

SUIT, McCARTNEY, PRICE, PRICE & RUARK, PLLC
Attorneys at Law

Marvin W. Suit

Frank H. McCartney

Patrick E. Price

John C. Price

Darrell K. Ruark

Court Square
Flemingsburg, KY 41041

Phone (606) 849-2338
Fax (606) 845-8701

RECEIVED

JUL 21 2009

**PUBLIC SERVICE
COMMISSION**

July 20, 2009

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

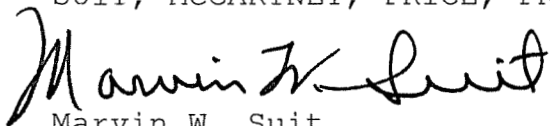
IN RE: PSC Case No. 2009-00039

Dear Mr. Derouen:

Please find enclosed an original and five copies of the responses of Fleming-Mason Energy Cooperative, Inc. to the Supplemental Data Request dated July 07, 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)
SURCHARGE MECHANISM OF EAST 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)**

CASE NO. 2009-00039

**FLEMING-MASON ENERGY COOPERATIVE, INC.'S RESPONSE
TO SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF TO
EAST KENTUCKY POWER COOPERATIVE, INC.'S
SIXTEEN MEMBER DISTRIBUTION COOPERATIVES**

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 subjected to the revised allocation methodology?

Response:

Yes, Fleming-Mason Energy (FME) is proposing to revise the allocation methodology currently used to pass through EKPC's environmental surcharge (ES). The proposed revised allocation methodology would pass through the wholesale ES rate to customers that are on EKPC's B or C rate, or special contract rate. Under the current method, the monthly ES factor charged by EKPC is recalculated each month based on retail revenues. This recalculation normally reduces the retail factor down. FME has industrial loads that are either special contract or on EKPC's rate B or C. The retail ES allows these customers to pay an amount less than EKPC charged at the wholesale level, therefore the other retail classes are subsidizing a portion of these industrial customers' ES charge.

FME is proposing that its industrial customers that are on special contracts or on EKPC 's B or C rate, pay exactly what FME is billed by EKPC, based on the wholesale ES factor, thus eliminating the subsidization. All other rate classes will be charged the ES pass through amount based on a retail revenue factor calculated with the revenue from the special contract and rate B and C customers being removed from the calculation.

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.

Response:

Yes -- see attached sample.



Fleming-Mason Energy

A Touchstone Energy Cooperative 

July 17, 2009

XXXXXX
Attn: XXXX
XXXXXX
XXXXXX

Dear XXXX:

Please be advised that the method in which the Environmental Surcharge (ES) is currently being distributed by East Kentucky Power and Fleming-Mason Energy Cooperative on certain industrial loads is being examined by the Public Service Commission (PSC). Specifically, the special contract rate that your company is on is included in this review. In some instances, industrial customers on special contracts and "LIS" 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 if you have further questions about this issue.

Sincerely,

Joni Hazelrigg
CFO

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.

Response:

Yes – see attached.

FOR ENTIRE TERRITORY SERVED

Community, Town or City

P.S.C. KY. NO. 3

Original SHEETNO. 17

Fleming-Mason Energy Cooperative

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 Rate Schedules EXCLUDING retail rates based upon EKPC's B and C rate and Special Contract rates (T)

ES(m) = [((WESF) x (Average of 12-months ended revenues from sales to Member System, excluding environmental surcharge)) + (Over)/Under Recovery] divided by [Average of 12-months ending Retail Revenue excluding revenue from rate schedules based upon EKPC's B and C rate and special contract rates (excluding environmental surcharge)] = _____% (T)

For Rate Schedules based upon EKPC's B and C rate and special contract rate: (T)
ES(m) = Direct pass-through of the wholesale environmental surcharge amount as billed by Company's power supplier.

where WESF =Wholesale Environmental Surcharge Factor for Current Expense Month

DATE OF ISSUE March 17, 2005

DATE EFFECTIVE Service rendered beginning July 1, 2005

ISSUED BY: _____

TITLE: President & Chief Executive Officer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2004-00372 DATED March 17, 2005

FOR ENTIRE TERRITORY SERVED
Community, Town or City

P.S.C. KY. NO. 3

Original SHEETNO. 18

Fleming-Mason Energy Cooperative

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 Service rendered beginning July 1, 2005
Month/Date/Year

ISSUED BY _____
(Signature of Officer)

TITLE President & Chief Executive Officer

BY AUTHORITY OF ORDER OF: THE PUBLIC SERVICE COMMISSION
IN CASE NO. 2004-00372 DATED March 17, 2005

WITNESSES RESPONSIBLE FOR ANSWERING THESE QUESTIONS: The witness responsible for providing the information to these Responses was Christopher S. Perry, President/CEO, Fleming-Mason Energy Cooperative, Inc., P. O. Box 328, Flemingsburg, KY 41041.

VERIFICATION

I, Christopher S. Perry on behalf of Fleming-Mason Energy Cooperative, Inc., have reviewed the foregoing RESPONSES, and same are true and correct to the best of my knowledge and belief. I am authorized to sign this Verification on behalf of Fleming-Mason Energy Cooperative, Inc.

This the 20th day of July, 2009.

FLEMING-MASON ENERGY COOPERATIVE, INC.

BY: *Christopher S. Perry*
Christopher S. Perry, President & CEO

STATE OF KENTUCKY)

COUNTY OF FLEMING)

Subscribed and sworn to before me by Christopher S. Perry, President/CEO of Fleming-Mason Energy Cooperative, Inc., on this the 20th day of July, 2009.

My commission expires: *June 20, 2010*

Joni K Hazelrigg
NOTARY PUBLIC, KY STATE AT LARGE