate at Issue ⁽²⁾ (f)	Cost Rate to Maturity ⁽³⁾ (g)	Bond Rating at Time of Issue ⁽⁴⁾ (h)	Type of Obligation (i)	Annualized Cost Col. (d) x Col. (g) (j)
1	RUS - 1B310	Aug-98	Aug-33	1,676,262			5.12%			85,825
2	RUS - 1B315	Jan-99	Jan-34	896,785			4.50%			40,355
3	RUS - 1B316	Aug-99	Aug-34	661,883			4.12%			27,270
4	RUS - TOTAL			<u>3,234,930</u>						<u>153,450</u>
5										
6	FFB - H0010	Jan-01	Jan-35	3,671,341			5.49%			201,593
7	FFB - H0015	Jan-01	Jan-35	361,362			5.62%			20,298
8	FFB - H0020	Aug-03	Dec-37	4,211,819			4.77%			200,904
9	FFB - H0025	Nov-03	Dec-37	842,364			4.77%			40,181
10	FFB - H0030	Feb-04	Dec-37	842,364			4.77%			40,181
11	FFB - H0035	Dec-04	Dec-37	1,684,728			4.77%			80,362
12	FFB - H0040	Aug-05	Dec-37	2,514,189			4.35%			109,443
13	FFB - H0045	Dec-05	Dec-37	850,742			4.67%			39,738
14	FFB - H0050	Feb-06	Dec-37	849,456			4.59%			38,965
15	FFB - H0055	Oct-06	Dec-37	864,602			4.90%			42,348
16	FFB - H0060	Feb-07	Dec-37	868,363			4.93%			42,802
17	FFB - H0065	Apr-07	Dec-37	1,940,999			4.92%			95,400
18	FFB - H0070	Jan-09	Dec-40	6,364,466			3.41%			216,774
19	FFB - H0075	Mar-09	Dec-40	912,315			3.63%			33,117
20	FFB - H0080	Feb-10	Dec-40	923,016			4.45%			41,065
21	FFB - H0085	Nov-10	Dec-40	918,541			3.49%			32,066
22	FFB - H0090	Aug-11	Dec-40	694,188			2.87%			19,909
23	FFB - H0095	Jan-12	Mar-16	904,971			0.03%			271
24	FFB - H0100	Nov-12	Mar-16	929,026			0.03%			279
25	FFB - H0105	Jan-13	Mar-16	1,405,968			0.03%			422
26	FFB - H0110	Jul-13	Mar-16	3,008,260			0.03%			902
27	FFB - H0115	Jul-14	Mar-16	1,300,000			0.03%			390
28	FFB - H0120	Sep-14	Mar-16	<u>1,000,000</u>			0.03%			<u>300</u>
29	FFB - TOTAL			<u>37,863,080</u>						<u>1,297,709</u>
30										
31	CFC - 9011-001	Feb-80	Feb-15	-			6.800%			-
32	CFC - 9014-001	Apr-82	Mar-17	111,035			6.800%			7,550
33	CFC - 9015-001	Feb-86	Feb-21	122,451			6.800%			8,327
34	CFC - 9016-001	Dec-88	Dec-23	294,036			6.800%			19,994
35	CFC - 9017-001	Jan-92	Jan-27	606,149			6.800%			41,218
36	CFC - 9018-001	Apr-98	Apr-33	706,344			6.800%			48,031
37	CFC - 9018-002	Sep-98	Apr-33	313,931			6.800%			21,347
38	CFC - 9018-003	Nov-98	Apr-33	501,745			6.800%			34,119
39	CFC - 9019-004	Sep-10	May-14	-			3.100%			-
40	CFC - 9019-005	Sep-10	May-15	75,286			3.400%			2,560
41	CFC - 9019-006	Sep-10	May-16	83,151			3.700%			3,077
42	CFC - 9019-007	Sep-10	May-17	87,417			3.900%			3,409
43	CFC - 9019-008	Sep-10	May-18	42,960			4.100%			1,761
44	CFC - 9020-002	Jul-12	May-14	-			2.800%			-
45	CFC - 9020-003	Jul-12	May-15	110,011			2.900%			3,190
46	CFC - 9020-004	Jul-12	May-16	201,643			3.050%			6,150
47	CFC - 9020-005	Jul-12	May-17	215,713			3.300%			7,119
48	CFC - 9020-006	Jul-12	May-18	220,112			3.500%			7,704
49	CFC - 9020-007	Jul-12	May-19	228,652			3.750%			8,574
50	CFC - 9020-008	Jul-12	May-20	236,677			3.900%			9,230
51	CFC - 9020-009	Jul-12	May-21	230,578			4.050%			9,338
52	CFC - 9020-010	Jul-12	May-22	195,552			4.200%			8,213
53	CFC - 9020-011	Jul-12	May-23	218,285			4.300%			9,386
54	CFC - 9020-012	Jul-12	May-24	151,914			4.400%			6,684
55	CFC - 9021-001	Mar-13	Nov-16	<u>1,465,486</u>			2.250%			<u>32,973</u>
56	CFC - TOTAL			<u>6,419,128</u>						<u>299,957</u>
57										
58	Total - ALL DEBT			47,517,138						1,751,116

