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May 6, 2011

The Honorable Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: **Application of Owen Electric Cooperative for an Adjustment of Rates PSC Case No. 2011-00037**

Dear Mr. Derouen:

Enclosed for filing are an original and ten copies of the application of Owen Electric Cooperative for an adjustment of rates. Please feel free to call if you have any questions or concerns.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.

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

Enclosures

cc: Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, KY 40601

OWEN Electric

A Touchstone Energy Cooperative

Rate Case No. 2011-00037

APPLICATION FOR ADJUSTMENT OF RATES

OWEN ELECTRIC COOPERATIVE INC
8205 Hwy 127 N
PO Box 400
Owenton, KY 40359

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMIION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF OWEN ELECTRIC	)	
COOPERATIVE CORPORATION FOR AN ORDER	)	
AUTHORIZING A CHANGE IN RATE DESIGN FOR	)	
ITS RESIDENTIAL AND SMALL COMMERCIAL	)	CASE NO.2011-00037
RATE CLASSES, AND THE PROFFERING OF SEVERAL	)	
OPTIONAL RATE DESIGNES FOR THE RESIDENTIAL	)	
RATE CLASSES	)	

APPLICATION

Owen Electric Cooperative Corporation ("Applicant") of Owenton, Kentucky hereby informs the Public Service Commission of ("Commission") that:

1. It is revising its retail rate design for its residential and small commercial rate classes effective 12:00 A.M. EST, April 15, 2011 and is offering new, optional rate designs for the residential consumers. - {807 KAR 5:001, Section 10(1)(b)(1)}.

2. Applicant is engaged in the business of distributing electric power and energy to approximately 57,000 customers in Kentucky in the counties of Boone, Campbell, Carroll, Gallatin, Grant, Kenton, Owen, Pendleton, and Scott.

3. The address of the Applicant is P.O. Box 400, 8205 Highway 127 North, Owenton, Kentucky 40359 {807 KAR 5:001, Section 8(b)}.

4. Applicant is not requesting an increase in the revenue requirements for any of its retail rate classes. Applicant is seeking to gradually match its rates with its costs to serve over a period of time. Applicant is also requesting authorization for some new optional rates for these same rate classes. This application meets the concept of revenue neutrality for the impacted rate classes. - {807 KAR 5:001, Section 10(1)(a)(1)}.

5. Applicants annual reports through calendar year 2010 are on file with the

Commission - {807 KAR 5:001, Section 10(1)(a)(2)}.

6. Applicant's Articles of Incorporation and any Amendments thereto are on file with the Commission in the below listed cases- {807 KAR 5:001, Section 10(1)(a)(3) and (5)}.

- Case No. 90-166 filed June 13, 2008.
- Case No. 92-064 filed February 18, 1992
- Case No. 2006-00314 filed as part of the record
- Case No. 2008-00154 filed August 27, 2008.

7. Applicant is not a limited partnership - {807 KAR 5:001, Section 10 (1)(a)(4)}.

8. A Certificate of Good Standing dated within sixty days of the filing the application is contained in **Exhibit 1** –{807 KAR 5:001, Section 10(1)(a)(5)}.

9. Applicant does not conduct business under an assumed name and no certificate of assumed name is being submitted - {807 KAR 5:001, Section 10(1)(a)(6)}.

10. Applicant's proposed tariff in form complying with 807 KAR 5:001 with an effective date not less than thirty (30) days from the date the application is filed is contained in **Exhibit 2** - {807 KAR 5:001, Section 10(1)(a)(7)}.

11. Applicant's proposed tariff changes are shown with current tariffs and proposed tariffs in comparative form and by indicating additions by underscoring and striking over deletions in copy of the current tariff is presented in **Exhibit 3** - {807 KAR 5:001, Section 10 (1)(a)(8)}.

12. A copy of the notice given is provided in **Exhibit 4** - {807 KAR 5:001, Section 10(1)(a)(9)}.

13. A complete description for the proposed rate design changes for the residential and small commercial rate classes is provided in **Exhibit 5** and the proposed new, optional rate offerings are provided in **Exhibit 6** – {807 KAR 5:001, Section 10(6)(a)}.

14. The prepared testimony for each witness is provided in **Exhibit 7** – {807 KAR 5:001, Section 10(6)(b)&(c)}.

15. The estimate of the effect that the new rates will have on revenues including

total revenues and the percentage increase are provided in **Exhibit 8** – {807 KAR 5:001, Section 10 (6)(d)}.

16. The effect that the rate design changes will have upon the average consumer for each rate class is included as **Exhibit 9** – {807 KAR 5:001, Section 10(6)(e)}.

17. A billing analysis is provided in **Exhibit 10** which indicates the revenues from the current rates and the proposed rates – {807 KAR 5:001, Section 10(6)(g)}.

18. The test period for this rate application is the twelve month period ending December 31, 2009.

19. Applicant requests a waiver from the requirement of 807 KAR 5:001 Section 10(6)(h) for the filing of a summary of the utility's determination of its revenue requirements based on one of several methods due to the fact that Applicant is not seeking an an increase in revenue requirements for any rate class.

20. Applicant requests a waiver from requirement of 807 KAR 5:001 Section 10(6)(i) for the reconciliation of the rate base and capital used to determine its revenue requirements due to the fact that rate base and capital were not used to determine the revenue requirements in this application. This information for the test year of 2007 is contained in Exhibit K of Case No. 2008-00154.

21. Applicant requests a waiver from the requirement to file a chart of accounts. - {807 KAR 5:001 Section 10(6)(j)}.

21. Applicant requests a waiver from the requirement to file the independent auditor's report - {807 KAR 5:001 Section 10(6)(k)}

22. Applicant does not file any FERC or FCC reports – {807 KAR 5:001, Section10(6)(l)}.

23. Applicant does not file a FERC 1 Report – {807 KAR 5:001, Section10(6)(m)}.

24. Applicant's latest depreciation study was filed in Case No. 2008-00154 as Exhibit 3 of the Application, and has not included a depreciation study as referenced in {807 KAR 5:001 Section 10(6)(n)}.

25. Applicant has used the in-house developed or commercially available software in the form of Microsoft Excel and Word {807 KAR 5:001, Section 10(t)(o)}.

26. Applicant has no stock or bond offerings Section 807 KAR 5:001, Section

10(6)(p).

27. Applicant's annual reports to members for the last two years are contained in Case No. 2008-00154 as Exhibit P, {807 KAR 5:001 Section 10(6)(q)}.

28. Applicant's monthly managerial reports have been filed in Case No. 2008-00154 as Exhibit Q - {807 KAR 5:001 Section 10(6)(r)}.

29. Applicant does not file any SEC annual reports –{807 KAR 5:001, Section 10(6)(s)}.

30. Applicant had no amounts charged or allocated to it by an affiliate or general or home office and did not pay any monies to an affiliate or general or home office during the test period or three (3) previous calendar years - {807 KAR 5:001 Section 10(6)(t)}.

31. A cost of service study is provided in **Exhibit 11** – {807 KAR 5:001, Section 10(6)(u)}.

32. Owen Electric is not a local exchange carrier as set forth in 807 KAR 5:001, Section 10(6)(v).

33. An income statement and balance sheet with no proposed adjustments are included as **Exhibit 12** –{807 KAR 5:001, Section 10(7)(a)}.

33. Owen Electric is not proposing any pro forma adjustments in this Application – {807 KAR 5:001, Section 10(7)(b)(c)(d)& (e)}.

34. The notice of intent to file has been given and is provided in **Exhibit 13** – {807 KAR 5:001, Section 10(2)}.

35. The education plan and program is attached as **Exhibit 14**.

36. Owen Electric's Energy Innovation Vision is attached as **Exhibit 15**.

WHEREFORE, Applicant requests that the Commission make its order authorizing the Applicant to adjust its retail electric rates as requested herein above.

Respectfully submitted.
Owen Electric Cooperative

MARK A. STALLONS
President & CEO

COUNSEL
JAMES M. CRAWFORD
CRAWFORD & BAXTER, P.S.C.
P.O. Box 353
Carrollton, KY 41008

James M. Crawford, Attorney for
Owen Electric Cooperative

I, Mark A Stallons, President & CEO, state that the statements contained in this application are true to the best of my information and belief

Mark A Stallons, President & CEO
Owen Electric Cooperative

Subscribed and sworn to before me by Mark A Stallons as President & CEO of Owen Electric Cooperative this 6th day of May, 2011.

Melissa K Moore
Notary Public, Kentucky State At Large
My Commission Expires: 4/14/2015

Commonwealth of Kentucky
Elaine N. Walker, Secretary of State

Elaine N. Walker
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Certificate of Existence

Authentication number: 112507
Visit https://app.sos.ky.gov/ftshow/certvalidate.aspx to authenticate this certificate.

I, Elaine N. Walker, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

OWEN ELECTRIC COOPERATIVE, INC.

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 273, whose date of incorporation is June 9, 1937 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 273.3671 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 21st day of April, 2011, in the 219th year of the Commonwealth.

Elaine N. Walker
Secretary of State
Commonwealth of Kentucky
112507/0039308

FOR **Entire Territory Served**
Community, Town or City

P.S.C. KY. NO. **6**

12th Revised SHEET NO. **1**

Owen Electric Cooperative, Inc.
(Name of Utility)

CANCELING P.S.C. KY. NO. **6**

11th Revised SHEET NO. **1**

CLASSIFICATION OF SERVICE

SCHEDULE I - FARM AND HOME

A. Applicable - to entire territory served.

B. Available - to farm and residential consumers.

C. Type of Service - Single phase, 60 cycles, 120/240 volt.

D. Rate

Year	Customer Charge	All kWh
June 3, 2011	$15.00 (I)	$0.09140 (R)
June 3, 2012	$17.50 (I)	$0.08912 (R)
June 3, 2013	$20.00 (I)	$0.08683 (R)
June 3, 2014	$22.50 (I)	$0.08455 (R)
June 3, 2015	$25.00 (I)	$0.08227 (R)

E. Terms of Payment - the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen (15) days from the date bill was rendered, the prompt payment discount shall be forfeited and the gross amount shall apply.

* The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause".

This tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. **2011-00037** DATED _____

FOR **Entire Territory Served**
Community, Town or City

P.S.C. KY. NO. **6**

12th Revised SHEET NO. **8**

Owen Electric Cooperative, Inc.
(Name of Utility)

CANCELING P.S.C. KY. NO. **6**

11th Revised SHEET NO. **8**

CLASSIFICATION OF SERVICE

SCHEDULE I - SMALL COMMERCIAL*

A. Applicable - to entire territory served.

B. Available - for commercial, industrial and three-phase farm service under 50 KW for all uses, including lighting, heating and power.

C. Type of Service - Single-phase and three-phase, 60 cycle at available secondary voltage.

D. Rate (Monthly)

Year	Customer Charge	All kWh
June 3, 2011	$20.00 (I)	$0.09115 (R)
June 3, 2012	$25.00 (I)	$0.08842 (R)
June 3, 2013	$30.00 (I)	$0.08569 (R)
June 3, 2014	$35.00 (I)	$0.08296 (R)

E. Minimum Charge - under the above rate shall be $.75 per KVA of installed transformer capacity. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities.

F. Terms of Payment - the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen (15) days from the date bill was rendered, the prompt payment discount shall be forfeited and the gross amount shall apply.

* The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause".

This tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. **2011-00037** DATED _____

FOR **Entire Territory Served**
Community, Town or City
P.S.C. KY. NO. **6**

9th Revised SHEET NO. **23**

CANCELING P.S.C. KY. NO. **6**

8th Revised SHEET NO. **23**

Owen Electric Cooperative, Inc.
(Name of Utility)

CLASSIFICATION OF SERVICE

SHEET NO. 23 – RESERVED FOR FUTURE USE (D)

(Cancels Schedule 1-B FARM & HOME – TIME OF DAY in its entirety per Sheet 23.)

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. **2011-00037** DATED _____

FOR **Entire Territory Served**
Community, Town or City
P.S.C. KY. NO. **6**

Original SHEET NO. **23A**

CANCELING P.S.C. KY. NO. **6**

SHEET NO.

Owen Electric Cooperative, Inc.
(Name of Utility)

CLASSIFICATION OF SERVICE

SCHEDULE 1-B1 – FARM & HOME - TIME OF DAY (N)

A. Applicable – to the entire territory served.

B. Available – to all consumers eligible for Schedule I–Farm and Home. One year minimum commitment required.

C. Type of Service – Single Phase, 60 cycle, 120/240 volt.

D. Rate

Customer Charge (no usage)	$25.00 per meter, per month
Energy Charge per kWh	
On-Peak Energy	$0.12070
Off-Peak Energy	$0.06000

E. Schedule of Hours

On-Peak and Off-Peak Hours

Months	Days (5 days a week)	On-Peak Hours	Off-Peak Hours
May thru September	Monday thru Friday	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.
October thru April	Monday thru Friday	7:00 a.m. to 12:00 noon	12:00 noon to 5:00 p.m.
	Monday thru Friday	5:00 p.m. to 10:00 p.m.	10:00 p.m. to 7:00 a.m.

F. Terms of Payment – the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date the bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.

The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per kWh determined in accordance with the Fuel Adjustment Clause.

The tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY
(Signature of Officer)

TITLE ***President /CEO***

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. **2011-00037** DATED

FOR **Entire Territory Served**
Community, Town or City
P.S.C. KY. NO. **6**

Original SHEET NO. **23B**

CANCELING P.S.C. KY. NO. **6**

SHEET NO.

Owen Electric Cooperative, Inc.
(Name of Utility)

CLASSIFICATION OF SERVICE

SCHEDULE 1-B2 – FARM & HOME - TIME OF DAY

(N)

A. Applicable – to the entire territory served.

B. Available – to all consumers eligible for Schedule I–Farm and Home. One year minimum commitment required.

C. Type of Service – Single Phase, 60 cycle, 120/240 volt.

D. Rate

Customer Charge (no usage)	$25.00 per meter, per month
Energy Charge per kWh	
On-Peak Energy	$0.10313
Off-Peak Energy	$0.06000

E. Schedule of Hours

Months	Days (7 days a week)	On-Peak Hours	Off-Peak Hours
May thru September	Monday thru Sunday	10:00 a.m. to 10:00 p.m.	10:00 p.m. to 10:00 a.m.
October thru April	Monday thru Sunday	7:00 a.m. to 12:00 noon	12:00 noon to 5:00 p.m.
	Monday thru Sunday	5:00 p.m. to 10:00 p.m.	10:00 p.m. to 7:00 a.m.

F. Terms of Payment – the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date the bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.

The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per kWh determined in accordance with the Fuel Adjustment Clause.

The tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. **2011-00037** DATED

FOR **Entire Territory Served**
Community, Town or City
P.S.C. KY. NO. **6**

Original SHEET NO. **23C**

CANCELING P.S.C. KY. NO. **6**

SHEET NO.

Owen Electric Cooperative, Inc.
(Name of Utility)

CLASSIFICATION OF SERVICE

SCHEDULE 1-B3 – FARM & HOME - TIME OF DAY (N)

A. Applicable – to the entire territory served.

B. Available – to all consumers eligible for Schedule I–Farm and Home. One year minimum commitment required.

C. Type of Service – Single Phase, 60 cycle, 120/240 volt.

D. Rate

Customer Charge (no usage)	$25.00 per meter, per month
Energy Charge per kWh	
On-Peak Energy	$0.10191
Off-Peak Energy	$0.06000
Shoulder	$0.07750

E. Schedule of Hours

On-Peak and Off-Peak Hours

Months	Days (7 days a week)	On-Peak Hours	Off-Peak Hours	Shoulder Hours
May thru September	Monday thru Sunday	2:00 p.m. to 10:00 p.m.	10:00 p.m. to 6:00 a.m.	6:00 a.m. to 2:00 p.m.
October thru April	Monday thru Sunday	6:00 a.m. to 10:00 a.m.	10:00 p.m. to 6:00 a.m.	10:00 a.m. to 6:00 p.m.
		6:00 p.m. to 10:00 p.m.		

F. Terms of Payment – the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date the bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.

The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per kWh determined in accordance with the Fuel Adjustment Clause.

The tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. **2011-00037** DATED

FOR **Entire Territory Served**
Community, Town or City
P.S.C. KY. NO. **6**

Original SHEET NO. **129**

CANCELING P.S.C. KY. NO. **6**

SHEET NO.

