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April 17, 2017

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

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

Dear Dr. Mathews:

Please find enclosed the original responses to the Commission's Order "Commission Staff's Second Post-Hearing Request for Information to Farmers Rural Electric Cooperative Corporation", dated April 12, 2017. Please return a file-stamped copy to my office. Should you have any questions, or need additional information, please let me know.

Sincerely,



David S. Samford

Enclosures

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 POST-HEARING REQUEST FOR INFORMATION

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

1. The witnesses who are prepared to answer questions concerning each request are Jennie Phelps and Lance Schafer.
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.



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*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

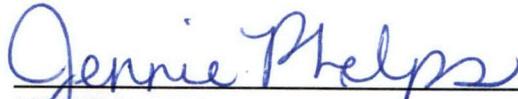
Case No. 2016-00365

AFFIDAVIT

The undersigned, 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: April 17, 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 17th day of April, 2017.



Notary Public, Kentucky State At Large

ID: 514370

My Commission Expires: June 30, 2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

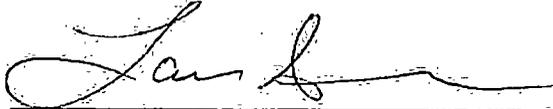
Case No. 2016-00365

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.

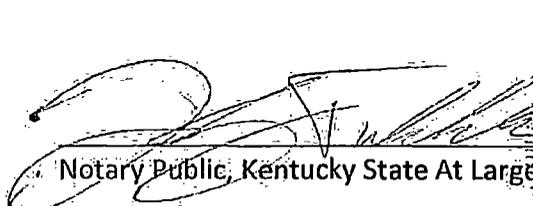
Dated: April 13, 2017

POWER SYSTEM ENGINEERING, INC



LANCE C. SCHAFER

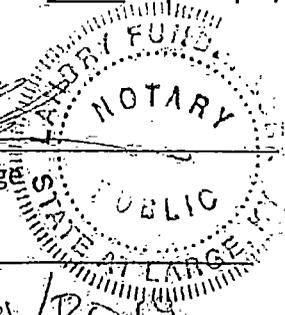
Subscribed, sworn to, and acknowledged before me by Lance C. Schafer, a Rate and Financial Analyst for Power System Engineering, Inc. on behalf of said Corporation this _____ day of April, 2017.



Notary Public, Kentucky State At Large

ID: 541185

My Commission Expires: 08/31/2019



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

Request 1.

Refer to the Application, Exhibit F, page 33.

- A. In the Participants section, there is a listing of the 2015 and 2016 Annual Numbers. Explain the meaning of the Annual Number and how it is determined.
- B. In the Base Rate Section, there is a listing of the 2015 and 2016 Total Claims Fund – EKPC. Explain what Total Claims Fund-EKPC is and what relevance it has to Farmers' healthcare costs.

Response 1.

- A. The listing of 2015 and 2016 annual numbers is the billings in each category for the entire year.
- B. As a member of the Kentucky Rural Electric Cooperative Employers Benefit Plan ("KREC"), contributions for funding are paid to East Kentucky Power Cooperative ("EKPC").

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

Request 2 (continued).

Where columns a, b, c, d, e & f represent:

- a. Total Healthcare Cost = columns b + c + d
- b. Farmers' Healthcare Cost (excludes Employee Premiums & Employee Deductibles)
- c. Employees' Premiums/Cost
- d. Employees' Deductibles
- e. % of Total Healthcare Cost Paid by Farmers = column b divided by column a
- f. % of Total Healthcare Cost Paid by Employees = (column c + column d) divided by column a.

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

Response 2.

In prior requests, Farmers was uncertain how to present data in regards to the cost of the healthcare plan. Given this specific format from the Commission Staff, Farmers calculates the total cost on page 4 of 5 of this response.

Please note for the test year of 2015, Farmers' employees were subject to deductibles of \$1,220 for single plans and \$2,440 for family plans. Employees incurred more of the total healthcare cost in financial year 2016 when deductibles were increased by 23%. For financial year 2016, Farmers' employees were subject to deductibles of \$1,500 for single plans and \$3,000 for family plans.

Therefore, in review of Staff's Fourth Data Request, Response 3, Item B, the Staff requested that Farmers provide the amount of health insurance Farmers would have incurred, assuming the total cost equals the premium for each level of coverage plus the deductible, and that for the single coverage the employee would pay 21 percent of the total cost and that for all other types of coverage, the employee pay 32 percent of the total cost. This updated calculation is presented on page 5 of 5 of this response.

