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PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF EAST KENTUCKY)
POWER COOPERATIVE, INC., FOR THE)
SIX-MONTH BILLING PERIODS ENDING) CASE NO.2009-00039
DECEMBER 31, 2007, JUNE 30, 2008, AND)
DECEMBER 31, 2008, AND THE PASS THROUGH)
MECHANISM FOR ITS SIXTEEN MEMBER)
DISTRIBUTION COOPERATIVES)

OWEN ELECTRIC COOPERATIVE, INC.'S RESPONSE
TO PSC ORDER OF APRIL 14, 2008

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW

523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

James M. Crawford
Ruth H. Baxter
Alecia Gamm Hubbard

Phone: (502) 732-6688
1-800-442-8680
Fax: (502) 732-6920
Email: CBJ523@AOL.COM

April 24, 2009

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

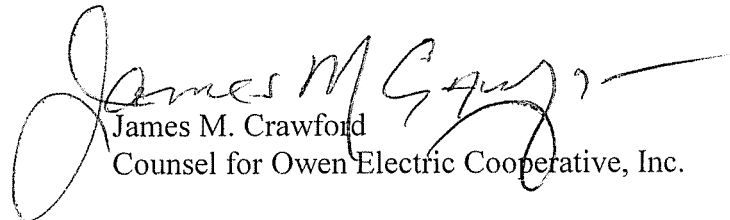
RE: PSC Case No. 2009-00039

Dear Mr. Derouen:

Please find enclosed an original and five copies of the responses of Owen Electric Cooperative, Inc's, to Case No. 2009-00039 dated April, 14, 2009.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford
Counsel for Owen Electric Cooperative, Inc.

JMC/mns

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the above Responses to Information Request was served by U. S. Mail to all parties on the 24th day of April, 2009.

Hon. Michael L. Kurtz
Boehm, Kurtz & Lowery
36 East Seventh Street, Suite 1510
Cincinnati OH 45202

Mr. Robert Marshall
President/CEO
East Ky Power Cooperative, Inc.
P.O. Box 707
Winchester KY 40392-0707

Hon. Marvin W. Suit
Suit, McCartney & Price, PLLC
207 Court Square
Winchester KY 41041

Mr. Bobby D. Sexton
President/General Manager
Big Sandy RECC
504 11th Street
Paintsville KY 41240-1422

Mr. Daniel W. Brewer
President/CEO
Blue Grass Energy Cooperative
P.O. Box 990
Nicholasville KY 40340-0990

Mr. Paul G. Embs
President/CEO
Clark Energy Cooperative, Inc.
P.O. Box 748
Winchester KY 40392-0748

Mr. Ted Hampton
Manager
Cumberland Valley Electric
P.O. Box 440
Gray KY 40734

Mr. Christopher S. Perry
President/CEO
Fleming-Mason Energy Cooperative
P.O. Box 328
Flemingsburg KY 41240-1422

Ms. Carol H. Fraley
President/CEO
Grayson RECC
109 Bagby Park
Grayson KY 41143

Mr. James I. Jacobus
President/CEO
Inter-County ECC
P.O. Box 87
Danville KY 40423-0087

Mr. Donald R. Schaefer
President/CEO
Jackson Energy Cooperative
115 Jackson Energy Lane
McKee KY 40447

Mr. Kerry K. Howard
General Manager/CEO
Licking Valley RECC
P.O. Box 605
West Liberty KY 41472

Mr. Michael L. Miller
President/CEO
Nolin RECC
411 Ring Road
Elizabethtown KY 42701-8701

Mrs. Debbie Martin
President/CEO
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville KY 40065

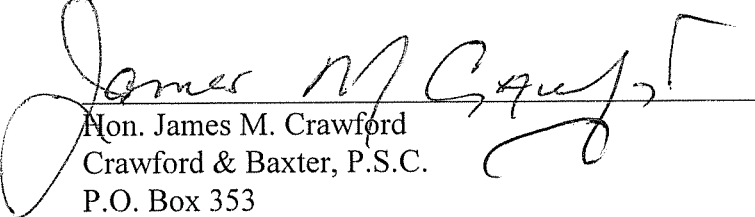
Mr. Barry L. Myers
Manager
Taylor County RECC
P.O. Box 100
Campbellsville KY 42719