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

Case No. 2016-00365

Schedule of Outstanding Long-Term Debt

For the Year Ended December 31, 2014

Line No.	Type of debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Amount Outstanding (d)	Coupon Interest Rate ⁽¹⁾ (e)	Cost Rate at Issue ⁽²⁾ (f)	Cost Rate to Maturity ⁽³⁾ (g)	Bond Rating at Time of Issue ⁽⁴⁾ (h)	Type of Obligation (i)	Annualized Cost Col. (d) x Col. (g) (j)	Actual Test Year Interest Cost ⁽⁵⁾ (k)
1	RUS - 1B310	Aug-98	Aug-33	1,676,262			5.12%			85,825	87,451
2	RUS - 1B315	Jan-99	Jan-34	896,785			4.50%			40,355	41,134
3	RUS - 1B316	Aug-99	Aug-34	661,883			4.12%			27,270	27,849
4	RUS - TOTAL			3,234,930						153,450	156,434
5											
6	FFB - H0010	Jan-01	Jan-35	3,671,341			5.49%			201,593	209,627
7	FFB - H0015	Jan-01	Jan-35	361,362			5.62%			20,298	21,091
8	FFB - H0020	Aug-03	Dec-37	4,211,819			4.77%			200,904	209,172
9	FFB - H0025	Nov-03	Dec-37	842,364			4.77%			40,181	41,834
10	FFB - H0030	Feb-04	Dec-37	842,364			4.77%			40,181	41,834
11	FFB - H0035	Dec-04	Dec-37	1,684,728			4.77%			80,362	83,669
12	FFB - H0040	Aug-05	Dec-37	2,514,189			4.35%			109,443	114,323
13	FFB - H0045	Dec-05	Dec-37	850,742			4.67%			39,738	41,404
14	FFB - H0050	Feb-06	Dec-37	849,456			4.59%			38,965	40,625
15	FFB - H0055	Oct-06	Dec-37	864,602			4.90%			42,348	44,050
16	FFB - H0060	Feb-07	Dec-37	868,363			4.93%			42,802	44,512
17	FFB - H0065	Apr-07	Dec-37	1,940,999			4.92%			95,400	99,223
18	FFB - H0070	Jan-09	Dec-40	6,364,466			3.41%			216,774	228,022
19	FFB - H0075	Mar-09	Dec-40	912,315			3.63%			33,117	34,742
20	FFB - H0080	Feb-10	Dec-40	923,016			4.45%			41,065	42,744
21	FFB - H0085	Nov-10	Dec-40	918,541			3.49%			32,066	33,695
22	FFB - H0090	Aug-11	Dec-40	694,188			2.87%			19,909	21,107
23	FFB - H0095	Jan-12	Mar-15	904,971			0.03%			271	1,534
24	FFB - H00100	Nov-12	Mar-15	929,026			0.03%			279	1,574
25	FFB - H00105	Jan-13	Mar-15	1,405,968			0.03%			422	2,383
26	FFB - H00110	Jul-13	Mar-15	3,008,260			0.03%			902	5,098
27	FFB - H00115	Jul-14	Mar-15	1,300,000			0.03%			390	1,163
28	FFB - H00120	Sep-14	Mar-15	1,000,000			0.03%			300	467
29	FFB - TOTAL			37,863,080						1,297,709	1,363,893
30											
31	CFC - 9011-001	Feb-80	Feb-15	-			6.800%			-	2,146
32	CFC - 9014-001	Apr-82	Mar-17	111,035.00			6.800%			7,550	9,271
33	CFC - 9015-001	Feb-86	Feb-21	122,451.00			6.800%			8,327	8,847
34	CFC - 9016-001	Dec-88	Dec-23	294,036.00			6.800%			19,994	20,593
35	CFC - 9017-001	Jan-92	Jan-27	606,149.00			6.800%			41,218	41,795
36	CFC - 9018-001	Apr-98	Apr-33	706,344.00			6.800%			48,031	47,967
37	CFC - 9018-002	Sep-98	Apr-33	313,931.00			6.800%			21,347	21,319
38	CFC - 9018-003	Nov-98	Apr-33	501,745.00			6.800%			34,119	34,073
39	CFC - 9019-004	Sep-10	May-14	-			3.100%			-	969
40	CFC - 9019-005	Sep-10	May-15	75,286.00			3.400%			2,560	4,756
41	CFC - 9019-006	Sep-10	May-16	83,151.00			3.700%			3,077	3,077
42	CFC - 9019-007	Sep-10	May-17	87,417.00			3.900%			3,409	3,409
43	CFC - 9019-008	Sep-10	May-18	42,960.00			4.100%			1,761	1,761
44	CFC - 9020-002	Jul-12	May-14	-			2.800%			-	770
45	CFC - 9020-003	Jul-12	May-15	110,011.00			2.900%			3,190	5,935
46	CFC - 9020-004	Jul-12	May-16	201,643.00			3.050%			6,150	6,150
47	CFC - 9020-005	Jul-12	May-17	215,713.00			3.300%			7,119	7,119
48	CFC - 9020-006	Jul-12	May-18	220,112.00			3.500%			7,704	7,704
49	CFC - 9020-007	Jul-12	May-19	228,652.00			3.750%			8,574	8,574
50	CFC - 9020-008	Jul-12	May-20	236,677.00			3.900%			9,230	9,230
51	CFC - 9020-009	Jul-12	May-21	230,578.00			4.050%			9,338	9,338
52	CFC - 9020-010	Jul-12	May-22	195,552.00			4.200%			8,213	8,213
53	CFC - 9020-011	Jul-12	May-23	218,285.00			4.300%			9,386	9,386
54	CFC - 9020-012	Jul-12	May-24	151,914.00			4.400%			6,684	6,684
55	CFC - 9021-001	Mar-13	Nov-16	1,465,486.00			2.250%			32,973	35,637
56	CFC - TOTAL			6,419,128.00						299,957	314,723
57											
58	Total - ALL DEBT			47,517,138						1,751,116	1,835,050

Total Long-Term Debt and Annualized cost

Annualized Cost Rate [Total Col. (j) / Total Col. (d)]

Actual Test Year Cost Rate [Total Col. (k) / Total Reported in Col. (d)]

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 16.

Refer to Staff's First Request, Item 8.a. which provides a comparison of balance sheet account balances for the test period and the 12 months preceding the test year. Refer to page 8 of 23 of the response, Account 142.30 Unbilled Revenue. The balance of this account as of December 31, 2015, was zero compared to \$2,880,000 in the year preceding the test year. Explain in detail why this account decreased so significantly in the test year.

Response 16.

As of December 31, 2015, unbilled revenue is recorded in Account 173.00, Accrued Utility Revenue. Please refer to Staff's First Request, Item 8.a., Page 9 of 23. General Ledger Account 142.30 is no longer used.

December 2015 – Account 173.00 - \$2,409	
December 2014 – Account 142.30 - <u>\$2,880</u>	
Change	(\$ 471)

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 17.

Refer to Staff's First Request, Item 13, Farmers' equity management plan.