Owen Electric Cooperative, Inc.
(Name of Utility)

CLASSIFICATION OF SERVICE

SCHEDULE 1-D – FARM & HOME – INCLINING BLOCK (N)

A. Applicable – to the entire territory served.

B. Available – to all consumers eligible for Schedule 1–Farm and Home. One year minimum commitment required.

C. Type of Service – Single Phase, 60 cycle, 120/240 volt.

D. Rate

Customer Charge (no usage)	$15.78 per meter, per month
Energy Charge per kWh	
0-300 kWh	$0.06977
301-500 kWh	$0.09227
Over 500kWh	$0.12227

E. Terms of Payment – the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date the bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.

The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per kWh determined in accordance with the Fuel Adjustment Clause.

The tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6, 2011**
Month / Date / Year

ISSUED BY
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. **2011-00037** DATED

FOR **Entire Territory Served**
Community, Town or City

P.S.C. KY. NO. **6**

12~~1~~th Revised SHEET NO. **1**

Owen Electric Cooperative, Inc.
(Name of Utility)

CANCELING P.S.C. KY. NO. **6**

11~~0~~th Revised SHEET NO. **1**

CLASSIFICATION OF SERVICE

SCHEDULE I - FARM AND HOME

A. Applicable - to entire territory served.

B. Available - to farm and residential consumers.

C. Type of Service - Single phase, 60 cycles, 120/240 volt.

D. Rate

~~Customer Charge $11.30 Per Month (I)~~
~~All KWH $0.09478 Per KWH (I)~~

Year	Customer Charge	All kWh
June 3, 2011	$15.00 (I)	$0.09140 (R)
June 3, 2012	$17.50 (I)	$0.08912 (R)
June 3, 2013	$20.00 (I)	$0.08683 (R)
June 3, 2014	$22.50 (I)	$0.08455 (R)
June 3, 2015	$25.00 (I)	$0.08227 (R)

E. Terms of Payment - the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen (15) days from the date bill was rendered, the prompt payment discount shall be forfeited and the gross amount shall apply.

* The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause".

This tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **~~January 14~~May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after ~~January 14~~June 6, 2011**
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. ~~2010-00179~~ **2011-00037** DATED ~~January 14, 2011~~

FOR **Entire Territory Served**
Community, Town or City

P.S.C. KY. NO. **6**

12~~1~~th Revised SHEET NO. **8**

Owen Electric Cooperative, Inc.
(Name of Utility)

CANCELING P.S.C. KY. NO. **6**

11~~0~~th Revised SHEET NO. **8**

CLASSIFICATION OF SERVICE

SCHEDULE I - SMALL COMMERCIAL*

A. Applicable - to entire territory served.

B. Available - for commercial, industrial and three-phase farm service under 50 KW for all uses, including lighting, heating and power.

C. Type of Service - Single-phase and three-phase, 60 cycle at available secondary voltage.

D. Rate (Monthly)

~~Customer Charge $13.34 per Month (I)~~
~~All KWH $0.09478 per KWH (I)~~

Year	Customer Charge	All kWh
June 3, 2011	$20.00 (I)	$0.09115 (R)
June 3, 2012	$25.00 (I)	$0.08842 (R)
June 3, 2013	$30.00 (I)	$0.08569 (R)
June 3, 2014	$35.00 (I)	$0.08296 (R)

E. Minimum Charge - under the above rate shall be $.75 per KVA of installed transformer capacity. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities.

F. Terms of Payment - the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen (15) days from the date bill was rendered, the prompt payment discount shall be forfeited and the gross amount shall apply.

* The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause".

This tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.

DATE OF ISSUE **~~January 14~~May 6, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after ~~January 14~~ June 6, 2011**
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. **~~2010-00179~~2011-00037** DATED **~~January 14, 2011~~**

FOR **Entire Territory Served**
Community, Town or City
P.S.C. KY. NO. **6**

98th Revised SHEET NO. **23**

Owen Electric Cooperative, Inc.
(Name of Utility)

CANCELING P.S.C. KY. NO. **6**

87th Revised SHEET NO. **23**

CLASSIFICATION OF SERVICE

~~**SCHEDULE 1-B FARM & HOME - TIME OF DAY**~~

~~A. Applicable to the entire territory served.~~

~~B. Available to all consumers eligible for Schedule I Farm and Home.~~

~~C. Type of Service Single Phase, 60 cycle, 120/240 volt.~~

~~D. Rate~~

~~Customer Charge (no usage)~~	~~$18.39 per meter, per month~~	~~(I)~~
~~Energy Charge per kWh~~		
~~On Peak Energy~~	~~$0.10975~~	~~(I)~~
~~Off Peak Energy~~	~~$0.06224~~	~~(I)~~

~~E. Schedule of Hours~~

~~On Peak and Off Peak Hours~~

~~Months~~	~~On Peak Hours~~	~~Off Peak Hours~~
~~May thru September~~	~~10:00 a.m. to 10:00 p.m.~~	~~10:00 p.m. to 10:00 a.m.~~
~~October thru April~~	~~7:00 a.m. to 12:00 noon~~	~~12:00 noon to 5:00 p.m.~~
	~~5:00 p.m. to 10:00 p.m.~~	~~10:00 p.m. to 7:00 a.m.~~

~~F. Terms of Payment the above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid within fifteen days from the date the bill was rendered, the prompt payment discount will be forfeited and the gross amount shall apply.~~

~~The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per kWh determined in accordance with the Fuel Adjustment Clause.~~

~~The tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981, in Administrative Case No. 240, and as approved by the Commission Order of March 31, 1981.~~

SHEET NO. 23 – RESERVED FOR FUTURE USE (D)

(Cancels Schedule 1-B FARM & HOME – TIME OF DAY in its entirety per Sheet 23.)

DATE OF ISSUE **May 6~~January 14~~, 2011**
Month / Date / Year

DATE EFFECTIVE **Service rendered on and after June 6~~January 14~~, 2011**
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE **President /CEO**

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. **2011-00037~~2010-00179~~** DATED

~~January 14, 2011~~

NOTICE OF PROPOSED RATE CHANGE
OWEN ELECTRIC COOPERATIVE
PSC CASE NO. 2011-00037

Owen Electric Cooperative is proposing to change its customer charges and energy charges for Schedule 1 - Farm and Home and Schedule 1 - Small Commercial rate classes. The customer charge for the residential rate class will increase each year for a period of five (5) years while the energy rate will decrease. The revenue amount for this rate class will remain the same after each change in its customer charge and its energy rate. The customer charge for the small commercial rate class will increase each year for a period of four (4) years while the energy rate will decrease. The revenue amount for this rate class will also remain the same after each change in its customer charge and its energy charge.

Owen Electric Cooperative is also proposing several optional rates for its Schedule 1 - Farm and Home rate class to provide an opportunity for its members to better manage their monthly bills for electric service. Three different time-of-day ("TOD") rate options, and one inclining block rate option are being proposed. Note that these proposals are options that may be selected by any member served under the Schedule 1 - Farm and Home rate classification.

The rates contained in this notice are the rates proposed by Owen Electric Cooperative; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate changes, request to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the commission may obtain copies of the rate application and any other filings made by the utility by contacting Mr. Michael Cobb, Owen Electric Cooperative, 8250 HWY 127N, P.O. Box 400, Owenton, KY 40359. Phone 502-484-3471.

The amount of the change requested in both dollar amounts and percentage for each customer classification to which the proposed rate change will apply is presented below:

Schedule	Rate Class	Increase	Percent
I	Farm and Home	$0	0%
I	Small Commercial	$0	0%

The effects of the proposed rates on the average monthly bill by rate class are listed below:

Schedule	Rate Class	Increase	Percent
I	Farm and Home	$0	0%
I	Small Commercial	$0	0%

The present and proposed rate design of Owen Electric Cooperative, Inc. are listed below:

Schedule I - Farm and Home Customer Charge and Energy Rate Change

Schedule	Rate Class	Present	Proposed
I	Farm and Home in the year 2011		
	Customer Charge	$ 11.30	$ 15.00
	Energy Charge	$ 0.09478	$ 0.09140
Schedule	Rate Class		
I	Farm and Home in the year 2012		
	Customer Charge	$ 15.00	$ 17.50
	Energy Charge	$ 0.09140	$ 0.08912
Schedule	Rate Class		
I	Farm and Home in the year 2013		
	Customer Charge	$ 17.50	$ 20.00
	Energy Charge	$ 0.08912	$ 0.08683
Schedule	Rate Class		
I	Farm and Home in the year 2014		
	Customer Charge	$ 20.00	$ 22.50
	Energy Charge	$ 0.08683	$ 0.08455
Schedule	Rate Class		
I	Farm and Home in the year 2015		
	Customer Charge	$ 22.50	$ 25.00
	Energy Charge	$ 0.08455	$ 0.08227

Schedule I- Small Commercial Customer Charge and Energy Rate Change

Schedule	Rate Class		
I	Small Commercial in the year 2011		
	Customer Charge	$ 13.34	$ 20.00
	Energy Charge	$ 0.09478	$ 0.09115
Schedule	Rate Class		
I	Small Commercial in the year 2012		
	Customer Charge	$ 20.00	$ 25.00
	Energy Charge	$ 0.09115	$ 0.08842
Schedule	Rate Class		
I	Small Commercial in the year 2013		
	Customer Charge	$ 25.00	$ 30.00
	Energy Charge	$ 0.08842	$ 0.08569
Schedule	Rate Class		
I	Small Commercial in the year 2014		
	Customer Charge	$ 30.00	$ 35.00
	Energy Charge	$ 0.08569	$ 0.08296

Proposed Schedule I - Farm and Home Optional Rates

Inclining Block Rate - Schedule 1-D

	Proposed
Customer Charge	$ 15.78
0 - 300 kWh per kWh	$ 0.06977
301 - 500 kWh per kWh	$ 0.09227
Over 500 kWh per kWh	$ 0.12227

Time-of-Day (TOD) Options

	Schedule 1-B1	Schedule 1-B2	Schedule 1-B3
Customer Charge	$ 25.00	$ 25.00	$ 25.00
Energy Rate			
On-Peak Energy per kWh	$0.12070	$0.10313	$0.10191
Off-Peak Energy per kWh	$0.06000	$0.06000	$0.06000
Shoulder kWh	NA	NA	$0.07750
On-Peak Hours	Week Days Only	Weekdays & Weekends	Weekdays & Weekends
Winter - October thru April	7-12 Noon 5-10 P.M.	7-12 Noon 5-10 P.M.	6 A. M. - 10 A.M. 6 P.M. - 10 P.M.
Summer - May thru September	10 A.M.- 10 P.M.	10 A.M.- 10 P.M.	2 P.M. - 10 P.M.
Off-Peak Hours			
Winter - October thru April	All Other Hrs	All Other Hrs	10 P.M. - 6 A.M.
Summer - May thru September	All Other Hrs	All Other Hrs	10 P.M. - 6 A.M.
Shoulder Hours			
Winter - October thru April	NA	NA	10 A.M. - 6 P.M.
Summer - May thru September	NA	NA	6 A.M. - 2 P.M.

RATE DESIGN CHANGES - CUSTOMER CHARGE

	Farm & Home Rate Class			**Small Commercial Rate Class**	
	Customer Charge	Energy Rate		Customer Charge	Energy Rate
2010	$ 11.30	$0.09478		$ 13.34	$0.09478
	$ 7,332,660	67,336,362		$ 339,516	4,421,681
Revenue 2011	$ 9,733,620	64,935,402		$509,020	4,252,177
2011	$ 15.00	$ 0.091401		$ 20.00	$ 0.091147
Revenue 2012	$ 11,355,890	63,313,132		$ 636,275.00	4,124,922
2012	$ 17.50	$ 0.089117		$ 25.00	$ 0.088419
Revenue 2013	$ 12,978,160	$ 61,690,862		$ 763,530.00	3,997,667
2013	$ 20.00	$ 0.086834		$ 30.00	$ 0.085691
Revenue 2014	$ 14,600,430	$ 60,068,592		$ 890,785.00	3,870,412
2014	$ 22.50	$ 0.084550		$ 35.00	$ 0.082963
Revenue 2015	$ 16,222,700	$ 58,446,322			
2015	$ 25.00	$ 0.082267			
Customer Charges		648,908			25,451
Energy kWh		710,449,061			46,652,046

BILLING ANALYSIS FOR CUSTOMER CHARGE CHANGES

SCHEDULE 1 - FARM AND HOME RATE CLASS

CUSTOMER CHARGE CHANGES

	Actual	Current Rates		2011 Rates		2012 Rates	
	Billing Data	Rates	Revenue	Rate	Revenues	Rate	Revenues
Customer Charge	648,908	$ 11.30	7,332,660	$ 15.00	$9,733,620	$ 17.50	$11,355,890
Energy Charge per kWh	710,449,061	$0.09478	67,336,362	$0.09140	$64,935,402	$ 0.08912	$63,313,132
Total From Base Rates			74,669,022		74,669,022		74,669,022

SCHEDULE 1 - SMALL COMMERCIAL RATE CLASS

CUSTOMER CHARGE CHANGES

	Actual	Current Rates		2011 Rates		2012 Rates	
	Billing Data	Rate	Revenues	Rate	Revenues	Rate	Revenues
Customer Charge	25,451	$ 13.34	339,516	$ 20.00	509,020	$ 25.00	636,275
Energy charge per kWh	46,652,046	$0.09478	4,421,681	$0.09115	4,252,177	$ 0.08842	4,124,922
Total from base rates			4,761,197		4,761,197		4,761,197

BILLING ANALYSIS FOR CUSTOMER CHARGE CHANGES

SCHEDULE 1 - FARM AND HOME RATE CLASS

CUSTOMER CHARGE CHANGES

	2013 Rates		2014 Rates		2015 Rates	
	Rate	Revenues	Rate	Revenues	Rate	Revenues
Customer Charge	$ 20.00	$12,978,160	$ 22.50	$14,600,430	$ 25.00	$16,222,700
						-
Energy Charge per kWh	$ 0.08683	$61,690,862	0.08455	$60,068,592	0.082267	$58,446,322
						-
Total From Base Rates		74,669,022		$ 74,669,022		74,669,022

SCHEDULE 1 - SMALL COMMERCIAL RATE CLASS

CUSTOMER CHARGE CHANGES

	2013 Rates		2014 Rates	
	Rate	Revenues	Rate	Revenues
Customer Charge	$ 30.00	763,530	$ 35.00	890,785
				-
Energy charge per kWh	$ 0.08569	3,997,667	0.08296	3,870,412
Total from base rates		4,761,197		$ 4,761,197

OPTIONAL RATES

TOD RATES BASIC DATA

Total Revenue Requirements from Billing Analysis	74,669,022
Billing Determinants	
Energy kWh	710,449,061
Customer Charges	648,908

PROPOSED RATE SCHEDULES

	Schedule 1 - B1	Schedule 1 - B2	Schedule 1 - B3
On-Peak Hours	Week Days Only	Weekdays & Weekends	Weekdays & Weekends
Winter	7-12 A.M 5-10 P.M.	7-12 A.M 5-10 P.M.	6 A. M. - 10 A.M. 6 P.M. - 10 P.M.
Summer	10 A.M.- 10 P.M.	10 A.M.- 10 P.M.	2 P.M. - 10 P.M.
Off-Peak Hours			
Winter	All Other Hrs	All Other Hrs	10 P.M. - 6 A.M.
Summer	All Other Hrs	All Other Hrs	10 P.M. - 6 A.M.
Shoulder Hours			
Winter	NA	NA	10 A.M. - 6 P.M.
Summer	NA	NA	6 A.M. - 2 P.M.
Rate Design			
Customer Charge	$ 25.00	$ 25.00	$ 25.00
Energy Rate			
On-Peak kWh	$ 0.12070	$ 0.10313	$ 0.10191
Off-Peak kWh	$ 0.06000	$ 0.06000	$ 0.06000
Shoulder kWh	NA	NA	$ 0.07750

OPTIONAL RATES

TOD RATES CONTINUED

	Schedule 1 - B1	Schedule 1 - B2	Schedule 1 - B3
Billing Units			
Customer Charges	648,908	648,908	648,908
On-peak kWh	260,604,278	366,823,287	280,304,308
Off-peak kWh	449,844,783	343,625,774	197,450,949
Shoulder kWh	NA	NA	232,693,804
Revenue Reconciliation			
Customer Charges	16,222,700	16,222,700	16,222,700
On-peak kWh	31,454,936	37,830,486	28,565,812
Off-peak kWh	26,990,687	20,617,546	11,847,057
Shoulder kWh	$ -	$ -	18,033,770
	74,668,323	74,670,732	74,669,339