Hon. Woodford L. Gardner
117 E. Washington Street
Glasgow KY 42141

Mr. J. Larry Hicks
General Manager
Salt River ECC
P.O. Box 609
Bardstown KY 40004

Mr. Allen Anderson
Manager
South Kentucky RECC
P.O. Box 910
Somerset KY 42502-0910

Mr. H. Wayne Davis
Farmers Rural Electric Cooperative
P.O. Box 1298
Glasgow KY 42142-1298


Hon. James M. Crawford
Crawford & Baxter, P.S.C.
P.O. Box 353
Carrollton, Kentucky 41008
Phone: (502) 732-6688
Attorney for Owen Electric Cooperative, Inc.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	CASE NO.
SURCHARGE MECHANISM OF EAST)	2009-00039
KENTUCKY POWER COOPERATIVE, INC. FOR)	
THE SIX-MONTH BILLING PERIODS ENDING)	
DECEMBER 31, 2007; JUNE 30, 2008; AND)	
DECEMBER 31, 2008; AND THE PASS-)	
THROUGH MECHANISM FOR ITS SIXTEEN)	
MEMBER DISTRIBUTION COOPERATIVES)	

O R D E R

The Commission, on its own motion, hereby finds that the 14 distribution cooperatives that are members of East Kentucky Power Cooperative, Inc. ("EKPC") and have not requested full Intervenor status in this case¹ should be made parties to this case. The reason for this finding is that the issues under review in this case include the environmental surcharge pass-through mechanism which is a part of the tariffs of each distribution cooperative and is used to bill retail customers for the wholesale environmental surcharge costs billed by EKPC. Those cooperatives are:

Big Sandy Rural Electric Cooperative Corporation;
Blue Grass Energy Cooperative Corporation;
Clark Energy Cooperative, Inc.;
Cumberland Valley Electric, Inc.;
Farmers Rural Electric Cooperative Corporation;
Grayson Rural Electric Cooperative Corporation;
Inter-County Energy Cooperative Corporation;

¹ EKPC member distribution cooperatives Owen Electric Cooperative and Fleming-Mason Energy Cooperative previously requested full Intervenor status, which was granted to both utilities by an Order issued on April 2, 2009.

Jackson Energy Cooperative;
Licking Valley Rural Electric Cooperative Corporation;
Nolin Rural Electric Cooperative Corporation;
Salt River Electric Cooperative Corporation;
Shelby Energy Cooperative, Inc.;
South Kentucky Rural Electric Cooperative Corporation; and
Taylor County Rural Electric Cooperative Corporation.

The Commission further finds that each of the aforementioned distribution cooperatives should respond to the information request attached hereto as the Appendix.

IT IS THEREFORE ORDERED that:

1. The 14 distribution cooperatives identified in the findings above are made parties to this case and they shall individually or jointly file responses to the information request set forth in the Appendix attached hereto.

2. Intervenors Owen Electric Cooperative and Fleming-Mason Energy Cooperative shall individually or jointly file responses to the information request set forth in the Appendix attached hereto.

3. a. The information requested herein shall be filed within 20 days of the date of this Order.

b. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and five copies to the Commission.

c. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or

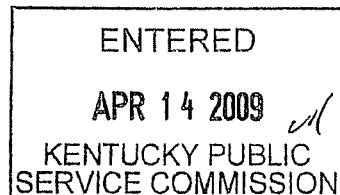
person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

d. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.


e. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

4. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00039 DATED APR 14 2009

1. Has your cooperative experienced any problems in administering its environmental surcharge pass-through mechanism over the 18-month period under review in this case? If yes, explain in detail the nature of the problems and any suggested changes to cure the problems.

2. Has your cooperative received any customer complaints regarding the environmental surcharge pass-through mechanism during the 18-month period under review in this case? If yes, state the number of complaints received, the nature of each complaint, and the service classification of each customer making a complaint.

3. Does your cooperative believe that its environmental surcharge pass-through mechanism has operated reasonably over the 18-month period under review in this case? If no, explain in detail.

4. Does your cooperative have any recommended changes for its existing environmental surcharge pass-through mechanism? If yes, explain in detail the nature of each change and the reasons why the change is needed.

