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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 SUPPLEMENTAL DATA REQUEST OF JULY 7, 2009**

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW
523 Highland Avenue
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July 20, 2009

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**PUBLIC SERVICE
COMMISSION**

Mr. Jeff R. 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 supplemental responses of Owen Electric Cooperative, Inc's, to Case No. 2009-00039 dated July 20, 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 20 day of July, 2009, to the following:

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
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P.O. Box 605
West Liberty KY 41472

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

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

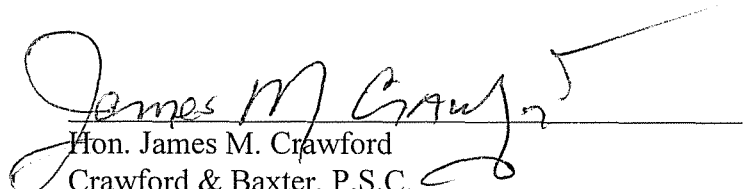
Mrs. Debbie Martin
President/CEO
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville KY 40065

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

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

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

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


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

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF TO
EAST KENTUCKY POWER COOPERATIVE, INC.'S
SIXTEEN MEMBER DISTRIBUTION COOPERATIVES

The sixteen member distribution cooperatives of East Kentucky Power Cooperative ("EKPC")¹ that were made parties to this case by Order dated April 14, 2009 are to file with the Commission, pursuant to 807 KAR 5:001, the original and five copies of the following information, with a copy to all parties of record. The information requested herein is due within fourteen days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed, and

¹ East Kentucky Power Cooperative, Inc. ("EKPC") member distribution 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, Fleming-Mason Energy Cooperative, Grayson Rural Electric Cooperative Corporation, Inter-County Energy Cooperative Corporation, Jackson Energy Cooperative, Licking Valley Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Owen Electric Cooperative, Salt River Electric Cooperative Corporation, Shelby Energy Cooperative, Inc., South Kentucky Rural Electric Cooperative Corporation, and Taylor County Rural Electric Cooperative Corporation

indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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 the 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.

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

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. *When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.*

1. Refer to the questions in the Appendix of the Commission Order dated April 14, 2009.

a. Are you proposing as part of this case to revise the allocation methodology that you currently use to pass through EKPC's environmental surcharge to

your retail customers? If yes, identify the revised allocation methodology you propose to adopt and the specific retail rate classes that will be subject to the revised allocation methodology.

b. Have the customers that are proposed to be billed under the revised allocation methodology been notified of the proposed change? If yes, provide a copy of the customer notice.

c. State whether a change to your retail allocation methodology for billing the environmental surcharge will require a change to the existing language in your environmental surcharge tariff and, if so, provide a statement showing, with cross-outs and italicized inserts, all proposed changes. A copy of the current rate schedule can be used to show the proposed changes.


for Jeff Derouen
Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: JUL - 7 2009

cc: All Parties

Allen Anderson
Manager
South Kentucky R.E.C.C.
925-929 N. Main Street
P. O. Box 910
Somerset, KY 42502-0910

Ted Hampton
Manager
Cumberland Valley Electric, Inc.
Highway 25E, P. O. Box 440
Gray, KY 40734

Barry L Myers
Manager
Taylor County R.E.C.C.
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Daniel W Brewer
President and CEO
Blue Grass Energy Cooperative Corp.
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Larry Hicks
General Manager
Salt River Electric Cooperative Corp.
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Bobby D Sexton
President/General Manager
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Paintsville, KY 41240-1422

Sharon K Carson
Finance & Accounting Manager
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McKee, KY 40447

James L Jacobus
President/CEO
Inter-County Energy Cooperative Corporation
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Danville, KY 40423-0087

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

Honorable James M Crawford
Attorney At Law
Crawford & Baxter, P.S.C. Attorneys at Law
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Carrollton, KY 41008