INCLINING BLOCK RATE NFORMATION

Customer Charge	$	15.78
Energy Rates per kWh		
First 300 kWh	$	0.06977
Nest 200 kWh	$	0.09227
Over 500 kWh	$	0.12227

SCHEDULE 1 - FARM AND HOME LOAD DATA FOR 2009

	January		February		March		April		May		June	
Hour	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
1	2,347,206	965,891	1,830,038	700,097	1,415,821	600,210	1,111,780	398,097	878,971	441,259	1,241,113	483,080
2	2,356,401	925,971	1,789,338	679,177	1,389,572	599,114	1,096,731	388,013	825,601	406,263	1,107,942	437,909
3	2,330,107	918,021	1,799,059	698,079	1,444,314	604,049	1,129,924	399,020	808,692	392,320	1,037,305	404,972
4	2,371,369	938,427	1,846,988	676,227	1,474,567	619,465	1,174,167	409,259	818,958	399,079	1,001,921	391,504
5	2,439,949	949,393	1,932,465	699,131	1,631,536	641,637	1,378,167	432,914	941,023	400,802	1,055,631	386,448
6	2,633,466	980,842	2,054,809	716,353	1,914,114	664,443	1,612,271	453,837	1,163,582	411,045	1,172,940	397,299
7	2,810,006	1,012,259	2,331,845	734,254	2,046,145	737,333	1,733,012	548,466	1,270,718	494,140	1,272,753	439,527
8	2,936,454	1,065,321	2,441,614	821,503	2,015,705	809,794	1,630,394	601,042	1,217,297	594,877	1,388,525	533,561
9	2,922,129	1,147,219	2,334,446	872,695	1,912,062	835,994	1,513,789	610,732	1,180,928	672,885	1,505,522	607,728
10	2,833,491	1,174,596	2,191,317	865,984	1,781,920	822,163	1,467,792	580,190	1,186,672	700,239	1,640,312	684,492
11	2,724,737	1,145,948	2,051,163	810,951	1,678,755	804,780	1,450,986	586,520	1,222,252	740,184	1,800,383	739,585
12	2,613,881	1,103,335	1,935,110	770,771	1,600,580	760,669	1,449,453	583,710	1,266,190	731,903	1,916,458	798,204
13	2,532,979	1,088,924	1,853,024	773,379	1,539,167	762,387	1,387,486	546,325	1,289,763	729,795	2,004,764	832,595
14	2,452,780	1,054,859	1,791,756	764,149	1,452,468	722,779	1,331,698	557,291	1,323,618	739,381	2,106,881	873,391
15	2,375,659	1,010,697	1,708,831	726,621	1,408,971	677,798	1,385,038	555,033	1,426,066	751,082	2,226,511	913,091
16	2,374,659	994,039	1,715,729	728,451	1,460,001	678,381	1,510,634	551,759	1,569,457	767,568	2,390,405	922,812
17	2,476,483	973,157	1,768,861	731,905	1,485,071	679,245	1,536,663	548,512	1,615,863	801,027	2,420,858	944,185
18	2,611,044	1,023,002	1,868,237	761,509	1,551,680	680,417	1,554,924	576,867	1,603,583	816,025	2,409,798	950,397
19	2,728,617	1,040,046	2,020,209	817,776	1,629,434	699,506	1,649,035	583,240	1,602,260	756,493	2,345,591	907,639
20	2,754,604	1,043,299	2,128,115	816,174	1,803,375	740,407	1,701,230	588,670	1,588,233	769,542	2,195,850	859,608
21	2,772,314	1,049,670	2,159,712	815,957	1,823,225	727,858	1,756,436	610,748	1,621,744	783,255	2,166,705	822,333
22	2,746,592	1,029,574	2,184,593	839,645	1,773,943	692,694	1,586,580	555,041	1,497,987	730,666	2,020,516	784,774
23	2,668,991	996,280	2,060,706	816,013	1,600,008	658,012	1,364,734	476,669	1,216,072	614,051	1,704,485	656,072
24	2,548,105	953,432	1,921,630	757,891	1,472,517	593,979	1,228,671	411,240	1,036,118	519,436	1,446,418	547,217

SCHEDULE 1 - FARM AND HOME LOAD DATA FOR 2009

	July		August		September		October		November		December	
Hour	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
1	1,227,108	432,141	1,182,275	577,595	984,853	375,325	997,053	470,446	1,326,647	632,668	2,247,877	886,970
2	1,117,750	384,191	1,082,746	517,018	909,345	336,020	985,637	455,711	1,276,186	609,315	2,150,860	867,046
3	1,051,060	363,382	1,028,370	486,488	895,439	325,575	1,034,077	469,586	1,318,118	625,084	2,188,900	854,957
4	1,012,285	348,760	1,000,171	479,386	888,986	315,412	1,067,790	485,404	1,324,395	630,561	2,218,461	865,061
5	1,056,844	349,710	1,058,508	459,611	989,354	318,971	1,247,148	495,794	1,401,497	656,190	2,299,067	901,219
6	1,148,938	362,931	1,222,428	465,570	1,196,909	334,525	1,469,970	526,606	1,596,691	697,027	2,486,518	931,974
7	1,255,314	405,202	1,289,037	516,905	1,274,879	381,127	1,592,496	622,695	1,846,523	745,141	2,765,334	981,791
8	1,367,845	482,251	1,311,864	635,444	1,206,896	458,445	1,541,270	722,664	1,924,001	829,475	2,870,331	1,043,072
9	1,502,428	533,821	1,409,108	745,574	1,237,900	521,738	1,476,248	742,927	1,859,078	902,782	2,845,756	1,133,904
10	1,649,042	617,822	1,585,127	839,781	1,323,478	553,212	1,402,903	707,084	1,749,642	833,432	2,820,857	1,097,368
11	1,822,554	663,946	1,738,155	920,063	1,420,613	578,914	1,373,178	687,332	1,639,370	782,471	2,654,611	1,010,676
12	1,952,765	704,489	1,879,559	1,006,185	1,503,225	594,098	1,287,612	671,971	1,564,799	706,013	2,517,793	949,100
13	2,057,418	718,180	2,022,798	1,045,041	1,569,839	629,283	1,276,889	627,298	1,493,591	666,514	2,487,637	925,095
14	2,145,053	723,033	2,142,417	1,079,303	1,675,479	645,382	1,263,679	597,621	1,398,379	628,389	2,374,213	897,490
15	2,265,724	727,086	2,284,183	1,140,763	1,775,543	673,335	1,302,328	616,796	1,394,218	596,112	2,291,122	881,925
16	2,419,888	752,984	2,449,969	1,181,202	1,915,764	711,989	1,388,328	598,860	1,366,906	578,098	2,335,463	898,428
17	2,445,624	771,478	2,514,092	1,197,457	1,988,287	738,813	1,430,605	616,162	1,482,367	624,574	2,536,547	923,822
18	2,437,148	776,270	2,480,508	1,183,909	1,976,860	728,399	1,476,624	632,088	1,627,854	685,793	2,756,131	950,699
19	2,372,365	740,267	2,401,463	1,128,520	1,984,165	698,374	1,639,236	677,767	1,826,609	756,993	2,902,623	1,010,194
20	2,231,589	697,519	2,288,845	1,072,884	1,998,719	686,471	1,648,337	710,885	1,871,238	773,871	2,933,036	1,014,596
21	2,166,753	685,320	2,219,371	1,031,456	1,915,297	635,777	1,569,725	696,038	1,920,139	774,145	2,911,940	1,026,683
22	2,011,902	630,217	1,938,774	907,686	1,631,661	570,030	1,354,975	653,233	1,827,476	723,933	2,845,108	1,004,143
23	1,706,250	556,270	1,611,423	790,462	1,341,282	484,302	1,196,145	592,432	1,643,988	681,584	2,610,118	961,203
24	1,427,971	462,003	1,345,635	652,974	1,125,203	399,903	1,064,352	545,195	1,526,275	597,995	2,411,295	895,972

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
BILL FREQUENCY ANALYSIS

kWh Intervals	Number of Consumers	kWh	kWh Intervals	Number Consume	kWh	kWh Intervals	Number Consume	kWh	kWh Intervals	Number Consume	kWh
0	17,735	-	2300	7,146	10,510,875	20000	448	5,083,358	280000	1	185,132
5	8,506	14,281	2400	6,254	9,609,087	25000	276	4,047,682	290000	3	570,315
10	4,883	25,093	2500	5,284	8,463,800	30000	186	3,342,792	300000	-	-
15	3,477	29,371	2600	4,681	7,806,417	35000	135	2,835,869	320000	1	211,334
20	2,895	33,969	2700	3,961	6,861,408	40000	119	2,910,420	340000	3	652,710
25	2,562	38,411	2800	3,636	6,537,830	45000	74	2,052,708	360000	7	1,621,342
50	10,410	254,819	2900	3,093	5,764,637	50000	71	2,201,633	380000	12	2,954,669
75	9,079	371,987	3000	2,877	5,549,732	55000	80	2,753,901	400000	12	3,093,412
100	8,097	465,161	3100	2,452	4,890,381	60000	72	2,710,366	420000	6	1,619,602
150	13,113	1,068,232	3200	2,229	4,591,234	65000	48	1,952,184	440000	10	2,857,010
200	10,606	1,212,579	3300	1,969	4,184,707	70000	67	2,940,840	460000	9	2,679,793
250	9,761	1,439,155	3400	1,705	3,736,897	75000	63	2,982,188	480000	9	2,804,846
300	9,903	1,786,860	3500	1,483	3,344,243	80000	52	2,623,029	500000	9	2,918,949
350	10,480	2,232,063	3600	1,328	3,083,925	85000	58	3,123,675	520000	4	1,353,747
400	11,236	2,762,568	3700	1,216	2,903,006	90000	47	2,668,374	540000	4	1,411,263
450	12,207	3,398,646	3800	1,029	2,522,581	95000	34	2,026,050	560000	8	2,888,848
500	13,458	4,187,470	3900	891	2,242,536	100000	37	2,331,804	580000	2	746,629
550	14,576	5,014,644	4000	841	2,171,419	105000	44	2,913,884	600000	5	1,960,416
600	15,956	6,007,892	4100	726	1,922,439	110000	37	2,564,412	620000	2	812,121
650	17,155	7,020,890	4200	691	1,877,475	115000	26	1,943,872	640000	5	2,098,499
700	17,784	7,857,961	4300	578	1,605,434	120000	32	2,496,906	660000	4	1,729,228
750	18,357	8,708,853	4400	528	1,501,796	125000	28	2,281,027	680000	3	1,338,255
800	19,253	9,767,718	4500	477	1,389,139	130000	28	2,374,501	700000	6	2,742,289
850	19,018	10,268,437	4600	419	1,247,824	135000	29	2,549,237	720000	6	2,833,487
900	19,601	11,222,121	4700	382	1,160,629	140000	19	1,743,139	740000	2	965,713
950	18,997	11,497,660	4800	350	1,088,966	145000	21	1,984,755	760000	4	1,998,157
1000	18,755	11,962,003	4900	292	927,829	150000	24	2,354,701	780000	2	1,029,830
1100	36,197	24,854,621	5000	268	868,609	160000	43	4,324,341	800000	-	-
1200	33,862	25,463,925	5500	1,047	3,579,475	170000	34	3,608,665	820000	3	1,618,372
1300	30,333	24,794,651	6000	683	2,561,431	180000	29	3,373,486	840000	3	1,655,120
1400	27,302	24,096,670	6500	477	1,943,095	190000	17	2,084,254	860000	-	-
1500	23,877	22,634,016	7000	344	1,514,761	200000	16	2,075,117	880000	2	1,166,178
1600	20,760	21,033,860	7500	276	1,309,347	210000	25	3,401,865	900000	3	1,777,678
1700	17,816	19,216,347	8000	199	1,008,698	220000	19	2,718,528	920000	-	-
1800	15,395	17,609,107	8500	176	947,282	230000	18	2,677,402	940000	2	1,232,751
1900	13,043	15,771,379	9000	183	1,047,503	240000	15	2,345,420	960000	-	-
2000	11,033	14,063,684	9500	148	897,783	250000	9	1,453,810	980000	1	648,665
2100	9,491	12,718,383	10000	150	961,518	260000	7	1,182,132	999999	1	657,024
2200	8,098	11,381,210	15000	781	6,156,347	270000	2	351,873	1000000	37	81,646,684

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF	)	
OWEN ELECTRIC COOPERATIVE, INC.	)	**CASE NO.**
FOR ADJUSTMENT OF RATES	)	**2011-00037**

PREPARED TESTIMONY OF MARK A. STALLONS

Q1. Would you please state your name and business address.

A1. Mark A. Stallons, with a business address of 8205 Highway 127 North, Owenton, Kentucky 40359.

Q2. What is your occupation?

A2. President & CEO for Owen Electric Cooperative ("Owen Electric").

Q3. How long have you been employed at Owen Electric?

A3. I was employed on January 5, 2009, as President & CEO.

Q4. What is your education and work experience?

A4. I graduated from Ohio Northern University in 1979 with a Bachelor of Science degree in electrical engineering and from the University of Dayton in 1986 with a Masters in Business Administration. I have worked in the electric industry for about 22 years with two years at an investor-owned utility ("IOU") and twenty years at various electric cooperatives in Illinois, Michigan, and most recently Kentucky. My utility experience includes operations, engineering, power supply, marketing, member service, and management areas. I am a registered professional engineer in the State of Ohio.

Q5. Are you familiar with the contents of the Notice Application of Owen Electric which has been filed with this Commission to commence this Case?

A5. Yes

Q6. Please state whether the statements of facts contained in this Notice are true.

A6. Yes. To the best of my knowledge and belief, the statements of facts contained in this Application are true.

Q7. Are you familiar with the exhibits which are filed with and from a part of the Notice Application of this Case?

A7. Yes. I am familiar with them. In my opinion, the factual materials contained in this Application are correct.

Q8. When was the last General Rate Application filed by Owen Electric?

A8. The last General Rate Application filed by Owen Electric was in 2008, in Case No. 154.

Q9. What is the purpose of this Notice of Application of Owen Electric to this Commission?

A9. To align, over a five year period, our customer charge with our fixed cost to enable a culture of energy innovation to be created through efficiency, conservation, and demand response efforts while still maintaining our financial integrity. Additional rate offerings are being requested in order to allow our members choice in how their rates are structured.

Q10. What considerations were given to the rate design adjustments that Owen Electric is seeking?

A10. The rate design adjustments were developed to be revenue neutral, in that no new additional revenue is being sought by Owen Electric. The proposed design in rates is, therefore, neutral with respect to revenue for each of the affected rate classes. The long established principle of gradualism was utilized to align the member charge with Owen Electric's fixed cost over a five (5) year period thereby minimizing the financial impact to individual members within each rate class, as well as minimizing the expense to the Cooperative's members of filing multiple rate design cases.

In the design of the optional rate offerings, consideration was given to the numerous efficiency, conservation, and demand response programs that Owen Electric currently offers to its membership, as well as additional pilot projects that Owen Electric has developed since 2009 and are now in various stages of implementation. These optional rates will give our members a choice of rate designs that fit their lifestyle and assist them in managing their energy usage through their energy efficiency, conservation, and demand response efforts. Owen Electric is aggressively pursuing a strategy of energy innovation to improve member satisfaction in a business environment of increasing environmental compliance costs, increasing generation construction costs, and continuing economic and financial pressures on our members.

Q11. What is the Test Year used by Owen Electric for its financial data compiled to the Commission in the Application?

A11. The twelve months ended December 31, 2009 was selected as the Test Year.

Q12. How was the proposed rate design developed?

A12. Owen Electric and Jim Adkins prepared a Cost of Service Study and based its rate design on this study.

Q14. What role did the Board of Directors play in evaluating the need for a new rate design?

A14. The Board of Directors for Owen Electric approved a strategic initiative in April 2009 launching Owen Electric's efforts to increase member satisfaction by creating a culture of energy innovation, by offering efficiency, conservation, and demand response options to our member-owners. Part of that initiative included the long term goal of aligning our member charge with our fixed costs in order to provide financial stability while at the same time encouraging our members to use energy more efficienctly. Concurrently the Board of Directors also approved the development of several pilot projects offering energy efficiency, conservation, and demand response programs to assist our members in managing their energy usage.

Q15. In your opinion, are the adjusted rate design requested in this Case by Owen Electric Cooperative necessary to maintain the financial integrity of the Cooperative?

