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April 28, 2009

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

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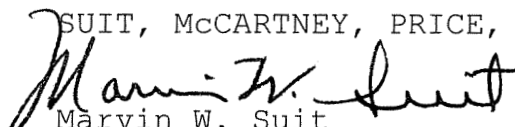
PUBLIC SERVICE  
COMMISSION

**IN RE: PSC Case No. 2009-00039**

Dear Mr. Derouen:

Please find enclosed an original and five copies of the responses of Fleming-Mason Energy Cooperative, Inc. to Case No. 2009-00039 dated April 14, 2009.

Sincerely,

SUIT, McCARTNEY, PRICE, PRICE & RUARK, PLLC  
  
Marvin W. Suit  
Counsel for Fleming-Mason Energy Cooperative, Inc.

MWS/mc

Enclosures

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 )

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PUBLIC SERVICE  
COMMISSION

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 case<sup>1</sup> 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;

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<sup>1</sup> 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

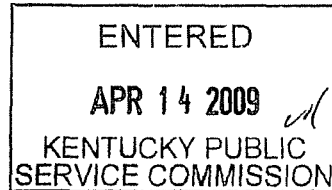
person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

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.

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FLEMING-MASON ENERGY COOPERATIVE, INC

RESPONSE TO:

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

WITNESS: Joni Hazelrigg

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.

**Response:**

Yes, Fleming-Mason Energy has experienced problems in administering its environmental surcharge pass-through mechanism over the 18-month period under review in this case. 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. Fleming-Mason Energy has four industrial loads that are directly served at the substation and are either on a special contract or on East Ky Power's rate B or C. 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 this subsidization.

It is Fleming-Mason Energy'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. In Fleming-Mason's last general rate case no. 2007-00022, the industrial customers did not receive an increase in rates and this subsidization, in our opinion, puts an unfair burden on Fleming-Mason's other rate classes.



FLEMING-MASON ENERGY

ANALYSIS OF INDUSTRIAL CUSTOMER UNDER RECOVERY  
SINCE INCEPTION OF ENVIRONMENTAL SURCHARGE

JULY, 2005 - FEBRUARY, 2009

SPECIAL CONTRACTS & RATE B & C CUSTOMERS

ENVIRONMENTAL SURCHARGE BILLING SUMMARY:

	<u>EKP BILLED</u>	<u>CUSTOMER BILLED</u>	<u>UNDER RECOVERY</u>
1	815,267	755,778	(59,489)
2	1,814,142	1,672,017	(142,125)
3	1,145,190	1,059,256	(85,934)
4	<u>6,567,061</u>	<u>5,742,399</u>	<u>(824,662)</u>
	10,341,660	9,229,450	(1,112,210)

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 complaints, and the service classification of each customer making a complaint.

**Response:**

Fleming-Mason Energy has not received any specific complaints concerning the environmental surcharge pass-through mechanism.

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.

**Response:**

Fleming-Mason Energy believes that special contracted customers and rate B & C customers should be charged the wholesale environmental surcharge rate as explained in Question 1.

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.

**Response:**

Fleming-Mason Energy 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.

Parties of Record:

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