- A. Explain why capital credits were not paid to estates from 2010 through 2015.
- B. Provide the amounts of capital credits paid to estates each year from 2000 to 2009.
- C. Provide Farmers' plans for calendar year 2016 with respect to general and estate capital credit payments.

Response 17.

- A. The Cooperative does not offer an immediate pay out of capital credits to estates when the member or member's spouse (joint membership) passes away. The Cooperative does, however, continue to pay capital credits to the member's spouse or other estate recipients in the normal rotation schedule. In many cases, the member's spouse continues to live at the service and remain as an active member (with joint survivorship rights) of the Cooperative.

When contacted by an estate representative about capital credits, the Cooperative supplies them with a legal form to complete that provides the proper information for transferring ownership to the proper individual(s) based on the deceased member's estate provisions. The Cooperative's capital credit records are updated with that information so that all future refunds go to the proper party.

- B. The Cooperative has followed the same refund philosophy for estates since it first began the payment of capital credits in 1987. It is not possible to segregate from the past general refunds what might have gone to estates.
- C. Farmers issued a general refund of \$332,199.87 in March 2016 that applied to the members or estates of members receiving service in the year of 1995.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 18.

Refer to Staff's First Request, Item 20, page 2, Farmers' capitalization policies.

- A. Provide, by account, the payroll or labor distribution for the test year in similar format as provided on page 2.
- B. Provide the benefit allocation rate for account 107.20 Construction Work In Progress, account 108.80 Retirement Work in Progress, and all other accounts listed on page 2.
- C. Provide an explanation of how the benefit allocation rate(s) were determined and provide support for the benefit allocation rate.

Response 18.

- A. The information is provided in the attachment to this response.
- B. The information is provided in the attachment to this response.
- C. Benefits are allocated based on the labor distribution per month.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
Case No. 2016-00365
Test-Year Allocation of Labor to Expense Categories
Response 18.A

Account No.	Description	Distribution	Percent
107.20	Construction WIP	378,050	
107.21	Const WIP - OH	333,466	
108.80	Retirement WIP	117,397	
108.81	Retire WIP - OH	150,636	26.7%
142.20	Accts Rec	15,443	
163.00	Store Expense	88,823	
184.00	Tran Exp - OH	17,165	
184.10	Tran. Expense	57,094	
242.30	Accrued Vac	234,305	
242.40	Accrued Sick	56,905	12.8%
580.00	Operations, Supervision	14,986	
583.00	OH Line Exp	24,794	
586.00	Meter Expense	120,329	
587.00	Consumer Install	544	
587.40	Misc. Exp./Temp	155	
588.00	Misc. Dist. Exp	392,987	15.1%
593.00	Maint of OH Lines	500,989	
593.01	Maint of Lines/Emerg	64,807	
593.10	Maint of ROW	19,351	
593.40	Maint of Line Insp	98,088	
595.00	Maint of Line Trans	4,406	
598.00	Maint of Misc Distr	3,952	18.9%
902.00	Meter Reading Exp	9,888	
903.00	Cust Records	367,568	10.3%
908.60	Engy Conservation	48,277	1.3%
920.00	Admin & General	445,146	
925.00	Injuries & Damages	1,122	
926.00	Employee Benefits	11,025	
930.21	Annual Meeting	2,866	
930.23	Public Relations	76,956	
932.00	Maint of General Plant	5,535	14.8%
	TOTAL	3,663,055	

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Capitalization Policies - Test-Year Benefits Distribution Rates
Response 18.B

<u>Line</u> <u>No.</u>	<u>Acct No.</u>	<u>Description</u>	<u>Benefits</u> <u>Distribution Rate</u>
1	107.20	Construction WIP	13.4%
2	108.80	Retirement WIP	4.1%
3	142.20	Accts Rec	0.2%
4	163.00	Store Expense	3.0%
5	184.10	Tran. Expense	1.9%
6	580.00	Operations, Supervision	0.5%
7	583.00	OH Line Exp	0.8%
8	586.00	Meter Expense	4.2%
9	587.00	Consumer Install	0.0%
10	587.40	Misc. Exp./Temp	0.0%
11	588.00	Misc. Dist. Exp	13.9%
12	593.00	Maint of OH Lines	17.7%
13	593.01	Maint of Lines/Emerg	2.2%
14	593.10	Maint of ROW	0.7%
15	593.40	Maint of Line Insp	3.5%
16	595.00	Maint of Line Trans	0.1%
17	598.00	Maint of Misc Distr	0.1%
18	902.00	Meter Reading Exp	0.3%
19	903.00	Cust Records	12.9%
20	908.60	Engy Conservation	1.6%
21	920.00	Admin & General	15.6%
22	925.00	Injuries & Damages	0.0%
23	930.21	Annual Meeting	0.1%
24	930.23	Public Relations	2.7%
25	932.00	Maint of General Plant	0.2%
26		TOTAL	<hr/> 100.0%

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 19.

Refer to Staff's First Request, Item 21, regarding salaries and wages.

- A. Explain how the amount of increase for each year from 2010 through 2015 was determined.
- B. Explain whether Farmers is aware of how its increase in salaries and wages from 2010 to 2015 and the defined benefit package compares to the commercial and industrial customers it serves.
- C. Explain Farmers' plan for 2016 with respect to salary and wage increases, and explain how that plan was developed.

Response 19.

- A. Annually, the CEO recommends a wage and salary dollar budget to the Board for their approval. The recommendation is made based on input of several sources of market information – projections from Kiplinger, Mercer, The Conference Board, World at Work Report, Economic Research Institute, etc. A survey of other cooperatives across the state, as well as the Consumer Price Index is reviewed. The Cooperative's annual financial condition is likewise considered. From that a recommendation is made to the Board for a total dollar budget for potential award during the year.
- B. Farmers does not look at one specific segment of the local business sector in gauging and establishing compensation ranges for its employee base. However, as discussed in its first response to Commission inquiry on payroll administration, local compensation data is utilized in establishing and maintaining a portion of our benchmark job positions.