A15. Yes. To enable Owen Electric to launch energy innovative programs such as Beat The Peak, and Smart Home in concert with time of day rates, and inclining block rates while maintaining its financial integrity, it is necessary that the rates be adjusted so that the member charge covers the fixed costs of the cooperative. as proposed in this Application.

Q16. In your opinion, are retail rate design modifications necessary to promote energy efficiency investments?

A16. Yes. From June 2008 through 2009, I served on an Energy Efficiency & Demand Response Task Force working with the National Rural Electric Cooperative Association. Our goal was to create a road map outlining how rural electric cooperatives can expeditiously promote a culture of energy innovation including energy conservation, energy efficiency, and demand response. The existing cooperative rate structure has been identified as a major barrier in creating this energy innovative culture. In order to create proper incentives to promote energy innovation, the right retail rate environment must exist. More specifically, fixed costs should be recovered through fixed charges and variable costs should be recovered through variable charges. For most distribution cooperatives, following this principle would result in higher customer charges, higher demand charges, and lower energy charges.

Q17. **Do current retail rate designs provide any disincentives for Owen Electric to aggressively pursue energy innovation, efficiency, conservation, and demand response efforts with its members?**

A17. Yes. Owen Electric's current retail rate design does not align the interests of the Cooperative and its members with respect to creating a culture of energy innovation that aggressively promotes efficiency, conservation, and demand response efforts. Owen Electric's current residential customer charge is $11.30 per member per month which is well below the $27.66 indicated by its most recent cost of service. This $11.30 monthly

charge does not even cover Owen Electric's member related costs let alone any margins. Under its current rate design, Owen Electric collects all of its margins and a significant portion of its member related fixed costs through an energy charge assessed on a kWh basis. Thus, any reduction in kWh sales due to energy innovation, efficiency, conservation, and demand response efforts results in the Cooperative not recovering fixed cost and margin, which financially harms the Cooperative. It is not reasonable to expect Owen Electric to aggressively pursue energy innovation such as conservation, energy efficiency, and demand response programs when every reduction in sales has a negative financial impact on Owen Electric. This link between sales and fixed cost and margin recovery is referred to in the electric utility industry as the "throughput incentive".

Q18. Please explain the "throughput incentive".

A18. Between rate cases, utilities have a financial incentive to increase retail sales of electricity relative to historic levels that were used for calculating their base rates. This incentive exists because there is usually significant incremental fixed cost and margin recovery on incremental sales. For sales above the historic levels that were used for calculating its base rates, all revenue above the variable cost of producing the incremental kWh would be incremental revenue for the utility. This incentive for utilities to maximize the "throughput" of electricity across their wires in an attempt to increase fixed cost and margin recovery is referred to as the "throughput incentive". Similarly, utility profits decline when sales are below the historic levels that were used for calculating their base rates, which could result from energy innovation, efficiency, conservation, and demand response efforts. Every kWh lost as a result of energy innovation programs reduces margins and diminishes financial stability, regardless how cheap the energy innovation, efficiency, conservation, or demand response efforts. The effect of this throughput disincentive is greater for distribution-only utilities, such as rural electric cooperatives, because the revenue impact of electricity sales reduction is disproportionately larger for utilities without generation resources. It is critical to address this throughput incentive if regulators want utilities to become actively involved in energy innovation such as efficiency, conversation, and demand response programs.

Q19. How can this "throughput incentive" be mitigated for rural electric cooperatives?

A19. The simplest way for a rural electric cooperative to mitigate the throughput incentive is to allow it to increase its customer charge to a level that is justified based on cost of service. This would assure a revenue stream that flows into the cooperative regularly and that is not linked to the level of sales. One result of such a change is that the energy charge would be reduced as fixed cost and margin recovery was removed from the customer charge. The straight fixed variable rate design is common in the natural gas industry where all of a utility's fixed cost are recovered through a monthly customer charge. This completely breaks the link between the recovery of fixed cost and margins and the level of kWh sales, as there is no fixed cost or margin recovery in the energy charge assessed on a kWh basis.

Q20. What costs are typically classified as member-related in a cost of service study and should be recovered through the customer charge?

A20. The customer charge recovers the cost of the minimum amount of equipment that the cooperative must install to provide a member with access to the electric grid. Without this minimum amount of equipment, members would not be able to receive electric service. Unfortunately, the cost of the poles, wire, transformers, service drops, meters and substations necessary to provide a member with access to the electric grid are not cheap. For example, the 15 kVa transformer that is used for most residential members costs about $821. A mile of single phase distribution line costs about $40,000 per mile, which includes both the poles and the wire. These represent fixed costs to the cooperative; that is costs that do not change regardless of the amount of electric energy purchased by members. So if members use less electricity, either because they have taken steps to conserve energy or because they went to Florida on vacation, these costs to the cooperative do not change and must be recovered for the cooperative to remain financially sound.

Q21. How much of a typical member's bill is for the cooperative's distribution facilities?

A21. Based on the last cost of service study that the cooperative did, about 20% of a typical member's bill is for the cooperative's distribution facilities and about 80% is for the

energy that the cooperative purchases from its supplier. Thus, reducing member usage by creating a culture of energy innovation by offering efficiency, conservation, and demand response programs has the potential to generate significant energy bill reductions for customers. Furthermore, with increases in the cost of copper, steel, cement, coal and natural gas, both the cost of the generating plants and transmission lines and the cost of the fuel for producing electric energy are likely to increase in the future. With these expected increases in the cost of purchased power, energy innovation, efficiency, conservation and demand response would benefit both the cooperative and its members, and Owen Electric would be willing to aggressively pursue innovative energy reduction methods if it were not harmed financially by doing so.

Q22. Why would reducing the customer charge and recovering these costs through a kWh charge cause financial problems for the cooperative and result in more variable energy bills for customers?

A22. If some of the costs of the minimum system necessary to provide a member with access to the electric grid are recovered through a kWh charge rather than through the customer charge, members who use a small amount of electric energy would not pay the costs that they impose on the system and would receive a subsidy from members who use a lot of electric energy. With these fixed costs recovered through the kWh charge, the cooperative would recover more fixed cost than it actually needed when weather was extremely hot or cold and kWh sales were high. The cooperative would recover less fixed cost than it needed when weather was mild and kWh sales were low. This would result in member energy bills being higher than necessary when weather was extreme and lower than necessary when weather was mild. With a low customer charge, the cooperative is betting on extreme weather, and the cooperative wins and the member loses when extreme weather actually occurs. Rather than making bets on weather, a better outcome for both the cooperative and for its members is for the cooperative to recover these fixed costs through a fixed monthly charge that does not vary with kWh sales and with weather.

Q23. Would recovering the cost of the minimum system necessary to provide a member with access to the electric grid through a monthly customer charge provide the right environment for energy innovation, efficiency, conservation, and demand response?

A23. Yes. If a cooperative recovers a significant amount of its fixed costs through an energy charge on each kWh sold rather than through a monthly customer charge, energy innovation, efficiency, conservation, and demand response would result in reduced energy sales and in some of these fixed costs not being recovered by the cooperative. Thus, reduced sales resulting from all forms of energy innovation would harm the cooperative financially. However, if these fixed costs are recovered through a monthly customer charge, the cooperative would continue to recover these fixed costs regardless of the level of kWh sales, and the cooperative could get much more aggressive in assisting members with energy reduction efforts without harming itself financially.

A rate where the fixed costs and margin of the distribution cooperative are recovered through a fixed charge on the member's bill encourages the cooperative to put the goal of energy efficiency and load reduction as a priority. This rate design would align the goals of all of the parties and would result in the Commission, Attorney General, Sierra Club, the Governor's Energy plan, the members, and the distribution cooperative working toward the same goal. That goal is to reduce energy usage and ultimately the energy bill of the member.

Q24. Shouldn't the customer charges for all utilities in Kentucky be about the same?

A24. No. Rural electric cooperatives have much fewer members per mile of line and cannot spread fixed distribution costs over as many members as an IOU. For example, Owen Electric currently has about 13 members per mile of line while Kentucky Utilities ("KU") has about 35 customers per mile of line and Duke Energy-Kentucky ("Duke") has about 46 customers per mile line. If a mile of single phase distribution line costs about $40,000 to install, this mile of line would represent a cost of about $3,100 per member for Owen Electric, about $1,150 per customer for KU, and about $870 per customer for Duke. Similarly, in a rural area, it is difficult for a transformer to serve more than a single account, while in an urban area a transformer could serve four or more accounts. These

differences in ability to spread fixed costs result in much higher member related costs for distribution cooperatives compared to IOU's and the resulting customer charges could be very different.

Q25. Would a lower customer charge combined with a higher energy charge benefit fixed and low income members?

A25. Based on our experience and a recent analysis of the kWh usage of members who have received LIHEAP assistance in the last year, a lower customer charge combined with a higher energy charge would not benefit most fixed and low income members. For fixed and low income members to benefit from a lower customer charge and higher energy charge, these members would need to have an energy usage that is significantly lower than the class average. Generally, this is not the case for low income members. The housing stock in which many low income members are living is relatively inefficient from an energy usage standpoint, so their energy usage is frequently higher than the class average. The inefficient energy usage of the dwelling in which they live has typically resulted in the price of the dwelling being discounted to a level that low income members can afford. For fixed income members, it is our experience that, because they have a stock of appliances similar to other members and are frequently home all day, they generally have usage levels in the neighborhood of the class average and would not significantly benefit from such a change.

When you examine the usage of Owen Electric's low-income members, you see that these members have bills that are higher than the average member. There are a couple of reasons for this. First, these members live in homes or manufactured homes that are typically older than the average. These homes are poorly insulated and have appliances that do not meet Energy Star standards.

A recent study conducted by East Kentucky Power Cooperative shows that Owen Electric members who received LIHEAP assistance from 2008 through 2010, used on average 1609 kWh's per month while all of our remaining members used on average 1237 kWh per month. The facts show that increasing our member's customer charge as opposed to

increasing the energy charge will not adversely affect our lower income members. In fact a strong case can be made that this case will help those members who receive LIHEAP assistance.

Q26. Who are the low usage members who would benefit from a lower customer charge and a higher energy charge?

A26. For most rural electric cooperatives, their low-usage members are loads like boat docks, garages, electric fences, stock tanks, vacation homes, hunting camps, fishing camps and services run to barns in case they might be needed. All of these loads typically consume very few kilowatt hours during the course of a year and the usage is sporadic. However, even though kWh sales may be low to these members, the cooperative still incurs significant fixed costs in installing the minimum system requirements necessary to serve these loads. Furthermore, these loads usually are not located near roads and existing distribution lines and may cost more than the average minimum system. A lower customer charge and a higher energy charge would result in these low-usage members being subsidized by other cooperative members who have above-average usage. Such a rate structure would send a signal that it is relatively inexpensive to provide the physical equipment necessary to provide service to these low-usage members, and this is definitely not the case in rural areas.

However in order to mitigate the impact on these low energy users and to strongly encourage conservation we are proposing to offer in this rate filing an Inclining Block Rate targeted for those members who use less than 500 Kw per month. The rate design will allow these members to reduce their bill while allowing the cooperative to recover a higher percentage of our fixed cost through the customer charge than we presently recover.

Q27. In your 20 years of experience with electric cooperatives please describe your experience with the customer charge.

A27. In the late 1990's with the advent of customer choice legislation, electric cooperatives began to understand the need to unbundle and realign rates with actual cost drivers. One

aspect of the realignment included increasing the customer charge to reflect the actual fixed costs of providing electric service. In southern Illinois at Egyptian Electric Cooperative where I managed prior to coming to Owen Electric, the customer charge is $24.00. With the advent of renewable energy, distributed generation, and net metering, over the past few years in Illinois, the urgency to increase the customer charge has accelerated. If the customer charge does not adequately fund the fixed costs of the cooperative when a member installs a wind or solar generation system, the other cooperative members end up subsidizing the member who installs the distributed generation system. To avoid this inequity, Illinois cooperatives are increasing their customer charge.

Q28. Based upon your experience with the Energy Efficiency and Demand Response Task Force what are the electric cooperatives serving on the task force recommending in regards to the customer charge?

A28. The electric cooperatives serving on the task force recognize that the throughput incentive must be eliminated in order to aggressively promote energy innovation, efficiency, conservation, and demand response programs. Therefore, the task force strongly recommends that the customer charge be increased to cover the actual fixed costs of providing service to their members.

Q29. How are electric cooperatives different?

A29. Electric cooperatives serve areas that were not profitable in the 1930's and collectively today remain non-profitable for IOU's to serve.

Electric cooperatives serve geographical areas that have an average member per mile density that is much less than IOU's. As a result, electric cooperative's fixed cost per member is much higher than IOU's.

Electric cooperatives are member-owned, member-regulated, and member-managed for the exclusive benefit of our members versus IOU's who are managed for the benefit of the investors.

The mission of electric cooperatives is to improve the quality of life of our member owners and to provide reliable service at a reasonable cost. The Mission of IOU's is to maximize the return to their investors.

Our values are integrity, innovation, commitment to community, commitment to employees, and stewardship.

The bottom line is that electric cooperatives exist for the sole purpose of serving our members. Every month our management team reports to a board of directors comprised of our members. Electric cooperatives do the right thing because it is best for our members.

Q30. Please describe Owen Electric's efforts in creating a culture of energy innovation by offering conservation, efficiency, and demand response choices to it's member-owners.

A30. At Owen Electric Cooperative's April Board Meeting we revised our 2009 Strategic Plan to include Challenge 6 – Improve Member Satisfaction. In September the Board of Directors conducted an all day strategic planning session and developed an updated plan for 2010 which was approved at our December 2009 Board Meeting. Likewise in the Fall of 2010 we approve a strategic plan for 2011. A five pronged strategy was developed with key action items identified to achieve the strategy and meet the overall challenge of improving member satisfaction. Please refer to Exhibit 15 for a copy of Owen Electric's Energy Innovation Vision.

The premise underlying the development of this strategy is that climate change legislation, increasing environmental regulation, and increasing power supply cost pressures over the next five years may put downward pressure on member satisfaction as they struggle to adjust to increasing power bills. The precise timing and the severity of the cost impact is dependant on market forces, legislators, and regulators. The success of our mitigating strategy is dependant on the pace of developing energy innovative

technologies. Given the above it is prudent to develop an aggressive strategy to meet this challenge. In order to be successful our strategy must be flexible and subject to modification as technology, regulations, and legislation develop. The implementation of our strategy will be correlated to the development, implementation, and timing of legislative, regulatory, subsequent market cost pressures, and developing innovative energy technologies. Our challenge is to improve member satisfaction in spite of subsequent market pressures, to be prepared, and to have tools developed and ready that will help our members manage their power bills.

The challenge, strategies, and key action items are as follows:

2011 Challenge 6 – Member Satisfaction

Strategy A – Embrace Energy Innovation

Key Action Items

1. Align the culture and business model of Owen Electric Cooperative (OEC) to fully meet our members need to manage their energy costs, preserve resources, and consume energy wisely by implementing a culture of "Energy Innovation" within Owen Electric Cooperative and its membership.
2. Investigate, develop, and implement energy innovation pilot projects such as home energy efficiency improvements. Measure and verify the energy and demand savings.
3. Develop and understand the relationship between energy innovation member incentives and kWh and kW demand savings. Collect and organize data in such a manner that we begin to understand how increasing or decreasing member incentives affect kWh or kW demand savings.
4. Implement a Smart Home pilot project to provide our members with energy usage data and pricing information that enables our members to manage their kWh consumption, their monthly energy bill, and their home comfort.
5. Implement a Smart Grid pilot project including (1) upgrading our existing SCADA (supervisory control and data acquisition) system, (2) installing an integrated volt var

control (IVVC) pilot project, (3) installing (3) three self-healing grid pilot project, and (4) enhancing our communications network capacity and reliability.

Strategy B – Develop and implement an Education Plan

Key Action Items

1. Develop and implement an education plan to communicate, educate, and encourage energy innovation. Promote controlling costs, preserving resources, and using energy wisely. Promote energy innovation as a tool to mitigate rising energy costs.

Strategy C – Implement innovative and financially stable rate designs

Key Action Items

1. Decouple our revenue from kWh sales by increasing our customer charge to cover our fixed costs. This will allow OEC to become kWh sales neutral and to build a culture of energy innovation where we have no financial disincentives toward energy innovation.
2. Investigate and develop innovative rate designs that encourage energy innovation rather than increasing energy sales. A few possible rate options include but are not limited to increased customer charges coupled with reduced energy charges and inclining energy blocks, time of use, critical peak pricing, pre-pay metering, and a customer charge component to fund energy innovation.