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

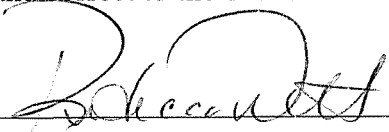
Paul G Embs
President & CEO
Clark Energy Cooperative, Inc.
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2640 Ironworks Road
Winchester, KY 40392-0748

Debbie Martin
President and CEO
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620 Old Finchville Road
Shelbyville, KY 40065

Carol H Fraley
President and CEO
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

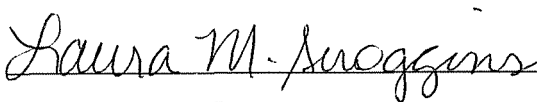
Michael L Miller
President & CEO
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY 42701-6767

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 20th
day of July, 2009.

Notary 
State-at-Large

My Commission expires May 2, 2012.

Question:

Refer to the questions in the Appendix of the Commission Order dated April 14, 2009.

Are you proposing as part of this case to revise the allocation methodology that you currently use to pass through EKPC's environmental surcharge to your retail customers? If yes, identify the revised allocation methodology you propose to adopt and the specific retail rate classes that will be subject to the revised allocation methodology.

Response:

Yes, Owen Electric Cooperative (Owen) is proposing to revise the allocation method currently employed to pass through the environmental surcharge amount. 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.

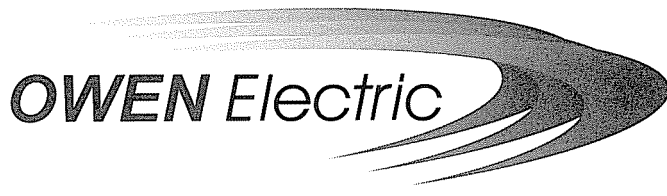
Owen is proposing that its industrial customers, whose retail rates are based upon EKPC's B or C rates, or special contracts, pay exactly what Owen is billed by EKPC, based on the *wholesale* environmental surcharge factor, thus eliminating the subsidization. All other rate classes will be charged the environmental surcharge pass through amount based upon a retail revenue factor (calculated excluding the revenue from the industrial customers noted above).


Question:

Have the customers that are proposed to be billed under the revised allocation methodology been notified of the proposed charge? If yes, provide a copy of the customer notice.

Response:

Owen has notified all B and C rate class members, and all special contract members of the potential change. Attached is a copy of the letter that has been mailed to each B or C rate member. Additionally, Owen's only special contract customer, Gallatin Steel, has been working with Owen and EKPC to amend our contract to require Gallatin Steel to pay the wholesale environmental surcharge amount beginning in 2009, subject to commission approval. A copy of the contact amendment is attached. The contract amendment is being submitted to the Commission for approval.



A Touchstone Energy Cooperative 

July 17, 2009

To Whom It May Concern:

Please be advised that the method in which the Environmental Surcharge (ES) is currently being distributed by East Kentucky Power and Owen Electric Cooperative on certain industrial loads is being examined by the Public Service Commission (PSC). Specifically, the "LPB" rate that your company is on is included in this review. In some instances, industrial customers on special contracts and "LPB rates" pay less ES at the retail level than the wholesale level. As a result, certain retail classes are paying a larger portion of the surcharge or subsidizing the industrial customers. If the Commission rules this is not equitable, a new method will be used to more fairly apply the ES.

As a review, the ES is a mechanism to recoup cost incurred while meeting EPA regulation on power plant emissions. Such costs include the purchase, maintenance and operation of expensive equipment like scrubbers to "clean" coal used in the production of power. State regulators ensure that only proper expenses are extracted in the ES. Future pollution control equipment and climate legislation mandates will be a driver of future ES costs.

I will continue to update you further as developments occur. Please feel free to contact me with additional questions about this issue.

Regards,

Brian E. Linder
Manager of Key Accounts
Owen Electric Cooperative

1-800-372-7612 ext. 3542

Amendment No. 1

Effective date: First full billing month after
September 2009 following receipt of approval by
the Kentucky Public Service Commission

**Amendment to the Agreement of March 25, 2005 (effective June 1, 2005),
for Electric Service between and among Gallatin Steel Company, Owen
Electric Cooperative and East Kentucky Power Cooperative, Inc.**

Effective: For service rendered on the first full billing month after September 2009 and
following receipt of approval by the Kentucky Public Service Commission.