Twenty-eight percent of our benchmarked job positions are tied to Glasgow wage rates as reported by the Economic Research Institute's ("ERI") database for "all industries." These are the jobs for which recruiting takes place most locally. The balance of the job positions are tied to state and regional statistics, due to the nature of recruitment for those positions.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 19 (continued).

Specifically, the average wage rates as reported by the ERI Glasgow database over the period from 2013 to 2015 ranged from low of 2.21% to a high of 8.79%. The median increase was 7.64% and the mean increase was 6.68%.

In using the local ERI Glasgow data to establish its pay levels for the applicable positions, Farmers further reduces those averages by ten percent so that the market wage rate in the Cooperative's wage and salary plan is ninety percent of the local market for similar jobs.

- C. The 2016 wage and salary plan was developed consistent with the process outlined in the answer to question A.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 20.

Refer to Staff's First Request, Item 49.

- A. Provide an organizational chart for Farmers Energy Services Corporation ("Energy Services").
- B. Explain whether any of Farmers' personnel are employed by both Farmers and Energy Services, and if so, provide a list of those employees.
- C. Provide the salaries and benefits of any personnel that do work for both Farmers and Energy Services and the allocation.
- D. Explain whether Energy Services is located and housed in Farmers' facilities and whether there is any allocation of costs to Energy Services from Farmers. If so, provide the methodology of allocation and costs allocated.
- E. Explain whether there was or should be any allocation of costs between Farmers and Energy Services and whether this was taken in consideration in the revenue requirement calculation and cost of service study.
- F. Explain whether Energy Services is included in Farmers' capital structure as provided in the application.
- G. Explain whether an Energy Services customer must also be a Farmers customer.
- H. Explain the revenue and expense amounts provided in the profit & loss detail for 2014 and 2015.
- I. Explain what type of investment is in account 1210 on the balance sheet for 2014 and 2015.
- J. Does Farmers have a cost-allocation manual? If so, provide a copy.
- K. Is Farmers complaint with the provisions of KRS 278.2203 and KRS 278.2205?

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 20.

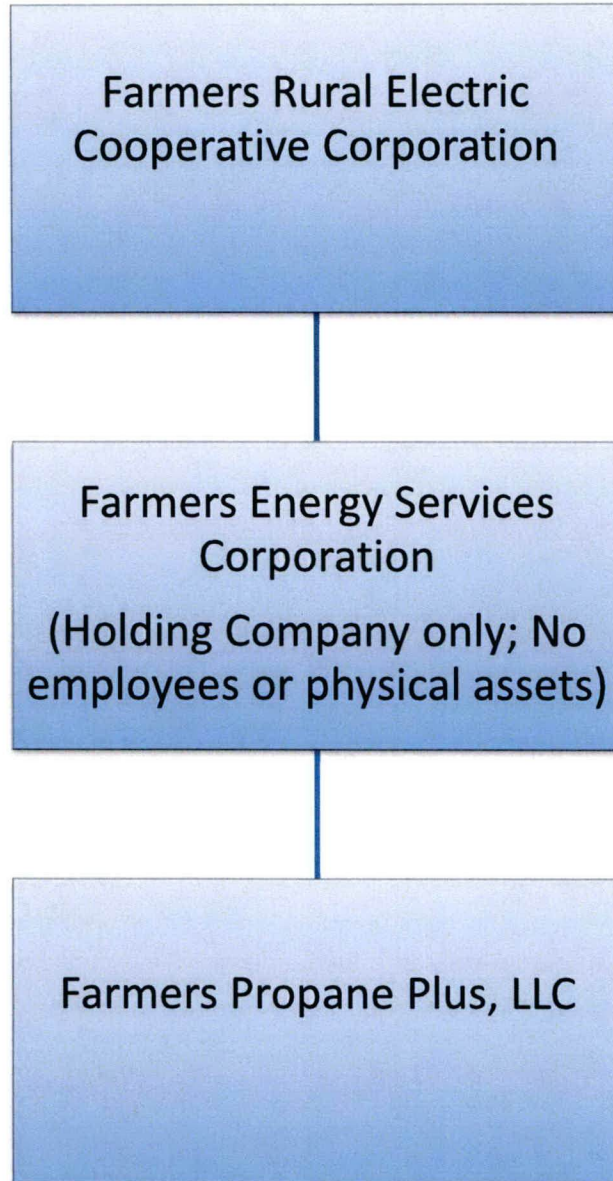
- A. An organizational chart is attached to this response.
- B. Farmers Energy Services is a paper only, holding company with no employees or physical assets. Farmers RECC owns 100% of Farmers Energy Service Corporation. Farmers Energy Services owns 100% of Farmers Energy Propane Plus, a limited liability corporation. Farmers Energy Propane Plus sells and distributes propane gas and related equipment. Farmers Energy Services conducts no business other than owning Farmers Energy Propane Plus.
- C. The President & CEO and the Vice President, Finance & Accounting of Farmers serve on the Board of Directors for Farmers Energy Services and Farmers Energy Propane Plus. Payroll time is charged for board meeting attendance and expensed to Farmers Energy Propane Plus. Compensation charged to the subsidiary was included in the first data request, Response 49.E. There are no other personnel for Farmers Energy Services.
- D. Farmers Energy Services' company records are maintained within Farmers' facilities. Farmers Energy Services has no physical assets; it serves as the holding company for Farmers Energy Propane Plus. Farmers Energy Propane Plus is located on a portion of property owned by Farmers RECC. Farmers Energy Propane Plus pays monthly rental fees. These fees were reflected in the first data request, Response 50, Page 1 of 1.
- E. There are no costs to allocate between Farmers RECC and Farmers Energy Services.
- F. Energy Services is not included in Farmers' capital structure as provided in the Application.
- G. As a holding company, Farmers Energy Services does not have customers. Farmers Energy Propane Plus customer does not have to be a Farmers RECC member.
- H. The expenses shown on the profit & loss detail include federal & state tax payments and tax return expense. Revenue includes interest income from bank account. Farmers Energy Propane Plus' net margins are also reported as income.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 20 (continued).