For the test year of 2015, to allocate 21 percent of the cost for single coverage and 32 percent of the cost for family coverage, Farmers would have incurred \$162,160 less in medical expense. Since Farmers made a cost-savings adjustment of increasing deductibles in financial year 2016, the cost allocation using the aforementioned percentages would be different. Therefore, for the financial year of 2016, to allocate 21 percent of the cost for single coverage and 32 percent of the cost for family coverage, Farmers would have incurred \$92,430 less in medical expense.

**Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365**

2015	Total Healthcare Cost	Farmers' Healthcare Cost	Employees' Premiums/Cost	Employees' Deductible	% Pd by Farmers	% Pd by Employees
	a	b	c	d	e	f
Family	1,104,741	900,400	84,781	119,560	81.50%	18.50%
Single	154,673	135,153	-	19,520	87.38%	12.62%
Total	1,259,414	1,035,553	84,781	139,080		

Number of Participants***	Employee + family	Employee + spouse	Employee + children	Single only
		33	12	4

*For test year 2015, Farmers' employees were subject to deductibles of \$1,220 for single plans and \$2,440 for all family plans. **The number of participants represents year-end figures. Participants levels are subject to change during the year based on qualifying events.*

2016	Total Healthcare Cost	Farmers' Healthcare Cost	Employees' Premiums/Cost	Employees' Deductible	% Pd by Farmers	% Pd by Employees
	a	b	c	d	e	f
Family	993,484	767,087	82,397	144,000	77.21%	22.79%
Single	104,417	83,417	-	21,000	79.89%	20.11%
Total	1,097,901	850,504	82,397	165,000		

Number of Participants***	Employee + family	Employee + spouse	Employee + children	Single only
		31	12	5

*For financial year 2016, Farmers' employees were subject to deductibles of \$1,500 for single plans and \$3,000 for all family plans. **The number of participants represents year-end figures. Participants levels are subject to change during the year based on qualifying events.*

Where columns a, b, c, d, e & f represent:

- a. Total Healthcare Cost = columns b + c + d
- b. Farmers' Healthcare Cost (excludes employee premiums and employee deductibles)
- c. Employees' Premiums/Cost
- d. Employees' Deductible
- e. % of Total Healthcare Cost Paid by Farmers = column b divided by column a
- f. % of Total Healthcare Cost Paid by Employees = (column c + column d) divided by column a

Farmers Rural Electric Cooperative Corporation
Case No. 2016-00365

2015	Total Healthcare Cost	Farmers' Healthcare Cost	Employees' Premiums/C ost	Employees' Deductible	% Pd by Farmers	% Pd by Employees
	a	b	c	d	e	f
Family	1,104,741	751,200	233,981	119,560	68.00%	32.00%
Single	154,673	122,193	12,960	19,520	79.00%	21.00%
Total	1,259,414	873,393	246,941	139,080		
Actual Cost - page 3 of 4	1,259,414	1,035,553	84,781	139,080		
(Reduction)/Increase	-	(162,160)	162,160	-		

2016	Total Healthcare Cost	Farmers' Healthcare Cost	Employees' Premiums/C ost	Employees' Deductible	% Pd by Farmers	% Pd by Employees
	a	b	c	d	e	f
Family	993,484	675,587	173,897	144,000	68.00%	32.00%
Single	104,417	82,487	930	21,000	79.00%	21.00%
Total	1,097,901	758,074	174,827	165,000		
Actual Cost - page 3 of 4	1,097,901	850,504	82,397	165,000		
(Reduction)/Increase	-	(92,430)	92,430	-		

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

Request 3.

Refer to Staff's Post-Hearing Request, Item 10, Exhibit H, (2nd amended), page 1 of 6, line 1. Column (c) \$48,538,417 plus column (d) (\$2,772,113) does not equal column (e) \$47,660,109. Explain the discrepancy difference and provide any necessary corrections.

Response 3.

The amount listed on Exhibit H (2nd amended), page 1 of 6, line 1, column (e) is not the result of adding columns (c) and (d), but is rather (as indicated by the corresponding footnote) the result of the calculation presented in Schedule A of the same exhibit (see pages 3 through 6).

When added, the amounts in columns (c) and (d) quantify the rate-schedule revenue for the Pro-Forma Test Year at present rates (see Exhibit F [2nd amended], page 1 of 74, line 2). Exhibit H, however, utilizes proposed rates to calculate the rate-schedule revenue, which is shown in Schedule A, pages 3 through 6 of Exhibit H (2nd amended).