Strategy D – Collaborate with Cooperative Partners

Key Action Items

1. Partner and collaborate with East Kentucky Power Cooperative (EKPC), National Rural Electric Cooperative Association (NRECA), Department of Energy (DOE), National Rural Utilities Cooperative Financial Cooperative (NRUCFC), CoBank, Rural Utility Services (RUS), Rural Electric Management Development Council (REMDC), and other cooperative partners to develop a comprehensive energy innovation plan that includes all aspects of energy from the generation plant to the member's home.
2. Develop rate and pricing strategies to promote energy innovation and minimize rate class subsidization.

3. Promote distributed generation where it is economically and technically viable. Develop rate and pricing strategies to minimize rate class subsidization.
4. Investigate alternative fuel adjustment clause (FAC) formulas that reduce volatility and resolve timing issues.

Strategy E – Secure funding for the Energy Innovation Plan

Key Action Items

1. Identify and utilize all federal and state funding opportunities available to encourage energy innovation.
2. Investigate and utilize a mix of internal cooperative, RUS, NRUCFC, and CoBank funding.

Status Report:

As of May 6, 2011 the status of our initiative is as follows.

Strategy 6A1 – Align the culture and business model with Energy Innovation

The alignment of our culture and business model from dependency on increasing energy sales to one of energy innovation is ongoing and will continue over the next three years as we implement strategies 6A through 6E defined above.

Strategy 6A2 - Investigate, develop, and implement energy innovation pilot projects

In partnership with East Kentucky Power Cooperative we are engaged in several energy innovative projects including a water heater incentive program with a simple saver load control switch, a geothermal and high efficiency air source heat pump incentive program, Touchstone Energy Home incentive program, Button Up and Simple Savers programs.

The Button Up pilot was completed in 2009 and was made available for the entire membership in 2010. Button Up entails identifying home energy efficiency issues where significant energy is lost and providing financial assistance to improve the homes energy efficiency by adding insulation, caulking, and other home improvements to increase the homes efficiency.

The Simple Saver program allows members to reduce their peak hourly energy demand by agreeing to allow their water heaters and air conditioning units to be controlled when power prices are above normal. To date we have approximately 478 members participating in the Simple Saver program and approximately 630 load control devices installed.

Strategy 6A3 - Develop and understand the relationship between energy innovation member incentives and kWh and kW demand savings

We are working with National Rural Electric Cooperative Association's (NRECA's) Cooperative Research Network (CRN) and East Kentucky Power Cooperative (EKPC) in developing measurement tools to determine how successful each member incentive program has been in regards to encouraging participation in our energy innovation programs. Incentives and programs that are not successful will be discontinued and those that are successful will be continued. Promotional efforts will be measured based upon member participation.

As more effective measurement and verification technologies develop we will work to improve our ability to quantify the amount of energy and capacity saved or shifted in time. Results from our 2009 Button-Up pilot program showed an average reduction of 8,389 BTU's per house; 2.45 KW reduction per house, at an average cost of $1,810 per house.

Additionally, during 2009 we conducted approximately 400 in-depth energy audits in our member's homes. In concert with our formal energy audits, our representatives are constantly involved with consultations with our membership concerning energy efficiency. Supplementing these efforts are numerous informational resources we provide our membership that communicate all aspects of energy innovation. For more information concerning our Communications Plan please refer to Exhibit 14. During 2011, in concert with launching our smart home pilot we plan to increase our efforts and resources in the area of energy advising to our members. An additional energy advisor position is planned for 2011 to accommodate our efforts in this area.

Strategy 6A4 & 6A5 - Develop Smart Home and Smart Grid pilot projects

In November 2009 we were awarded a grant from the Department of Energy along with 27 other electric cooperatives to develop smart grid and smart home demonstration pilot projects.

In regards to smart home development, the project is in the Request for Proposal (RFP) stage. We are working with NRECA/CRN to develop an RFP requesting bids from three (3) to five (5) vendors to implement a 100 home Smart Home pilot in 2012 including a smart meter with ZigBee communication protocol interfaced with a home energy network including an energy dashboard, in home display, smart thermostat, smart appliances, smart switches smart phone, GUI software interface where members can manage their energy use and make decisions on how to manage and monitor the energy their home consumes. The system will be required to have an internet interface capability for large data communication needs as well as a smart phone member interface. Specific timing is dependent upon expected development of in-home energy technology.

In April of 2011 we launched a "Beat the Peak" Kentucky DEDI pilot to introduce newly developed processes and systems to inform our members of times of system wide high energy use an cost so they can voluntarily curtail load. We will be using our recently deployed AMI system, with new in home alert devices and social media communication systems. We have partnered with EKPC to perform the energy measurement and verification portion of this pilot project.

In April of 2011 we commissioned the Penn Self Healing DEDI pilot. The pilot involves the installation of smart switches (reclosures) that communicate status & data back to our Owen HQ and can be controlled by a Cooper Yukon Feeder Automation (YFA) system. In an outage situation the controller monitors the status points and self heals the system restoring power to the maximum number of member accounts that can be healed. Historical outage history suggests that we can reduce the outage duration experience by 50 to 70%. We are monitoring the system results currently and will continue for a period of one year.

Two industrial self healing projects are scheduled as part of the DOE stimulus program and will be launched in 2012. These projects will provide backup distribution systems with automatic failover to the industrial members to eliminate diesel generators and reduce the cost of backup systems.

In addition we have an approved Integrated Volt Var Control DOE stimulus project that is in the development stage currently and will be launched in 2012. This project will be looking at ways to optimize distribution lines voltages and currents using sensors, capacitors and regulators with ongoing intelligent communication to provide the best voltage to our members and minimize energy losses.

In regard to other smart grid projects, Owen Electric is upgrading our SCADA (Supervisory Control and Data Acquisition) system, and enhancing our communications network capacity and reliability. These projects will give us more communication capability, enhanced reliability as well as new data collection capability at the substation to enable us to handle current and future smart grid data and communication requirements. A scope of work and budget has been developed for the projects and we are currently working with potential vendors to order equipment. Installation is scheduled for the second half of 2011 through the end of 2012.

Strategy 6B – Develop and implement an Education plan

We have developed an education plan which includes demonstration projects, a communication plan, and other member and community educational efforts. Our communication plan was developed in concert with our 2010 and 2011 strategic plans and our 2010 and 2011 budgets. Please refer to Exhibit 14 for a copy of the education & communication plan.

Strategies 6C1 & 6C2 – Redesign our rate structure to be energy sales neutral and develop rates to promote energy innovation

This rate case filing is the culmination of our efforts to realign our rate structure to encourage wise energy use, to provide members with information to make wise energy decisions utilizing reliable and proven technology.

Strategy 6D1 & 6D2 - Collaborate with our Cooperative partners to develop an energy innovation plan.

We are working in unison with East Kentucky Power Cooperative (EKPC) and our fellow distribution member owners of EKPC to develop cost of service power supply rates that will encourage energy innovation. A rates task force was developed in August of 2009 and hired a consultant who prepared a cost of service and rate study based upon 2009 test year. The results are presently being used to determine how to restructure our rates in 2012.

EKPC and our fellow member cooperatives are working with Kentucky environmental groups, as members of the EKPC DSM/RE Collaborative, to develop and recommend DSM action items for the EKPC Board to consider. I have accepted the position of DSM Collaborative co-chair. The collaborative is investigating DSM best practices, benchmarking our programs, investigating rate and economic issues regarding DSM, and investigating technology opportunities to advance DSM efforts at EKPC.

In addition we are working with our DEDI partners, and our NRECA/CRN partner to launch the smart grid and smart home pilots discussed above.

Lastly we are working with our financial partners, RUS, NRUCFC, and CoBank to ensure adequate financing for our energy innovation initiative.

Strategy 6D3 - Promote distributed generation and develop and implement a solar demonstration project.

Owen is very supportive and assists our members and their consultants as requested in regards to investigating distributed generation, understanding the net metering tariff requirements, installing distributed generation, and meeting all applicable codes and regulations. We are presently working with a group of Northern Kentucky investors to install two 1MW solar power facilities on our distribution grid. We anticipate signing agreements in the next month and filing our proposed PPA with the Public Service Commission for approval shortly thereafter.

Strategy 6D4 – Investigate alternative fuel adjustment clause formulas

The fuel adjustment clause is a constant source of member dissatisfaction. Specifically the monthly volatility of the rate is the greatest source of member irritation. The issue is challenging in that it is complex and requires regulatory and legislative cooperation and collaboration. The issue is being discussed by East Kentucky's rate task force.

Strategy 6E – Secure Funding

Owen Electric has been awarded Department of Energy funding for five Smart Grid demonstration projects and has been awarded two Commonwealth of Kentucky DEDI demonstration projects. Both awards fund roughly half of the projected cost of our pilot projects. The remaining funds coming from a mix of internal sources as well as our traditional lending partners RUS, NRUCFC, and CoBank.

Conclusion

The transition from encouraging increasing energy consumption to promoting energy innovation and the wise use of energy will be challenging and will require partnering with our technology, research and development, generation, financial, and regulatory partners as well as educating, preparing, and encouraging our members to utilize the tools and take advantage of energy innovative opportunities as they become available. We look forward to the challenge, embrace it as our vision, and have made it our mission to assist our members as they choose to make wise energy choices and manage their energy use.

Owen Electric Energy works hard to help our members become more energy efficient. We have given out thousands of compact fluorescent light bulbs (CFLs), performed energy audits over the entire system, and offered rebates on energy efficient home building practices and existing home improvements. We have conducted energy efficiency seminars for many groups and organizations such as Community Action agencies, senior citizen groups, and schools. In addition we have hosted energy efficiency "best practices" workshops for area builders and HVAC contractors.

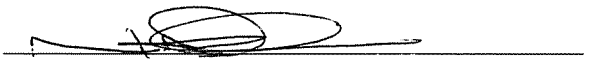
Q31. What are your conclusions regarding this rate case proceeding?

A31. In an age of member economic financial stress, rising fuel costs, increasing environmental compliance costs, and increasing generation construction costs it is imperative that the customer charge be realigned to match fixed costs so that energy innovation, efficiency, conservation, and demand response can be aggressively pursued without placing the electric cooperative in financial peril. We look forward to working with the Commission in implementing rate designs that help our members reduce their energy bills through energy innovation efforts including efficiency, conservation, and demand response. Energy innovation is a win-win proposition for our members and for the cooperative. In order to begin accomplishing this vitally important goal we ask that the commission approve our request to increase our customer charge by $2.50 each year to $25.00 in 2015, to implement an inclining block rate, and to implement a variety of time of day rate choices.

Q32. Does this conclude your testimony in this case?

A32. Yes, it does.

Affiant, Mark A. Stallons, states that the answers given by him to the foregoing questions are true and correct to the best of her knowledge and belief.



Mark A. Stallons, President & CEO

Subscribed and sworn to before me by the affiant, Mark A. Stallons, this 6th day of May, 2011.

Notary Melissa K Moore

State-at-Large

My Commission expires 4/14/2015.

OWEN ELECTRIC COOPERATIVE

CASE NO. 2011-00037

PREPARED TESTIMONY OF JAMES R. ADKINS

Q1. State your name and business address.

A1. I am James R. Adkins doing business as Jim Adkins Consulting ("JAC") and my business address is 1041 Chasewood Way, Lexington, KY 40513-1731. JAC has been certified by the United States Department of Veteran's affairs as a Service Disabled Veteran Owned Small Business ("SDVOSB")

Q2. What has been your role in the development of these tariffs for the changes in the customer charges and energy rates for Schedule 1 - Residential and Schedule 1 - Small Commercial and the optional rates applicable to those members served under the current Schedule 1 - Farm and Home?

A2. My role in this application has been to assist Owen in the development of these new rates.

Q3. What is your professional experience in the area of electric utility rate-making?

A3. I have spent the last thirty-four years dealing with electric utility rates. I was employed by East Kentucky Power Cooperative ("EKPC") as its Pricing Manager for almost twenty-five years. I was employed the Prime Group, LLC as a senior consultant for

approximately one year. I have been self-employed for the last eight years. Prior to my electric utility career, I was employed in the finance and accounting

areas of the medical care field for close to eight years. I am also retired from the United States Army, active and reserve, and I served in Army as an infantryman in the Republic of Vietnam in the late 1960s.

Q4. What is your educational background?

A4. I received a Bachelors Degree in Commerce with a major in banking and finance in 1971 and a Masters of Science in Accounting in 1976. Both of my degrees were granted by the University of Kentucky. Since then, I have attended several seminars, conferences and courses on rate-making as well as making presentations at many conferences and seminars on electric utility rate-making, the cost of service, and rate design.

Q5. Have you ever appeared as a witness before this Commission?

A5. I have appeared as a witness before this Commission many times in rate applications, applications for certificates public convenience and necessity, fuel adjustment clause hearings, and administrative cases. I have testified on the behalf of East Kentucky Power Cooperative ("EKPC") and for all of EKPC's member

cooperatives and for other distribution cooperatives. I first appeared as a witness before this Commission in the fall of 1978 in an administrative case dealing with the Fuel Adjustment Clause.

Q6. What is the purpose of the proposed changes in the customer charges and energy rates for Schedule 1 - Farm and Home and Schedule 1 - Small Commercial?

A6. Owen Electric Cooperative Corporation ("Owen") is proposing to raise its customer charge for the farm and home rate class from the current amount of $11.30 per month to eventually increase to $25.00 per month in 2015. The first increase would be to $15.00 per month in 2011 and in increments of $2.50 for each remaining year. For the small commercial rate class, the customer charge would increase eventually to $35.00 month from its current amount of $13.34 per month. The first increase would be to $20.00 per month with and in increments of $5.00 for each succeeding year until 2014.

The energy rate would decrease each year so that the decrease in revenues generated by the changed energy rate would equal the increase in revenues due to the change in the customer charges. This results in revenue neutrality for both of these rate classes. In other words, the revenues that Owen would receive from these rate classes would be approximately the same for all five changes in rates for the residential class

and for all four changes in the small commercial rate class.

The primary purpose of these changes is to provide for a better alignment of the consumer related costs with the monthly customer charge. From the cost of service study on which the proposed rates are based, the monthly consumer related costs is $27.66 for the farm and home rate class and $35.71 for the small commercial rate class. In 2015 for the farm and home class, approximately $0.00911 per kWh or twenty-four percent of Owen's distribution costs would be collected through the energy rate. For the small commercial rate class, approximately $0.0114 or thirty-seven percent would be collected from the energy rate. Provided in Attachment A to this testimony is a breakdown of the costs to serve these rate classes based on the Cost of Service Study on per customer and a per kWh basis.

Q7. In your opinion, does this increase in the customer charge provide an appropriate incentive for Owen to assist its members in lowering their consumption and managing their electric bills.

A7. I believe that this provides Owen with an incentive to better assist its members manage their usage and bills. In the short run, the largest segment of Owen's costs are its wholesale power costs and they are variable and based on usage. Owen's other large

segment of costs is its distribution costs and these are fixed in the short run. By recovering its distribution costs through its monthly customer charge, Owen is better assured the recovery of its distribution costs. Owen becomes much less concerned about its level of energy sales and is able to concentrate on assisting its members to conserve energy and manage their bills.

8Q. What means in the area of rates is Owen providing for its members to better manage their bills?

8A. Owen is offering four (4) optional rate schedules that provide its members will the potential to better manage their bills. These optional rate schedules include three different time-of-day ("TOD") rate schedules and one inclining block rate schedule.

9Q. Describe these proposed new, optional tariffs.

9A. The specific details on these optional rate tariffs are provided as a part of Exhibit 6 in this filing. This exhibit provides the basis details on the development of each tariff. Each one of these optional rates will be addressed. Owen has developed three different farm and home TOD rates. The primary differences in these rate schedules are difference in the on-peak and the off-peak hours and the energy rates. The energy rates differ because of the difference in energy kWh which is a result of the

difference in hours for the on-peak and off-peak periods. The purpose of the proposed farm and home TOD rates is to present a rate design that has a real incentive in its on-peak energy rate design as well as in its off-peak energy rate design. It is intended to provide farm and home customers an opportunity to lower their electric bills if they are willing to make changes in their electric consumption pattern. Three TOD rates are presented that is intended to accommodate the various lifestyles of Owen's members. The customer charge is set at $25.00 per month which is the eventual target amount for the standard farm and home rate class. The off-peak energy rate is $0.06000 per kWh. The on-peak energy rate will vary with each rate schedule because of the amount energy sold during the on-peak hours based on the test year of 2009.