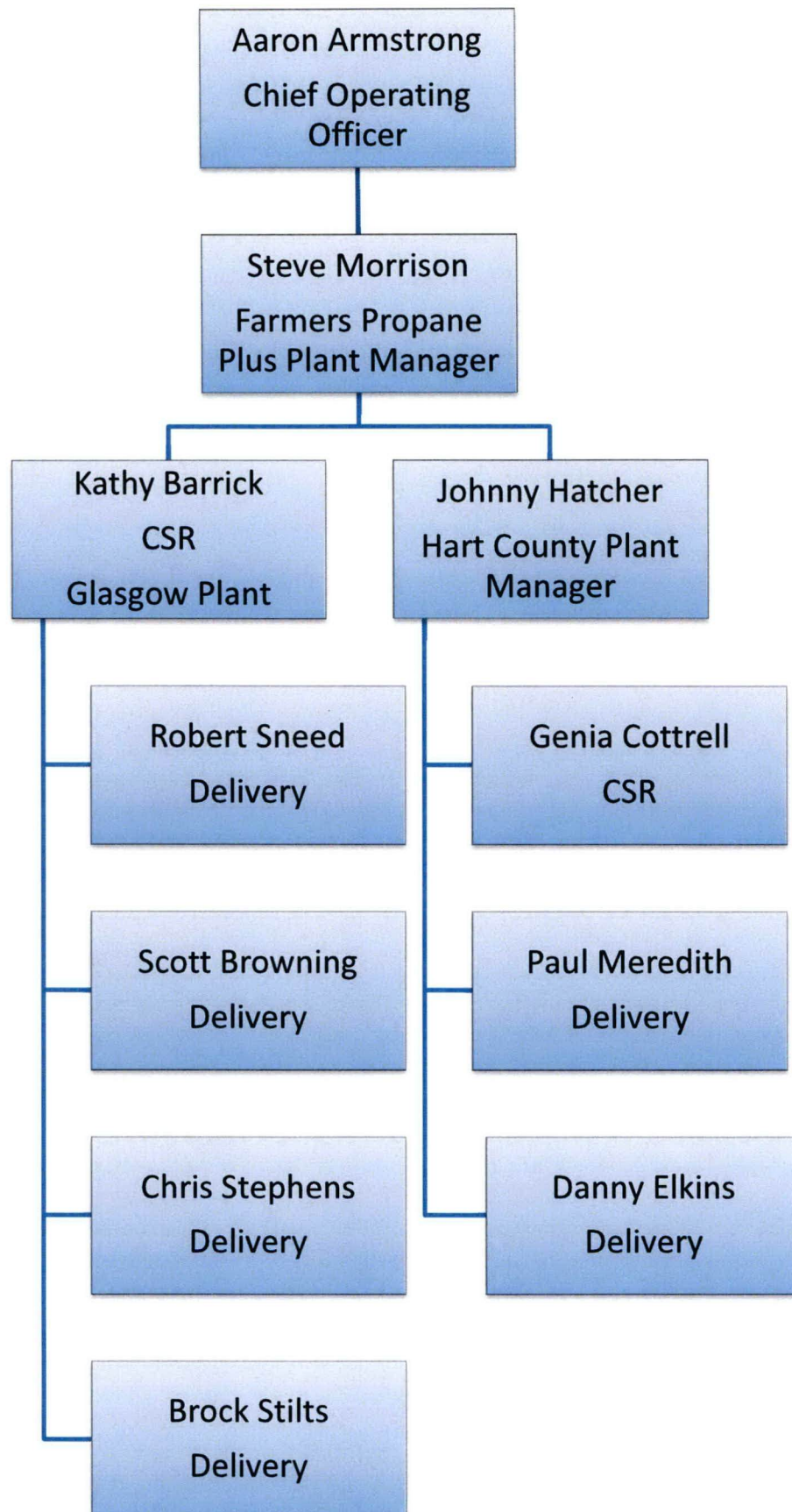
- I. Account 1210 would be the investment in Farmers Energy Propane Plus.
- J. A copy of the cost-allocation manual is attached. The cost-allocation manual was amended in September 2015 to reflect that Farmers has sole ownership in the propane business.
- K. Farmers believes that it is in compliance with the provisions of KRS 278.2203 and KRS 278.2205.

Farmers Rural Electric Cooperative Corporation Subsidiary Relationship



Farmers Propane Plus, LLC
Organizational Chart

Response 20.A.
Page 5 of 21



**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
GLASGOW, KENTUCKY**

COST ALLOCATION MANUAL

**Originally Adopted June 2001
Reviewed and Reaffirmed September 2015**

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Introduction

In 1998, The Kentucky Public Service Commission initiated a study as demonstrated in Administrative Case No. 369 - An Investigation of the Need for Affiliate Transaction Rules and Cost Allocation Requirements for All Jurisdictional Utilities. Then, in its 2000 regular session, the General Assembly of the Commonwealth of Kentucky enacted House Bill 897. House Bill 897 amended KRS 278 requiring all utilities providing nonregulated activities, either directly or through an affiliate, to keep separate accounts and allocate costs to ensure that regulated ratepayers did not subsidize the nonregulated activities. This law required utilities meeting certain revenue levels to file a cost allocation manual (CAM) identifying the method for segregating costs between regulated and nonregulated activities. The law also required an amended CAM should material changes occur. In 2001, Farmers RECC filed its manual as required. The manual was an indexed compilation and explanation of Farmers RECC's cost allocation policies and procedures.

The law included in Section 8 a Code of Conduct. Utilities organized under KRS Chapter 279 were exempt from the Code of Conduct. Farmers RECC was exempt from the Code of Conduct since it was organized under KRS Chapter 279.

In 2006, House Bill 568 was passed in the legislature. One of the changes brought about by the bill was that it abolished the provision of incidental nonregulated activity as it related to the Cost Allocation Manual. Another change was that it brought the cooperatives under the Code of Conduct.

Definitions

Response 20.J.
Page 9 of 21

Affiliate – A person that controls or is controlled by, or is under common control with, a utility.

Arm's Length – the standard of conduct under which unrelated parties, each party acting in its own best interest, would negotiate and carry out a particular transaction.