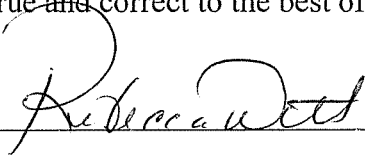
Honorable James M Crawford
Attorney At Law
Crawford & Baxter, P.S.C. Attorneys at Law
523 Highland Avenue
P. O. Box 353
Carrollton, KY 41008

Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202

Robert Marshall
President/CEO
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Honorable Marvin W Suit
Attorney At Law
Suit, McCartney & Price, PLLC
207 Court Square
Flemingsburg, KY 41041

Affiant, Rebecca Witt, states that the answers given by her to the foregoing questions are true and correct to the best of her knowledge and belief.



Rebecca Witt, Senior Vice President of Corporate Services

Subscribed and sworn to before me by the affiant, Rebecca Witt, this 24th
day of April, 2009.

Notary Laura M. Sroggins
State-at-Large

My Commission expires May 2, 2012.

Question:

Has your cooperative experienced any problems in administering its environmental surcharge pass-through mechanism over the 18-month period under review in this case? If yes, explain in detail the nature of the problems and any suggested changes to cure the problems.

Response:

Yes, Owen Electric Cooperative (Owen) has experienced problems in administering its environmental surcharge pass-through mechanism over the 18-month period under review in this case. Owen does not believe the existing methodology for the allocation of the environmental surcharge is fair and reasonable to all of its members. Under the current method, the monthly environmental surcharge factor charged by the wholesale supplier, East Ky. Power, is recalculated each month based upon retail revenues. This recalculation normally reduces the retail factor down. Owen has numerous industrial loads that are directly served at the substation and are either on a special contract or on East Ky Power's rate B. The retail environmental surcharge allows these customers to pay an amount less than EKP charged at the wholesale level, therefore the other retail classes are subsidizing a portion of these industrial customers' environmental surcharge. Attached is a spreadsheet supporting the subsidization of the environmental surcharge to special contract and rate B & C members since inception of the surcharge in mid 2005. In Owen's last general rate case no. 2008-00154, the industrial customers did not receive an increase in rates and this subsidization, in our opinion, puts an unfair burden on Owen's other rate classes.

It is Owen's request that its industrial customers that are on special contracts or on rate B or C, pay the *wholesale* environmental surcharge rate, thus eliminating the subsidization. This would enable Owen to charge its special contract and rate B & C members exactly what Owen is billed by EKP, and is the method outlined as Alternative #1 in EKP's response to the Commission order dated March 26, 2009.

**OWEN ELECTRIC COOPERATIVE
ANALYSIS OF INDUSTRIAL MEMBER OVER (UNDER) RECOVERY
SINCE INCEPTION OF ENVIRONMENTAL SURCHARGE**

Environmental Surcharge amount billed to Owen by East Kentucky Power	\$14,808,349
Environmental Surcharge amount billed to Industrial Members by Owen Electric	<u>\$12,177,655</u>
(Under)/Over Recovery of Environmental Surcharge	<u><u>(\$2,630,694)</u></u>

Note: Amounts include (Under)/Over recovery amounts for all B rate and special contract members

Question:

Has your cooperative received any customer complaints regarding the environmental surcharge pass-through mechanism during the 18-month period under review in this case? If yes, state the number of complaints received, the nature of each complaints, and the service classification of each customer making a complaint.

Response:

Owen Electric Cooperative has not received any specific complaints concerning the environmental surcharge pass-through mechanism.

Question:

Does your cooperative believe that its environmental surcharge pass-through mechanism has operated reasonably over the 18-month period under review in this case? If no, explain in detail.

Response:

No, Owen Electric Cooperative does not believe that the environmental surcharge pass-through mechanism has operated reasonably over the 18-month period under review in this case. Owen believes that special contracted customers and rate B & C customers should be charged the wholesale environmental surcharge rate as explained in Question 1.

Question:

Does your cooperative have any recommended changes for its existing environmental surcharge pass-through mechanism? If yes, explain in detail the nature of each change and the reasons why the change is needed.

Response:

Owen Electric Cooperative believes that special contracted customers and rate B & C customers should be charged the wholesale environmental surcharge rate as explained in Question 1. By charging these customers the wholesale environmental surcharge rate, the subsidization that currently exists between classes would be eliminated and all members would be charged a fair and reasonable environmental surcharge rate.