The residential inclining block rate is specifically designed for consumers who consistently use 500 kWh per month or less. The rate schedule contains three (3) energy rate steps. The first step is for usage from 0 - 300 kWh per month and the energy rate is based on a reduction of 1.25 cents per kWh from Owens' energy rate of $0.08227 kWh when its proposed customer charge reaches $25.00 per month. The second rate step is for usage from 301 - 500 kWh and has an energy rate that is one cent greater than the $0.08227 rate. The

last step is for usage of 501 kWh or more and is priced at a premium of three cents per kWh over the energy rate the energy rate for the previous step.

Q7. What is Owen proposing in this new TOD rate that is significant?

A7. Owen is proposing several significant items in the proposed TOD rate designs:

- Three different TOD rate designs are offered that provide an opportunity for members with different lifestyles and usage patterns.
- The off-peak energy rate is set at a very low price because most of the distribution costs are being recovered through the customer charges.
- The on-peak energy contains a real penalty by setting it higher than the standard, average rate design but not so high that it may cause members hesitation in selecting a TOD rate design.
- The three different variations or on-peak hours and off-peak hours have been developed.
- The proposed customer charge is set at $25.00 to minimize the risk that Owen might have any free riders. Less distribution costs are required to be collected from the energy rate.

The Residential TOD rate has been developed in manner very similar to the way that Blue Grass Energy and Grayson RECC developed their residential TOD rates.

Q8. Please explain the basis for the development of this proposal?

A8. The rates developed in this proposal are based on Owen's current retail rates approved by this Commission in January of this year, load research produced by East Kentucky Power Cooperative, and a Cost of Service Study ("COSS") was completed for Owen. The test year for this proposal is calendar year 2009.

Q9. What approach did Owen use to develop these rates?

A9. First a COSS was completed and evaluated with emphasis upon the rate classes Schedule 1 - Farm and Home, and Schedule 1 - Small Commercial to determine the revenue produced from current rates which became the basis for the revenue requirements for the TOD rates, and the rates with the customer charge changes.

Q10. What did Owen do next?

A10. Owen reviewed and analyzed the load research information provided by EKPC and felt that it would be reasonable to offer more than one TOD rate for Schedule 1 - Farm and Home with varying on-peak and off-peak hours. Owen feels that several TOD rates options will help to

maximize its members opportunities to better manage their electric bills and enhance their conservation potential.

Q11. Are their some risks in these proposed changes?

A11. Some risks do exist for Owen with a reduction in its on-peak hours for some of its TOD ate options. The primary risk is associated with a wholesale billing peak that might occur in those hours that are on-peak hours for EKPC but off-peak hours for Owen. Owen has looked at EKPC's billing peaks for a ten year period and it is very unlikely that one may happen in this situation. Owen feels that it is worth the risk in order that it may provide a rate design that has some real incentives to shift load from on-peak to off-peak periods. Additionally, Owen has minimized this risk to the best way possible by minimizing the amount of distribution costs that are recovered through the energy rate.

Q12. What is the initial expected acceptance of this proposed rate?

A12. Some time may exist before a member might take advantage of this rate design and the initial ones that take it may not have to shift load to reduce their bill ("free riders"). However, with the passage of time and because of the comprehensive education program developed by Owen, members that are not free

riders will see that some potential exists for them to reduce their electric bill by selecting one of these TOD options.

Q13. What is the purpose of the inclining block rate proposal?

A13. The purpose of this rate proposal is to provide an opportunity for those members whose energy consumption is much less than most of Owen's other members to manage their electric bill. This rate proposal contains a customer charge at an amount very close to the customer charge rate in year one for the proposed changes in the standard Schedule 1 - Farm and Home rate. The basis for this rate is the recovery of the consumer related cost to connect a member to the distribution grid. This proposal also contains a discounted rate for the first block of 0 to 300 kWh and is geared primarily to those consumers whose monthly usage is 500 kWh or less.

A billing frequency analysis provided in Exhibit was utilized to determine the number of customers that could utilize such a rate. Based on the frequency analysis, Owen may have slightly less than twenty-two thousand customers whose average monthly consumption is 244 kWh per month and may be candidates for this schedule. The design of this rate as covered above is somewhat judgmental. Basically, Owen wanted to provide a possible rate break for those customers.

Q14. Will other distribution cooperatives served by EKPC develop rates that might be similar to this TOD proposal?

A14. Other cooperatives have a significant interest in what Owen is proposing in this application and in developing a comprehensive package of rate options for their members.

Q15. Is Owen taking any risk with this rate design for inclining block rates?

A15. Owen feels that some risk does exist because the rate is designed for those consumers with usages of 500 kWh or less. In that circumstance, Owen would receive less revenue from those customers that what it is currently receiving.

Q16. Why is Owen making this unique proposal?

A16. Owen has made this proposal to insure that it is making opportunities available to all of its customers. Owen has many low usage consumers over the years who may have not really been major contributors to Owen's increases in costs and its rates. This is Owen's approach to provide them opportunities to reduce their electric bill. This Residential Inclining Block Rate is a part of the rate options that Owen wishes to make available to all its consumers.

Q17. How will Owen inform its members of these rate Options?

A17. When the Commission approves these options, Owen plans to set in motion an education program for its members which will include the following aspects:

- Inserts in The Kentucky Living magazine,
- Development of pamphlets that will contain information on these options,
- Contacting the local community action agencies,
- Maybe the conduct of some special meetings in regards to these options.

Owen has presented this plan as a part of this application.

Q18. Does this conclude your testimony?

A18. This concludes my testimony.

OWEN ELECTRIC COOPERATIVE
BREAKDOWN OF COST
FOR SCHEDULE 1 - FARM & HOME AND SCHEDULE 1 -SMALL COMMERCIAL

	Schedule 1 Farm and Home		Schedule 1 Small Commercial	
	Per kWh	Per Member	Per kWh	Per Member
Revenue from Rates	$ 0.10510	$ 115.07	$ 0.1021	$ 187.07
Less Purchased Power Costs				$ -
Demand	$ 0.02078	$ 22.75	$ 0.0216	$ 39.63
Energy	$ 0.05410	$ 59.23	$ 0.0541	$ 99.17
Total	$ 0.07488	$ 81.98	$ 0.0757	$ 138.80
Gross Margin	$ 0.03022	$ 33.09	$ 0.0263	$ 48.27
Less Distribution Costs				
Demand Related				
Stations	$ 0.00004	$ 0.04	$ 0.0000	$ 0.09
Lines	$ 0.00778	$ 8.51	$ 0.0105	$ 19.28
Transformers	$ 0.00129	$ 1.42	$ 0.0008	$ 1.51
Total Distribution Realted	0	$ 9.97	$ 0.0114	$ 20.87
Consumer Related				
Lines	$ 0.01085	$ 11.88	$ 0.0072	$ 13.15
Transformers	$ 0.00109	$ 1.19	$ 0.0012	$ 2.13
Services	$ 0.00214	$ 2.34	$ 0.0037	$ 6.86
Meters	$ 0.00449	$ 4.92	$ 0.0030	$ 5.45
Consumer Svc & Accouting	$ 0.00669	$ 7.33	$ 0.0044	$ 8.12
Outdoor Lighting	-	-	-	-
Total Consumer Related	$ 0.02526	$ 27.66	$ 0.0195	$ 35.71
Total Distribution Costs	$ 0.03437	$ 37.63	$ 0.0309	$ 56.58

Affiant, James R. Adkins, states that the answers given by him in the foregoing questions are true and correct to the best of his knowledge and belief.

James R. Adkins

Subscribed and sworn to before me by the affiant, James R. Adkins, this 6th day of May, 2011

My Commission expires May 2, 2012.

Laura M. Scroggins
Notary Public, State of Kentucky at Large

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF ADJUSTMENT
OF RATES OF OWEN ELECTRIC
COOPERATIVE CORPORATION **CASE NO. 2011-00037**

PREPARED TESTIMONY OF REBECCA WITT

Q1. Please state your name, business address, and occupation.

A1. My name is Rebecca Witt and my business address is 8205 Highway 127 North, Owenton, Kentucky 40359. I am the Senior Vice President of Corporate Services for Owen Electric Cooperative ("Owen Electric").

Q2. Please state your education and professional experience.

A2. I received a B.S. degree in Accounting from Western Kentucky University in 1993. Following graduation, I worked for seven (7) years as a Certified Public Accountant, and had a variety of duties including tax and audit responsibilities. In 2000, I became the Controller of Wholesale Petroleum, Inc. in Owensboro KY, and was responsible for the company's financial, tax, and accounting functions. In 2003 I took the position of Accounting Manager at Kenergy Corp, a rural electric cooperative located in Henderson, KY. I was employed by Owen Electric as its Chief Financial Officer in April 2007, and became the Cooperative's SR VP of Corporate Services in July 2007. My responsibilities include managing the accounting & finance group. I am also responsible for the Cooperative's safety, human resource, and process improvement functions. I am a certified public accountant, licensed to practice in the state of Kentucky.

Q3. Are you familiar with accounting work and accounting procedures for rural electric cooperatives?

A3. Yes. I have had significant prior experience in electric cooperative accounting and have done accounting work in the preparation of rate cases for Owen Electric and Kenergy Corp. for presentation to the Public Service Commission.

Q4. Did you prepare or assist in the preparation of the financial exhibits for Owen Electric filed with its Notice Application in this case?

A4. Yes, I worked with the assistance of Jim Adkins, Consultant, in the preparation of these exhibits, and am familiar with them. In my opinion, the material contained in these exhibits is correct.

Q5. Please state whether the statements of facts contained in this Notice are true.

A5. Yes. To the best of my knowledge and belief, the statements of facts contained in this Application are true.

Q6. What is the purpose of this Notice of Application of Owen Electric to this Commission?

A6. To seek an adjustment in retail rate design in order to align the interests of the Cooperative and its members with respect to energy innovation, efficiency, conservation, and demand response efforts. The purpose of the design in base rates is for the Cooperative to align, over a five year period, its customer charge with its fixed cost, so that it may promote energy efficiency and conservation to its entire membership, while still maintaining the Cooperative's financial integrity. Additional optional rate offerings are also being requested in order to provide our members choice in how their rates are structured.

Q7. What considerations were given to the rate design adjustment that Owen Electric is seeking?

A7. The rate design adjustments were developed to be revenue neutral, in that no new additional revenue is being sought by Owen Electric. The proposed design in rates is, therefore, neutral with respect to revenue for each of the effected rate classes. The long established principle of gradualism was utilized to align the customer charge with Owen Electric's fixed cost over a period of five years in order to minimize the financial impact, on an annual basis, to individual members within each rate class, as well as to minimize the expense to the Cooperative's members of filing multiple rate design cases.

In the design of the optional rate offerings, consideration was given to the numerous energy efficiency, conservation, and demand response programs that Owen Electric currently offers to its membership, as well as additional pilot projects that Owen Electric has developed that are in the process of being implemented. Theses optional rates will give members a choice of rate designs to assist them in their conservation and energy efficiency efforts and in managing their monthly electric bill.

Q8. What is the Test Year used by Owen Electric for its financial data compiled to the Commission in the Application?

A8. The twelve months ended December 31, 2009 was selected as the Test Year.

Q09. How was the proposed rate design developed?

A09. The rate design adjustments were developed based upon the Cost of Service Study prepared in conjunction with Jim Adkins, consultant.

Q10. How will the proposed rate design be implemented?

A10. The proposed rate design for base rates will be implemented over a five year period. Each year, the customer charge will increase, and the energy charge will decrease, to the amounts proposed in the Application. Additional adjustments in retail rates, due to adjustments passed through by Owen Electric's power supplier, such as increases in wholesale power cost, fuel or environmental surcharge adjustments, etc., will be filed as separate cases, as they have been historically. Should Owen Electric determine, during this five year period, that an increase in revenue is needed, a separate general rate case will be filed with the Commission, as prescribed by statute.

The optional rate offerings requested in this Application will be available to Owen Electric members immediately upon approval by the Commission. A communication and education plan has been developed to assist members, who wish to choose one of the optional rate designs, in deciding which rate structure might be the best fit for them.

Q11. In your opinion, are the adjusted rates requested in this Case by Owen Electric Cooperative necessary to achieve the goals of promoting energy efficiency and conservation while maintaining the financial integrity of the Cooperative?

A11. Yes. To enable Owen Electric to maintain its financial integrity, while promoting energy efficiency and conservation, it is necessary that it be permitted to adjust its rates as proposed in this Application. Currently Owen Electric's customer charge of $11.30 is less than half of the required $27.66 needed to recover the cost of providing service to its Residential Class members. Likewise, the cost of providing service to the Small Commercial Class members is $35.71, as opposed to the current customer charge of $13.34. The remainder of the fixed cost is currently recovered in the energy charge for both rate classes. In order to promote energy efficiency and conservation, Owen Electric must advocate that its members reduce their energy usage. Any substantial reduction in energy sales, however, results in an under recovery of fixed costs, and creates a financial hardship to the Cooperative. By approving the rate structure as proposed in the Application, the Commission will enable Owen Electric to recover the majority of its fixed costs through the customer charge, and make it possible for the Cooperative to promote reduced energy usage without harm to its financial condition.

Q12. Does this conclude your testimony in this case?

A12. Yes, it does.

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 6th day of May, 2011.

Notary Laura M. Scoggins
State-at-Large

My Commission expires May 2, 2012.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF ADJUSTMENT OF RATES OF OWEN ELECTRIC COOPERATIVE CORPORATION **CASE NO. 2011-00037**

PREPARED TESTIMONY OF MICHAEL L. COBB

Q1. Would you please state your name and business address.

A1. Michael L. Cobb, with a business address of 8205 Highway 127 North, Owenton, Kentucky 40359.

Q2. What is your occupation?

A2. Senior Vice President—Customer Service & Marketing for Owen Electric Cooperative ("Owen Electric").

Q3. How long have you been employed at Owen Electric?

A3. I was employed in November 1987 as the Senior Accountant. During my career at Owen Electric, I have held numerous positions including Manager—Corporate Accounting and Interim CFO. Presently I am Owen Electric's Senior Vice President of Customer Service and Marketing.

Q4. What is your educational background?

A4. I have a Bachelor of Business Administration (1983) and Master of Business Administration (1984) from the University of Kentucky.

Q5. What considerations were given to the rate design adjustments that Owen Electric is seeking?

A5. The rate adjustments are designed to align Owen Electric's customer charge with its fixed cost of service over a five year period of time. This will allow Owen Electric to become kWh sales neutral so that Owen may aggressively promote energy efficiency and conservation without jeopardizing its financial integrity. The rates proposed are designed to be revenue neutral and follow the concept of gradualism.

Additional optional rate offerings (Time of Day and Inclining Block) are also being proposed to offer our members rate choices, promote energy conservation, demand management and the ability to manage their bill.

Q6. Did you prepare or assist in the preparation of the education/communications plan (Exhibit 14) for Owen Electric filed with its Notice Application in this case?
A6. Yes, I worked with the assistance of Jim Adkins, Consultant, in the preparation of this exhibit, and am familiar with them. In my opinion, the educational/communications plan is comprehensive and will be effective.

Q7. What is the purpose of the education/communications plan developed by Owen Electric?
A7. To communicate, educate, and encourage energy innovation as a tool to mitigate rising energy costs, to promote controlling costs and using energy wisely, and to provide clear and easy to understand information regarding rate options available to members.

Q8. What considerations were given to educate the membership of Owen Electric?
A8. As Owen Electric expands the rate offerings available to its membership, education becomes increasingly important. Our members will need more information to make decisions about which rate schedule(s) they should consider to assist them in managing their electric bill.

Q9. How will the education/communications plan be implemented?
A9. There are two audiences to educate: those internal to the cooperative (our member contact personnel) and external stakeholders (member/consumers and the public at large). The overall message is that Owen Electric is promoting rate choices and the ability to gain control of one's utility bills.

Internally, meeting with and training Customer Service Representatives (CSR's) and other member contact personnel will be essential. First, a presentation explaining the menu of rate choices and the motive behind the new offerings will be given. Following this, the CSR's will go through extensive training explaining who is targeted for each menu rate offered, how to recommend the alternatives to a member, and go through an example of what the net effect is to the member. A script will be written to assist the CSR and a FAQ list for quick reference will be generated.