Control - the power to direct the management or policies of a person through ownership, by contract, or otherwise

Cost Allocation Manual (CAM) – the indexed compilation and documentation of a company's cost allocation policies and related procedures.

Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).

Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.

Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

Direct Costs – costs that can be specifically identified with a particular service or product.

Distribution Cooperative - a utility formed under KRS Chapter 279 that provides retail electric service.

Electric-Consuming Facilities – everything that utilizes electric energy from a central station source.

Facility – includes all property, means, and instrumentalities owned, operated, leased, licensed, used, furnished, or supplied for, by, or in connection with the business of any utility.

Fully Distributed Costs - the sum of the direct costs plus an appropriate share of indirect costs.

Generation & Transmission Cooperative (G&T) – a utility formed under KRS 279 that provides electric generation and transmission service.

Global Costs – costs that do not have a specific identifiable causal relationship with a particular activity but apply to all activities.

Incidental Treatment – A utility prior to House Bill 568 could report an incidental nonregulated activity if (a) the revenue from the aggregate of the total of the utility's nonregulated incidental activities did not exceed the lesser of two percent (2%) of the utility's total revenue or one million dollars (\$1,000,000) annually; and (b) the nonregulated activity was reasonably related to the utility's regulated activity. Incidental Treatment no longer applies.

Indirect Costs – costs that cannot be identified with a particular service or product. This includes but is not limited to overhead costs, administrative and general, and taxes.

Kentucky Public Service Commission (PSC) (Commission) - state regulatory body governing the rates and practices of utilities.

Net Book Value – the book cost, as defined by the uniform system of accounts, reduced by related provisions for accumulated depreciation, depletion, or amortization and adjusted for any unamortized plant acquisition adjustment related to the asset.

Nonregulated Activity - the provision of competitive retail gas or electric services or other products or services over which the Commission exerts no regulatory authority.

Person – includes natural persons, partnerships, corporations, and two (2) or more persons having a joint or common interest.

Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

Rate – means any individual or joint fare, toll, charge, rental, or other compensation for service rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof.

Regulated Activity - a service provided by a utility, the rates and charges of which are regulated by the Commission.

Retail Electric Service – electric service furnished to a consumer for ultimate consumption.

Service - any practice or requirement in any way relating to the service of any utility, including the voltage of electricity, the heat units and pressure of gas, the purity, pressure, and quantity of water, and in general the quality, quantity, and pressure of any commodity or product used for or in connection with the business of any utility.

Shared Services – those centrally-managed services that benefit both the utility and its affiliates/divisions.

Solicit - to engage in or offer for sale a good or service, either directly or indirectly and irrespective of place or audience.

Subsidize - the recovery of costs or the transfer of value from one class of customer, activity, or business unit that is attributable to another.

USoA - Uniform System of Accounts - a system of accounts for public utilities established by the Rural Utilities Service (RUS) of the United States Department of Agriculture and adopted by the Commission.

Utility - a natural person, partnership, or corporation (except a city) who owns controls, operates or manages a facility in connection with the generation, production, transmission, or distribution of electricity to or for the public, for compensation, for lights, heat, power, or other uses.

Utility Revenue - Operating electric revenue as reported on RUS Form 7, Page 1, Line 1.

Wholesale Electric Service – electric service generated or purchased and furnished to a retail electric company or another wholesale electric company for further distribution.

**Regulated and Nonregulated Divisions and Affiliates
And Related Services and Products**

Farmers Rural Electric Cooperative Corporation

Farmers Rural Electric Cooperative Corporation is a regulated distribution utility whose primary function is the delivery of retail electric service.

Farmers Energy Services Incorporated

Farmers Energy Services Incorporated is a for-profit, nonregulated affiliate which is a holding company for its only affiliate subsidiary - Farmers Energy Propane Plus, LLC. Farmers Energy Services Incorporated is solely owned by Farmers Rural Electric Cooperative Corporation.

Farmers Energy Propane Plus, LLC

Farmers Energy Propane Plus, LLC is a for-profit, nonregulated affiliate which provides propane gas, appliances and accessories.

Products and Services

Farmers Rural Electric Cooperative Corporation

Regulated:

- Electric Energy Sales as Tariffed
- CATV Attachments
- Pole Rentals
- Customer Energy Efficiency and Assistance Programs such as Energy Audits
- Electric Materials Sales

Nonregulated:

N/A

Farmers Energy Propane Plus, LLC

Regulated:

None

Nonregulated:

- Propane
- Appliances & Accessories

Nature of Transactions

From the Utility to the Affiliate/Division

Goods, services and use of assets provided by the regulated utility to the nonregulated affiliate/division shall be at the tariffed rate. Non-tariffed items shall be priced at the fully distributed cost or prevailing market price, if available, whichever is greater.

The transfer or sale of assets by the utility to the nonregulated affiliate shall be priced at the greater of the utility's net book value or prevailing market price, if available.

Goods or services provided by a regulated utility to an affiliated regulated utility shall be priced at fully distributed cost.

From the Affiliate/Division to the Utility

Goods, services, and use of assets provided to the regulated utility by the nonregulated affiliate/division shall be priced at the lower of the affiliate's fully distributed cost or prevailing market price, if available.

The transfer or sale of assets by the nonregulated affiliate to the regulated utility shall be priced at the lower of the affiliate's net book value or prevailing market price, if available.

The transfer or sale of assets between regulated affiliates shall be at net book value.

Shared Services and Other Cost Allocation Methodologies

The cost allocation guidelines provided in this document are designed to allocate costs between the nonregulated activities and the regulated activities of a cooperative. After they are placed into effect, these allocation procedures will help to minimize the subsidization of the nonregulated activities by the regulated activity of the cooperative.

It is the intent of this manual to minimize the amount of costs to be allocated and to provide reasonable and simple allocation procedures when certain costs are to be allocated. Therefore, costs will be directly assigned to the nonregulated or to regulated activities at all times possible. Labor will be the primary means for determining whether an expense is either regulated or nonregulated and time reporting procedures will be maintained in quarter-hour increments. Common costs or costs which cannot be directly assigned will be allocated to the regulated and nonregulated activities on the basis of a rational methodology consistent with commonly used measures of cost causation. These allocation methods to be applied to common costs are the following ones:

Number of Accounts

Costs allocated under this method will be allocated proportional to the number of accounts that are served.