Come now the parties to this Agreement and revise, modify and amend said Agreement
as follows:

I. Paragraph 11, is deleted in its present form and hereafter shall read:

**"11. Environmental Surcharge. Gallatin Steel will be charged the EKPC
system environmental surcharge in conformity with KRS 278.183."**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be
executed by their duly authorized representatives on the dates indicated.

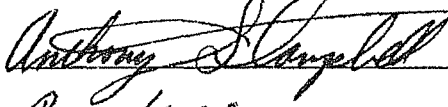
GALLATIN STEEL COMPANY

By: 

Title: PRESIDENT

Date signed: 7-6-09

EAST KENTUCKY POWER COOPERATIVE, INC.

By: 

Title: Pres./CEO

Date signed: 7-14-09

OWEN ELECTRIC COOPERATIVE

By: 

Title: President & CEO

Date signed: 6-22-09

Question:

State whether a change to your retail allocation methodology for billing the environmental surcharge will require a change to the existing language in your environmental surcharge tariff and, if so, provide a statement showing, with cross-outs and italicized inserts, all proposed changes. A copy of the current rate schedule can be used to show the proposed changes.

Response:

Yes, see attached.

FOR Entire Territory Served
Community, Town or City
P.S.C. KY. NO. 6
1st Revised SHEET NO. 38
CANCELLING P.S.C. KY. NO. 6
Original SHEET NO. 38

Owen Electric Cooperative, Inc.

(Name of Utility)

CLASSIFICATION OF SERVICE

RATES SCHEDULE ES – ENVIRONMENTAL SURCHARGE

AVAILABILITY

In all of the Company's service territory.

APPLICABILITY

This rate schedule shall apply to all electric rate schedules and special contracts.

RATE

$CES(m) = ES(m) - BESF$

where CES(m) = Current Month Environmental Surcharge Factor
ES(m) = Current Month Environmental Surcharge Calculation
BESF = Base Environmental Surcharge Factor of 0%

For all rate schedules excluding those whose retail rates are based upon EKPC's B or C rates, or special contracts: $ES(m) = [((WESF) \times (\text{Average of 12-month ended revenues from sales to Member System, excluding environmental surcharge})) + (\text{Over/Under Recovery})] \text{ divided by } [(\text{Average of 12-months ending Retail Revenue from all rate schedules excluding those whose retail rates are based upon EKPC's B or C rates, or special contracts (excluding environmental surcharge)})] = \underline{\hspace{2cm}} \%$ (T)

where WESF – Wholesale Environmental Surcharge Factor for Current Expense Month (T)

For all rate schedules whose retail rates are based upon EKPC's B or C rates, or special contracts: $ES(m) = \text{Direct pass-through of the wholesale environmental surcharge amount as billed by EKPC.}$ (T)

DATE OF ISSUE March 17, 2005
Month / Date / Year

DATE EFFECTIVE September 1, 2009
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2009-00039 DATED March 17, 2005

FOR Entire Territory Served
Community, Town or City
P.S.C. KY. NO. 6
1st Revised SHEET NO. 39
CANCELLING P.S.C. KY. NO. 6
Original SHEET NO. 39

Owen Electric Cooperative, Inc.

(Name of Utility)

CLASSIFICATION OF SERVICE

(Over)/Under Recovery =

6-months cumulative (over)/under recovery as defined by amount billed by EKPC to Member System minus the amount billed by Member System to retail customer. Over or under recoveries shall be amortized over a six-month period.

BESF = zero

BILLING

The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

DATE OF ISSUE March 17, 2005
Month / Date / Year

DATE EFFECTIVE September 1, 2009
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE President/CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2009-00039 DATED March 17, 2005