Externally, the message of rate choices will be advocated. Bill inserts will accompany monthly bills. These inserts will be simple and promote a choice of rates. The goal is for the member to become interested and call the Cooperative to obtain additional information from a trained CSR. At that point, the CSR will direct the member to a rate best suited for their lifestyle and usage patterns. Articles in the *Kentucky Living* magazine will be published announcing and explaining the new rate choices. Owen Electric personnel will network throughout the communities they serve by attending and presenting Owen's rate options at community events and meetings (i.e. community action centers, senior citizens, civic groups, etc…). Facebook postings and Tweets will also point out the new rate offerings. Later a more targeted approach will be used where members who best fit the rate options will receive direct mailings and/or bill inserts catered towards a specific optional rate. A rates website page will be developed which will be linked from the company's main website and will have easy to follow narratives and illustrations of Owen's rate options and examples of each.

Energy conservation, energy efficiency and demand side management (DSM) initiatives are an extremely important focus of Owen Electric. This focus will intensify and will become increasingly more important in the future. Robust and ongoing communications to educate our membership about these programs is critical. A central message of Owen Electric's communication efforts associated with this rate case will be to promote these initiatives and expanded rate choices to our membership as a means to manage their energy bill.

Q10. Does this conclude your testimony in this case?

A10. Yes, it does.

Affiant, Michael L. Cobb, states that the answers given by him to the foregoing questions are true and correct to the best of his knowledge and belief.

Michael L. Cobb, Senior Vice President—Customer Service & Marketing

Subscribed and sworn to before me by the affiant, Michael L. Cobb, this 16th day of May, 2011.

Notary Public, Kentucky State at Large

My Commission Expires: May 2, 2012.

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

IMPACT ON REVENUES

The proposed rate designs have been constructed on the basis of revenue neutrality

If all customers were placed on any of the rates designs where the customer charges have been changed and also on any of the time-of-day rates, the revenues were be the same as Owen would receive from the current rate design based on the test year billing determinants.

IMPACT OF THE RATE PROPOSALS ON THE AVERAGE CONSUMER

IMPACT OF RATE PROPOSALS UPON CONSUMERS
AT VARIOUS USAGE LEVELS

kWh Usage	Present Rates	2011 Rates	2012 Rates	2013 Rates	2014 Rates	2015 Rates	Inclining Block Rates
0	$ 11.30	$ 15.00	$ 17.50	$ 20.00	$ 22.50	$ 25.00	$ 15.78
50	16.04	19.57	21.96	24.34	26.73	29.11	$ 19.27
100	20.78	24.14	26.41	28.68	30.96	33.23	$ 22.76
150	25.52	28.71	30.87	33.03	35.18	37.34	$ 26.25
200	30.26	33.28	35.32	37.37	39.41	41.45	$ 29.73
250	35.00	37.85	39.78	41.71	43.64	45.57	$ 33.22
300	39.73	42.42	44.24	46.05	47.87	49.68	$ 36.71
350	44.47	46.99	48.69	50.39	52.09	53.79	$ 41.32
400	49.21	51.56	53.15	54.73	56.32	57.91	$ 45.94
450	53.95	56.13	57.60	59.08	60.55	62.02	$ 50.55
500	58.69	60.70	62.06	63.42	64.78	66.13	$ 55.17
600	68.17	69.84	70.97	72.10	73.23	74.36	$ 59.89
700	77.65	78.98	79.88	80.78	81.69	82.59	$ 69.12
800	87.12	88.12	88.79	89.47	90.14	90.81	$ 78.35
900	96.60	97.26	97.71	98.15	98.60	99.04	$ 87.57
1000	106.08	106.40	106.62	106.83	107.05	107.27	$ 96.80
1100	115.56	115.54	115.53	115.52	115.51	115.49	$ 106.03
1200	125.04	124.68	124.44	124.20	123.96	123.72	$ 115.25
1300	134.51	133.82	133.35	132.88	132.42	131.95	$ 124.48
1400	143.99	142.96	142.26	141.57	140.87	140.17	$ 133.71
1500	153.47	152.10	151.18	150.25	149.33	148.40	$ 142.94
1600	162.95	161.24	160.09	158.93	157.78	156.63	$ 152.16
1700	172.43	170.38	169.00	167.62	166.24	164.85	$ 161.39
1800	181.90	179.52	177.91	176.30	174.69	173.08	$ 170.62
1900	191.38	188.66	186.82	184.98	183.15	181.31	$ 179.84
2000	200.86	197.80	195.73	193.67	191.60	189.53	$ 189.07
2250	224.56	220.65	218.01	215.38	212.74	210.10	$ 212.14
2500	248.25	243.50	240.29	237.08	233.88	230.67	$ 235.21
2750	271.95	266.35	262.57	258.79	255.01	251.23	$ 258.27
3000	295.64	289.20	284.85	280.50	276.15	271.80	$ 281.34

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

BILLING ANALYSIS FOR CURRENT RETIAL RATES

SCHEULE 1 FARM AND HOME

	Actual Billing Data		Current Rate	Annualized Revenues
Customer Charge	648,908	$	11.30	7,332,660
Energy Charge per kWh	710,449,061		$0.09478	67,336,362
Total From Base Rates				74,669,022

SCHEDULE 1 - SMALL COMMERCIAL UNDER 50 KW

	Actual Billing Data		Current Rate	Annualized Revenues
Customer Charge	25,451	$	13.34	339,516
Energy charge per kWh	46,652,046		$0.09478	4,421,681
Total from base rates				4,761,197

SCHEDULE 2 LARGE POWER OVER 50 KW

	Actual Billing Data		Current Rate	Annualized Revenues
Customer Charge	2,932	$	21.31	62,481
Demand Charge	493,393		6.13	3,024,499
Energy charge per kWh	157,848,764		$0.07166	11,311,442
Total from base rates				$ 14,398,422

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

BILLING ANALYSIS FOR CURRENT RETIAL RATES

Schedule II Large Power Primary Metered

	Actual Billing Data	Current Rate	Annualized Revenues
Customer Charge	68	$21.31	1,449
Demand per kW	63,667	$6.13	390,279
Energy charge per kWh	20,068,800	$0.07166	1,438,130
Total from base rates			$ 1,829,858

ETS Off-Peak, Schedule I-A

	Actual Billing Data	Current Rate	Annualized Revenues
Customer Charge	122		
Energy Charge	27,641	$0.05692	1,573
Total Baseload Charges			$ 1,573

Schedule XI LPB1

	Actual Billing Data	Current Rate	Annualized Revenues
Customer Charge	111	$ 1,522	168,923
kW Demand	148,788	7.08	1,053,419
kW Excess Demand	5,505	9.84	54,169
Energy charge per kWh			
First 425 kWh/kW	64,627,437	0.05661	3,658,559
Over 425 kWh/kW	6,880,692	0.05237	360,342
Total from base rates			$ 5,295,412

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

BILLING ANALYSIS FOR CURRENT RETIAL RATES

Schedule XIII-LPB2

	Actual Billing Data	Current Rate	Annualized Revenues
Customer Charge	24	3,042.58	73,022
Demand Charge	195,900	7.08	1,386,972
Excess Demand	1,910	9.84	18,794
Interruptible Credits	82,383	$3.50	(288,341)
Energy charge per kWh			
First 425 kWh/kW	84,069,250	$0.05167	4,343,858
Over 425 kWh/kW	27,231,612	$0.05003	1,362,398
Total from base rates			$ 6,896,704

Schedule XIV-LPB

	Actual Billing Data	Current Rate	Annualized Revenues
Customer Charge	36	$ 1,521.83	54,786
Demand Charge	27,950	$7.08	197,886
Excess Demand	1,135	$9.84	11,168
Energy charge per kWh	12,197,269	$0.05821	710,003
Total from base rates			$ 973,843

Large Commercial Time-of-Day

	Actual Billing Data	Current Rate	Annualized Revenues
Customer Charge	112	61.33	6,869
Energy charge per kWh			
On-Peak	1,836,960	$0.110130	202,304
Off-Peak	1,796,744	$0.066700	119,843
Total from base rates			329,016

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

BILLING ANALYSIS FOR CURRENT RETIAL RATES

Special Contract
Gallatin Steel

	Actual Billing Data	Current Rate	Annualized Revenues
Demand Charge			
Total Demand	1,706,527	6.9883	11,925,723
Energy On-Pk	211,869,199	0.04948	10,483,288
Energy Off-Pk	581,794,340	0.046052	26,792,793
Total From Base Rates			
Demand Credit - No Change Proposed			
10-Min Interruptible Demand	1,426,898	(6.22)	(8,875,306)
90-Min Interruptible Demand	99,629	(4.20)	(418,442)
			39,908,056
Plus Load following			325,000
Min Energy $ On-Peak			153,196
Min Energy $ Off-Peak			278,406
Buy-Thru Chg, Cr On-Pk			113,084
Buy-Thru Chg, Cr Off-Pk			10,798
			40,788,540

Schedule III - Outdoor Lights

Security Light Rate	Quantity	Current Rate	Annualized Revenues
		Current Rate	Annualized Revenues
Older SL's (Mix of 175W Mecury V	91,552	8.79	804,742
Older SL's (Mix of 175W Mecury V	17,344	10.60	183,846
Older SL's (Mix of 175W Mecury V	934	12.41	11,591
Older SL's (Mix of 175W Mecury V	84	14.22	1,194
Older SL's (Mix of 175W Mecury V	-	16.04	-
Older SL's (Mix of 175W Mecury V	1,567	0.70	1,091
Older SL's (Mix of 175W Mecury V	599	0.69	416
Older SL's (Mix of 175W Mecury V	60	0.69	42
Older SL's (Mix of 175W Mecury V	-	0.69	-
Older SL's (Mix of 175W Mecury V	-	0.69	-
Regular Area Light - 100W High P	33,230	10.12	336,288
Regular Area Light - 100W High P	4,432	5.27	23,346
Cobra - 100W High Pressure Sod	136	13.05	1,775
Cobra - 100W High Pressure Sod	168	5.38	904
Cobra - 250W High Pressure Sod	84	17.90	1,504
Cobra - 250W High Pressure Sod	48	5.57	267
Cobra - 400W High Pressure Sod	181	22.63	4,096
Cobra - 400W High Pressure Sod	60	5.76	345
Directional - 100W High Pressure	256	12.72	3,256
Directional - 100W High Pressure	73	4.87	356
Directional - 250 WHigh Pressure	243	15.85	3,852
Directional - 250 WHigh Pressure	89	4.87	433
Directional - 400W High Pressure	739	20.51	15,157
Directional - 400W High Pressure	179	4.86	870
Traditional Light with Fiberglass p	3,593	13.41	48,182
Holophane Light with Fiverglass p	2,169	15.87	34,422
			1,477,975

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

PURCHASE POWER NORMALIZATION

Month	January	February	March	April	May	June	July
Schedule E							
Demand kW	253,665	228,449	210,519	145,903	158,803	201,958	175,511
Energy kWh							
On-Peak kWh	50,928,055	40,055,856	35,968,567	31,758,339	40,389,918	52,773,869	50,282,808
Off-Peak kWh	62,328,364	48,249,436	42,917,545	37,310,006	29,258,883	34,142,020	33,056,124
Schedule B							
Demand kW	26,541	25,874	26,044	23,757	22,860	24,984	25,087
Exc. Demand kW	650	725	737	675	775	697	717
Interruptible kW	7,626	6,819	6,859	6,596	5,414	7,340	7,363
Billed kWh	16,331,214	15,121,632	15,235,204	14,018,272	14,200,498	14,874,061	15,848,028
Special Contract							
Gallatin Steel							
Wholesale Rates							
E1 Dmd Rate			$ 7.99				
E1 On-Peak Energy			$ 0.051522				
E1 Off-Peak Energy			$ 0.050944				
Schedule B							
Demand kW			$ 6.81				
Exc. Demand kW			$ 9.47				
Interruptible kW			$ (3.50)				
Billed kWh			$ 0.046772				

PURCHASE POWER NORMALIZATION

Month	August	September	October	November	December	Total		Cost
Schedule E								
Demand kW	189,997	167,233	128,943	140,891	192,164	2,194,036		$ 18,727,177
Energy kWh								
On-Peak kWh	56,307,557	43,323,725	32,252,179	34,195,443	47,105,555	515,341,871		26,551,444
Off-Peak kWh	35,655,457	29,636,693	37,380,848	38,859,709	55,766,237	484,561,322		24,685,492
								$ 69,964,113
Schedule B								
Demand kW	24,398	23,186	23,489	25,188	25,444	288,148		$ 1,962,288
Exc. Demand kW	792	725	730	745	736			82,427
Interruptible kW	7,094	6,755	6,974	6,875	6,668	82,383		(288,341)
Billed kWh	16,768,997	15,473,139	14,992,430	15,316,436	15,791,696	183,971,607		8,604,720
								$ 10,361,094
Special Contract								
Gallatin Steel								39,276,947
Wholesale Rates								
E1 Dmd Rate			$ 7.99					
E1 On-Peak Energy			$ 0.051522					
E1 Off-Peak Energy			$ 0.050944					
Schedule B								
Demand kW			$ 6.81					
Exc. Demand kW			$ 9.47					
Interruptible kW			$ (3.50)					
Billed kWh			$ 0.046772					

OWEN ELECTRIC COOPERATIVE

COST OF SERVICE STUDY

NOVEMBER 2010 - J. Adkins

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

COST OF SERVICE STUDY

			TEST YEAR EXPENSES			
	Acct No.	Description	Actual Test Year	Purchased Power Adjustment (a)	Revenue Normalizaton Adjusment	Adjusted Test Year
	555	Purchased Power				39,276,947
		Demand Charges				20,483,551
		Energy Charges			-	59,841,656
					-	
		Total Purchased Power	110,001,447	-	9,600,706	119,602,153
	580	Operations Supv & Eng	467,425			467,425
	581	Load Dispatching	1,429			1,429
	582	Station Expense	9,403			9,403
	583	Overhead Line Exp.	1,639,358			1,639,358
	584	Underground Line Exp	528,282			528,282
	585	Street Lights	-			-
	586	Meter Expense	1,225,070			1,225,070
	587	Consumer Installations	461,355			461,355
	588	Misc. Distribution Exp	1,046,801			1,046,801
	589	Rents	452	-		452
		Total Dist. Operations	5,379,575	-	-	5,379,575
						-
	590	Maint Supv & Eng	45,753			45,753
	592	Maint of Station Equip	-			-
	593	Maint. Overhead Lines	3,472,322		-	3,472,322
	594	Maint of Underground Lines	295,062			295,062
	595	Maint Line Transformers	42,337			42,337
	596	Maint of Security Lights	-			-
	597	Maintenance of Meters	8,039			8,039
	598	Maint Misc Distrib Plant	-			-
		Total Dist. Maint.	3,863,514	-	-	3,863,514
						-
	901	Supervision	169,929			169,929
	902	Meter Reading Expense	226,481			226,481
	903	Cons Recds & Collections	2,836,562			2,836,562
	904	Uncollectible Accounts	194,296	-		194,296
		Total Consum Accts	3,427,269	-	-	3,427,269
						-
	907	Customer Information	46,258			46,258
	908	Customer Accounting	198,107			198,107
	909	Consumer Information	20,306			20,306
	910	Mis. Customer Information	156,352			156,352
	912	Key Accounts Expneses	138,331			138,331
		Total Customer Serv.	559,353	-	-	559,353

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

COST OF SERVICE STUDY

46	920	Administrative Salaries	1,250,553			1,250,553
47	921	Office Supplies	282,522	-		282,522
48	923	Outside Services	68,840			68,840
49	924	Property Ins	-	-		-
50	925	*Injuries & Damages*	162,243			162,243
51	926	Employ Pensions & Benef	950			950
52	928	Regulatory Exp	55,279			55,279
53	929	Duplicate Charges	(130,276)			(130,276)
54	930	Misc General Exp	741,113			741,113
55	931	Rents	17,396			17,396
56	935	Maintenance of Gen. Plant	329,568			329,568
57		**Total Admin & General**	2,778,189	-	-	2,778,189
58						-
59	403.6	Deprec. Distribution Plant	8,500,721			8,500,721
60	403.7	Deprec. General Plant	753,209			753,209
61		**Total Depreciation**	9,253,930	-	-	9,253,930
62						-
63	408.45	Nisc. Taxes	77			77
64	408.7	*Nisc. Taxes*	138,284			138,284
65	426	Contributions	70,399			70,399
66		**Total Miscellaneous**	208,760	-	-	208,760
67						-
68	427.1	Interest - RUS Constuc	3,201,223			3,201,223
69	427.11	Interest - FFB Notes	-	-		-
70	427.2	Interest - CFC	1,363,752			1,363,752
71		**Total Interest on LTD**	4,564,974	-	-	4,564,974
72						-
73	431	Other Interest Expense	126,370		-	126,370
74	431.1	Interest on Consumer Deposits	155,953	-		155,953
75			-		-	-
76		**Total ST Interest**	282,323	-	-	282,323
77						-
78		***Total Costs***	140,319,333	-	9,600,706	149,920,039
79		**Margin Requirements**	-	-	-	-
80		**Total Revenue Require.**	140,319,333	-	9,600,706	149,920,039
81						-
82		**Less; Misc Income**				-
83	450	Forfeited Discounts	940,802			940,802
84	451	Misc Service Revenue	503,868		-	503,868
85	452	Return Check Charge	25,985			25,985
86	454	Rent from Electric Prop.	380,588		-	380,588
	456	*Other Electric Revenue*	22,926			22,926
87		**Total Misc Income**	1,874,169	-	-	1,874,169
88						-
89		**Less: Other Income**				-
90	415	Net Revenue from Merchandising	98			98
	417	Revenue - Nonutility Operations	10,546			10,546
91	419	Interest Income	96,038			96,038
92	421	Misc. Non-operating Income	87,300			87,300
93	424	Other Capital Credits	-		-	-
94		**Total Other Income**	193,981	-	-	193,981
95						-
96		**Revenue Requirements**				-
97		from Rates	138,251,183	-	9,600,706	147,851,889
98						
99		TIER	1.00			