Direct Labor Dollars

Costs will be allocated proportionally to the number of direct labor dollars recorded for each activity.

Direct Labor hours

Costs will be allocated proportionally to the number of hours worked on each activity.

Net Plant

Costs will be allocated proportionally on the basis of net plant.

Global Allocator on Direct Expenses

Costs are allocated proportionally based on directly assigned expenses.

Work Space Size

Costs will be allocated proportionally based on the size of the workspace devoted to a particular activity.

Number of Miles Driven

Costs will be allocated based proportionally on miles driven.

Number of Hours Used

Costs will be allocated proportionally on hours logged for a each piece of machinery.

Number of Equipment Units

Costs will be allocated based on number of equipment units devoted to a particular activity.

Revenue Dollars

Costs will be allocated based on the Revenue Dollars produced by each activity.

Income Dollars

Costs will be allocated based on income recorded for each activity.

Amount/Percent of Investment

Costs will be allocated based on dollars invested in a particular activity or percent of the total invested in an activity.

ADOPTION STATEMENT

This CAM has been reviewed and reaffirmed as of September 30, 2015



President & CEO

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
CHART OF ACCOUNTS**

All expenses and revenues recorded will be directly assigned when feasible.

Allocation Methods for Shared Regulated / Non-Regulated

Acct #	Account Description	Regulated	Non-Regulated	Shared Reg & NonReg	Allocation Methods for Shared Regulated / Non-Regulated											Comments			
					Number of Accounts	Direct Labor Dollars	Direct Labor Hours	Net Plant	Global Allocator / Dir Expense	Work Space Size	Number of Miles Driven	Number of Hours Used	Number of Equip Units	Revenue Dollars	Income Dollars		Amount/Percent of Investment		
142.20	Customer Accounts Receivable			x														x	Pres & CEO and VP, Accounting payroll time for Board meetings.
403.60	Depreciation Expense - Distribution Plant	x																	
403.70	Depreciation Expense - General Plant	x																	
408.10	Property Taxes - Expenses	x																	
408.16	Taxes - Other - PSC Assessment	x																	
418.10	Equity in Earnings of Subsidiary		x																Actual income/loss booked in this account.
419.00	Interest and Dividend Income	x																	
419.30	Interest on Note Receivable - ETS	x																	
421.10	Gain/Loss Disposition of Property	x																	
423.00	G & T Capital Credits	x																	
424.00	Other Capital Credits & Patronage Capital	x																	
426.10	Donations	x																	
426.20	Operation Warm Hearts	x																	
426.30	Load Management Credit Refund	x																	
426.50	Other Deductions	x																	
427.10	Interest/RUS Construction Loan	x																	
427.11	Interest/Federal Fin. Bank Construction Loan	x																	
427.20	Interest/Other LTD - CFC	x																	
428.00	Amortization of Debt Disc & Exp	x																	
431.00	Interest Expense - Consumer Deposits	x																	

Response 2015.
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**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
CHART OF ACCOUNTS**

All expenses and revenues recorded will be directly assigned when feasible.

Allocation Methods for Shared Regulated / Non-Regulated

Acct #	Account Description	Regulated	Non-Regulated	Shared Reg & NonReg	Allocation Methods for Shared Regulated / Non-Regulated											Comments		
					Number of Accounts	Direct Labor Dollars	Direct Labor Hours	Net Plant	Global Allocator / Dir Expense	Work Space Size	Number of Miles Driven	Number of Hours Used	Number of Equip Units	Revenue Dollars	Income Dollars		Amount/Percent of Investment	
431.10	Interest Expense - Short Term	x																
440.10	Residential Sales	x																
442.10	Commercial & Industrial Sales/Small	x																
442.20	Commercial and Industrial Sales/Large	x																
444.00	Public Street & Highway Lighting	x																
450.00	Forfeited Discounts	x																
451.00	Miscellaneous Service Revenues	x																
451.10	Misc Serv Rev - Trip Charges	x																
451.20	Misc Serv Rev - Check Charges	x																
451.30	Misc Serv Rev - ETS Units	x																
451.40	Misc Serv Rev - Reconnect Reg Hrs	x																
451.50	Misc Serv Rev - Reconnect O.T. Hrs	x																
451.60	Misc Serv Rev - Meter Test Fees	x																
451.70	Misc Serv Rev - Insulation Prog	x																
451.80	Misc Serv Rev - Inspections	x																
451.90	EKPC Marketing Rebate	x																
454.00	Rent from Electric Property	x																
456.00	Other Electric Revenues	x																
456.03	Rental Income - FTSK			x														Rental Income
456.10	Revenue - Temporary Service Rent	x																

Response 20.J.
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**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
CHART OF ACCOUNTS**

All expenses and revenues recorded will be directly assigned when feasible.

Allocation Methods for Shared Regulated / Non-Regulated

Acct #	Account Description	Regulated	Non-Regulated	Shared Reg & NonReg	Allocation Methods for Shared Regulated / Non-Regulated											Comments		
					Number of Accounts	Direct Labor Dollars	Direct Labor Hours	Net Plant	Global Allocator / Dir Expense	Work Space Size	Number of Miles Driven	Number of Hours Used	Number of Equip Units	Revenue Dollars	Income Dollars		Amount/Percent of Investment	
555.00	Purchased Power	x																
580.00	Operation Supervision & Engineering	x																
583.00	Overhead Line Expenses	x																
583.10	Overhead Line Expense - PCB	x																
586.00	Meter Expenses	x																
587.00	Customer Installations Expense	x																
587.40	Misc Exp - Temp Serv Rental Repairs	x																
588.00	Misc Distribution Expense	x																
593.00-593.40*	Maintenance of Overhead Lines	x																
595.00	Maintenance of Line Transformers	x																
595.01	Maintenance of Transfers - Emergency Repair	x																
597.00	Maintenance of Meters	x																
598.00	Maintenance of Misc. Distribution Plant	x																
901.00	Customer Accounts Supervision	x																
902.00	Meter Reading Expenses	x																
903.00	Customer Records & Collection	x																
904.00	Bad Debt/Write-Off Accrual	x																
904.10	Uncollectible - Other Accounts Receivable	x																
908.00	Customer Assistance Expense	x																
908.10	Duct Sealing Program	x																

*Response 2b.i.
Page 20 of 21*

**FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
CHART OF ACCOUNTS**

All expenses and revenues recorded will be directly assigned when feasible.

Acct #	Account Description	Allocation Methods for Shared Regulated / Non-Regulated			Number of Accounts	Direct Labor Dollars	Direct Labor Hours	Net Plant	Global Allocator / Dir Expense	Work Space Size	Number of Miles Driven	Number of Hours Used	Number of Equip Units	Revenue Dollars	Income Dollars	Amount/Percent of Investment	Comments
		Regulated	Non-Regulated	Shared Reg & NonReg													
908.30	ETS Unit Expense	x															
908.60	Energy Conservation - Button Up	x															
909.00	Public Safety Awareness	x															
912.00	Marketing Expense	x															
920.00	Administrative General Salaries	x															
921.00	Office Supplies and Expenses	x															
923.00	Outside Services Employed			x													Outside professionals bill subsidiary separately.
924.00	Property Insurance	x															
925.00	Injuries and Damages	x															
926.00	Employee Training - Educational Program	x															
926.10	Employee Benefits			x				x									Overheads follow direct labor hours from 142.20 account.
930.10	General Advertising Expenses	x															
930.20	Miscellaneous General Expense	x															
930.21	Misc Gen Exp - Annual Meeting Expense	x															
930.23	Misc Gen Exp - Public Relations & Image	x															
930.30	Misc Gen Exp - Directors' Fees and Expenses	x															
930.31	Misc. Gen. Exp. - Directors Election Expense	x															
932.00	Maintenance of General Plant	x															

*The Cooperative uses the two digits to the right of the decimal to track costs for specific activities from time to time. For example in the 593.00 accounts, sub-accounts are set up to track specific types of right-of-way clearing methods such as circuit work or herbicide programs.

Response 20.J.
Page 21 of 21

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 21.

Refer to Farmers' Response to Staff's Initial Request, Item 52.

- A. Refer to the COS Input Tab, Part I – Class Data, Meter Weighting Factor. Explain how the weights for each class were determined.
- B. Refer to the COS Input Tab, Part VI – Revenue Requirements, Administrative & General. Explain why the unbundled balance for Administrative & General of \$2,097,451 is different from the 2015 actual unbundled balance of \$2,147,127 on page 1 of 74 of Exhibit F of the application.
- C. Refer to the Classification tab, Distribution Plant, line 25, Account No. 371, Cons Premise. The classification factor used is Installed Consumer Premises ("ICON").
 1. Explain why the allocation percentage for ICON references primary lines.
 2. Explain why the direct allocation to outdoor lights was determined to be \$1,995,841, as the reference to the COS Input tab is a direct input.
- D. Refer to the Classification tab, Distribution, line 34, Acct. No. 587, Oper. Cons. Install. The classification factor used is ICON, which references primary lines. Explain why the classification factor is used as opposed to a direct assignment to Sch. OL.
- E. Refer to the Classification tab, Distribution, line 43, Acct. No. 596, Main St. Lighting. Explain why the total is divided between Sch. OL and Sch. SL when this account is maintenance of street lighting.
- F. Refer to the PRI and TRF Classification tab, Account 368 – Transformers. Provide a revised X Variable for the Zero Intercept Approach as the cell reads "FALSE".

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 21.

- A. The weights are based upon the installed meter costs for different meter types as is shown below:

Meter Type	Installed Cost	Weight
1 PH kWh	\$99	1.0
3 PH kWh + kW	\$526	5.31
3 PH kWh + kW + PF	\$606	6.12

The weights are developed using a 1.0 (base) for a single phase kWh only meter. A ratio or weight for the other meter types is then determined based upon the installed cost of those meters in comparison to the base kWh meter. The resulting weighting is assigned to each rate class based meter type used for each rate class.

There may be some confusion caused by the fact that other meter costs and weighting factors were inadvertently included on page 27 or Exhibit Q. These meter costs and weightings are not specific to Farmers and were not used in the class cost of service study.

- B. The \$2,147,127 unbundled balance for Administrative & General shown on page 1 of 74 of Exhibit F comes directly from Farmers' trial balance. The figure shown in the Class Cost of Service Study (CCOSS) on the "COS Input" tab, Part VI – Revenue Requirements, Administrative & General is lower due to the exclusions made to the related expense accounts. Those exclusions are summarized on page 43 of 74 of Exhibit F.
- C. 1. Because the classification of plant in account 371 (not otherwise directly assigned to lighting in this case) is being classified in accordance with the primary line classification factor.
2. It was determined that \$1,995,841 of the total \$1,998,521 was directly related to lighting. That amount was therefore directly assigned to lighting and the remainder was classified as per the ICON classification factor.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Response 21 (continued).

- D. The classification factor is used as opposed to a direct assignment because the expense is not directly assignable to the lighting class.
- E. The total is divided between Sch. OL and Sch. SL because Farmers records maintenance of outdoor lights and street lights to the same account; i.e. Acct. No. 596
- F. The revised X variable is "13.24" and has no impact on the resulting consumer classifications or class cost of service study results.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 22.

Explain whether Farmers has any smart grid investment in East Kentucky Power Cooperative, Inc.'s substations. If so, provide the type of equipment and the capital investment.

Response 22.

Farmers has AMI meter reading related equipment located in each of the substations. The equipment consist of electronics and a specialized distribution padmount transformer for communicating to the meters. These capital investments are included in plant accounts 370.02 and 370.03, and as of December 31, 2015, had a total balance of \$892,061.

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365
Commission Staff's Second Request for Information

Request 23.

Provide an updated Exhibit Q in Excel spreadsheet format, with all formulas intact and unprotected and all rows and columns accessible, if any changes result based on this data request.

Response 23.

The results of Exhibit Q have not changed based on this data request.