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

FUNCTIONALIZATION OF TEST YEAR EXPENSES

		Expenses	FUNCTIONALIZATION									
Acct No.	Description	Adjusted Test Year	Puchased Power	Stations	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Total	Alloc. Basis
555	Purchased Power										39,276,947	
	Gallatin Steel	39,276,947	39,276,947								20,483,551	
	Demand Charges	20,483,551	20,483,551								59,841,656	
0	Energy Charges	59,841,656	59,841,656								-	
0											119,602,153	DA
0	Total Purchased Power	-	119,602,153								-	
0	0	-									411,628	
580	Operations Supv & Eng	467,425		1,310	232,329	-	29,828	148,161	-	55,797	1,429	DA
581	Load Dispatching	1,429		1,429						-	9,403	DA
582	Station Expense	9,403		9,403							1,639,358	DA
583	Overhead Line Exp.	1,639,358			1,452,833		186,525				528,282	DA
584	Underground Line Exp	528,282			468,174		60,108				-	DA
585	Street Lights	-						-	-		1,225,070	DA
586	Meter Expense	1,225,070			-			1,225,070			-	2
587	Consumer Installations	461,355				-			-	461,355	1,046,801	
588	Misc. Distribution Exp	1,046,801		2,934	520,302	-	66,800	331,808	-	124,957	452	
589	Rents	452			452	-					5,379,575	
		5,379,575		15,075	2,674,091	-	343,261	1,705,040	-	642,109		
											45,753	3
590	Maint Supv & Eng	45,753		-	45,149	507	-	96		-	-	DA
591	Maint of Station Equip	-	-	-	-						3,472,322	DA
592	Maint. Overhead Lines	3,472,322			3,472,322		-			-	295,062	
593	Maint of Underground Lines	295,062			295,062		-				42,337	DA
594	Maint Line Transformers	42,337				42,337					-	
595	Maint of Security Lights	-								-	8,039	DA
596	Maintenance of Meters	8,039						8,039			-	3
597	Maint Misc Distrib Plant	-		-	-	-	-	-		-	3,863,514	
598	Total Dist. Maint.	3,863,514	-	-	3,812,534	42,845	-	8,136	-	-	-	
		-									169,929	
	Supervision	169,929							169,929		226,481	DA
901	Meter Reading Expense	226,481							226,481		2,836,562	DA
902	Cons Recds & Collections	2,836,562							2,836,562		194,296	DA
903	Uncollectible Accounts	194,296							194,296		3,427,269	DA
904	Total Consum Accts	3,427,269							3,427,269		-	
	0	-									46,258	
0	Customer Information	46,258							46,258		198,107	DA
907	Customer Accounting	198,107							198,107		20,306	DA
908	Consumer Information	20,306							20,306		156,352	
909	Mis. Customer Information	156,352							156,352		138,331	
910	Key Accounts Expneses	138,331							138,331		559,353	DA
912	Total Customer Serv.	559,353							559,353			

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

FUNCTIONALIZATION OF TEST YEAR EXPENSES

		Expenses	FUNCTIONALIZATION									
Acct No.	Description	Adjusted Test Year	Puchased Power	Stations	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Total	Alloc. Basis
0												
920	Administrative Salaries	1,250,553		1,440	619,612	4,093	32,791	163,657	367,620	61,340	1,250,553	7
921	Office Supplies	282,522		325	139,982	925	7,408	36,973	83,052	13,858	282,522	7
923	Outside Services	68,840		79	34,108	225	1,805	9,009	20,237	3,377	68,840	7
924	Property Ins	-			-						-	7
925	Injuries & Damages	162,243		187	80,387	531	4,254	21,232	47,694	7,958	162,243	7
926	Employ Pensions & Benef	950		1	471	3	25	124	279	47	950	7
928	Regulatory Exp	55,279		64	27,389	181	1,449	7,234	16,250	2,711	55,279	7
929	Duplicate Charges	(130,276)		(150)	(64,548)	(426)	(3,416)	(17,049)	(38,297)	(6,390)	(130,276)	7
930	Misc General Exp	741,113		853	367,200	2,426	19,433	96,987	217,862	36,352	741,113	7
931	Rents	17,396		20	8,619	57	456	2,277	5,114	853	17,396	7
935	Maintenance of Gen. Plant	329,568		498	205,809	40,596	30,206	30,813	11,109	10,536	329,568	4
	Total Admin & General	2,778,189	-	3,318	1,419,029	48,610	94,412	351,258	730,921	130,641	2,778,189	4 Gen Plt
0		-										
0	Deprec. Distribution Plant	8,500,721		13,254	5,450,572	1,179,138	851,169	753,633	-	252,956	8,500,721	6
403.6	Deprec. General Plant	753,209		867	373,193	2,465	19,750	98,570	221,418	36,945	753,209	6
403.7	Total Depreciation	9,253,930		14,121	5,823,764	1,181,603	870,919	852,203	221,418	289,901	9,253,930	
0	0	-										
0	Nisc. Taxes	77										
408.5	Nisc. Taxes	138,284										
408.7	Contributions	70,399										
426	Total Miscellaneous	208,760		316	130,367	25,715	19,134	19,518	7,037	6,674	208,760	Tot Plt
0	0	-										
0	Interest - RUS Constuc	3,201,223										
427.1	Interest - FFB Notes	-										
427.1	Interest - CFC	1,363,752										
427.2	Total Interest on LTD	4,564,974	-	6,904	2,850,737	562,315	418,400	426,804	153,875	145,939	4,564,974	5
0	0	-										
0	#REF!	126,370										
#REF!	Other Interest Expense	155,953										
431		-										
	Total ST Interest	282,323		427	176,305	34,777	25,876	26,396	9,516	9,026	282,323	Rate Base
		-										
	Total Costs	30,317,886	119,602,153	40,161	16,886,825	1,895,864	1,772,002	3,389,354	5,109,389	1,224,289	149,920,039	
	Margin Requirements	-	-	-	-	-	-	-	-	-	-	
	Total Revenue Require.	149,920,039	119,602,153	40,161	16,886,825	1,895,864	1,772,002	3,389,354	5,109,389	1,224,289	149,920,039	

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

FUNCTIONALIZATION OF TEST YEAR EXPENSES

FOOTNOTES

1	Line Expenses are Allocated between Lines and Services Based on Plant Investment.				$$$	%						
	Poles and Conductor				140,767,090	88.62%						
	Services				18,072,677	11.38%						
	Total				158,839,766	100.00%						
											Miscell.	
2	Allocation of Dist. Oper. Supervision & Miscellaneous Expenses				Actual	%			Superv		Exp.	Rents
	Load Dispatching				1,429	0.04%			173		387	
	Stations				9,403	0.24%			1,137		2,547	
	Lines				1,921,007	49.70%			232,329		520,302	-
	Transformers				-	0.00%			-		-	-
	Services				246,633	6.38%			29,828		66,800	-
	Meters				1,225,070	31.70%			148,161		331,808	-
	Consumer Installation				461,355	11.94%			55,797		124,957	-
	Street Lighting				-	0.00%			-		-	-
					3,864,896	100%			467,425		1,046,801	-
									467,425		1,046,801	-
3	Allocation of Dist. Maint. Supervision & Miscellaneous Expenses				Actual	%			Superv		Misc. Exp.	
	Stations				-	0.00%			-		-	
	Lines				3,767,384	98.68%			45,149		-	
	Transformers				42,337	1.11%			507		-	
	Services				-	0.00%			-		-	
	Meters				8,039	0.21%			96		-	
	Security Lighting				-	0.00%			-		-	
	Street Lighting				-	0.00%			-		-	
					3,817,761	100%			45,753		-	
4	General Plant Allocation Comes From the Rate Base Schedule Line General Plant Percent											
5	Rate Base Allocation Comes from the Rate Base Schedule Line Rate Base Percent.											
6	Depreciation Expense Allocation Comes from the Net Plant Percent in Rate Base											
						Outdoor						Outdoor
	Rate Base Data		Total	Lines	Services	Lighting			Lines		Services	Lighting
	Poles, Towers and Fixtures		37,592,766	37,592,766		-			100.0%			0.0%
	Overhead Conductor		26,756,464	26,756,464					100.0%			
	Services		18,072,677		18,072,677	-					100.0%	0.0%
			82,421,906	64,349,230	18,072,677	-			78.1%		21.9%	0.0%

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

FUNCTIONALIZATION OF TEST YEAR EXPENSES

FOOTNOTES

	Total Customer Serv.										
7	Admin & General Expense Allocation except General Plant			Trans-			Consumer Services &	Security			
Acct.	Description	Stations	Lines	formers	Services	Meters	Accounting	Lighting	Total		
580	Operations Supv & Eng	1,310	232,329	-	29,828	148,161	-	55,797	467,425		
581	Load Dispatching	1,429		-		-	-	-	1,429		
582	Station Expense	9,403		-		-	-	-	9,403		
583	Overhead Line Exp.	-	1,452,833	-	186,525		-	-	1,639,358		
584	Underground Line Exp	-	468,174	-	60,108		-	-	528,282		
585	Street Lights	-	-	-	-	-	-		-		
586	Meter Expense	-	-	-		1,225,070	-	-	1,225,070		
587	Consumer Installations			-			-	461,355	461,355		
588	Misc. Distribution Exp	2,934	520,302	-	66,800	331,808	-	124,957	1,046,801		
589	Rents	15,075	2,673,638	-	343,261	1,705,040	-	642,109	5,379,123		
590	Maint Supv & Eng	-	45,149	507	-	96		-	45,753		
591	Maint of Station Equip	-	-	-	-	-	-		-		
592	Maint. Overhead Lines	-	3,472,322	-	-	-	-	-	3,472,322		
593	Maint of Underground Lines	-	295,062	-	-	-	-	-	295,062		
594	Maint Line Transformers	-	-	42,337	-	-	-	-	42,337		
595	Maint of Security Lights	-	-	-	-	-	-	-	-		
596	Maintenance of Meters	-	-	-	-	8,039	-	-	8,039		
597	Maint Misc Distrib Plant	-	-	-	-	-		-	-		
598	Total Dist. Maint.	-	3,812,534	42,845	-	8,136	-	-	3,863,514		
	Supervision						169,929		169,929		
901	Meter Reading Expense						226,481		226,481		
902	Cons Recds & Collections						2,836,562		2,836,562		
903	Uncollectible Accounts						194,296		194,296		
904	Total Consum Accts						3,427,269		3,427,269		
	Customer Information						46,258		46,258		
907	Customer Accounting						198,107		198,107		
908	Consumer Information						20,306		20,306		
909	Mis. Customer Information						156,352		156,352		
910	Expense from Contracting						421,023		421,023		
914	Total Customer Serv.										
	Total all Expenses	15,075	6,486,172	42,845	343,261	1,713,175	3,848,291	642,109	13,090,928		
	Functions as % of Total	0.12%	49.55%	0.33%	2.62%	13.09%	29.40%	4.90%	100.00%		

OWEN ELECTRIC COOPTATIVE
CASE NO. 2011-00037

FUNCTIONALIZATION SUMMARY

Expense	Purchased Power	Stations	Lines	Transformers	Services
Purchased Power	119,602,153				
Distibution Operations		15,075	2,674,091	-	343,261
Distribution Maintenance		-	3,812,534	42,845	-
Consumer Accounts					
Customer Service					
Administative & General		3,318	1,419,029	48,610	94,412
Depreciation		14,121	5,823,764	1,181,603	870,919
Miscellaneous		316	130,367	25,715	19,134
Interest on Long Term Debt		6,904	2,850,737	562,315	418,400
Short Term Interest		427	176,305	34,777	25,876
Total Costs	119,602,153	40,161	16,886,825	1,895,864	1,772,002
Margin Requirements	-	-	-	-	-
Revenue Requirements	119,602,153	40,161	16,886,825	1,895,864	1,772,002
		0.00%			

OWEN ELECTRIC COOPTATIVE
CASE NO. 2011-00037

FUNCTIONALIZATION SUMMARY

Expense	Meters	Consumer Services & Accounting	Outdoor Lighting	Total
Purchased Power				119,602,153
Distibution Operations	1,705,040	-	642,109	5,379,575
Distribution Maintenance	8,136	-	-	3,863,514
Consumer Accounts		3,427,269		3,427,269
Customer Service		559,353		559,353
Administative & General	351,258	730,921	130,641	2,778,189
Depreciation	852,203	221,418	289,901	9,253,930
Miscellaneous	19,518	7,037	6,674	208,760
Interest on Long Term Debt	426,804	153,875	145,939	4,564,974
Short Term Interest	26,396	9,516	9,026	282,323
Total Costs	3,389,354	5,109,389	1,224,289	149,920,039
Margin Requirements	-	-	-	-
Revenue Requirements	3,389,354	5,109,389	1,224,289	149,920,039

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RATE BASE

Plant Accour	Description	$$$$	Distribution Plant Balances: Stations	Lines	Transformers	Services	Meters	Consumer & Accounting Services	Outdoor Lighting
301	Organization	-		-					
360	Land and Land Rights	-		-					
362	Station Equipment	281,417	281,417						
364	Poles, Towers & Fixtures	51,381,498		51,381,498					
365	Overhead Conductor & Devices	37,592,766		37,592,766					
367	Underground Conductor	26,756,464		26,756,464					
368	Line Transformers	25,036,362			25,036,362				
369	Services	18,072,677				18,072,677			
370	Meters	16,001,709					16,001,709		-
371	Security Lights	5,247,187							5,247,187
373	Street Lights	123,773							123,773
	Total Distribution Plant	180,493,852	281,417	115,730,728	25,036,362	18,072,677	16,001,709	-	5,370,960
	Distibution Plant Percent	100.00%	0.2%	64.1%	13.9%	10.0%	8.9%	0.0%	3.0%
	Total General Plant	23,761,967	27,363	11,773,359	77,769	623,069	3,109,666	6,985,217	1,165,523
	General Plant Percent	100.00%	0.1%	49.5%	0.3%	2.6%	13.1%	29.4%	4.9%
	Total Utility Plant	204,255,819	308,780	127,504,087	25,114,131	18,695,745	19,111,375	6,985,217	6,536,483
	Utility Plant Percent	100.00%	0.15%	62.42%	12.30%	9.15%	9.36%	3.42%	3.20%
	Accum. Depreciation								
	Distribution Plant	67,555,775	105,329	43,316,041	9,370,684	6,764,295	5,989,167	-	2,010,259
	General Plant	8,741,482	10,066	4,331,149	28,610	229,213	1,143,975	2,569,701	428,769
	Net Plant	127,958,562	193,384	79,856,898	15,714,838	11,702,238	11,978,233	4,415,516	4,097,455
	Net Plant Percent	100.00%	0.15%	62.41%	12.28%	9.15%	9.36%	3.45%	3.20%
	CWIP	3,617,437	5,640	2,319,462	501,776	362,211	320,704	-	107,644
	Subtotal	131,575,999	199,024	82,176,360	16,216,614	12,064,448	12,298,937	4,415,516	4,205,099
	Plus								
	Cash Working Capital	907,683	1,373	566,897	111,871	83,227	84,845	30,461	29,009
	Materials & Supplies	971,283	1,469	606,619	119,710	89,059	90,790	32,595	31,042
	Prepayments	540,028	817	337,277	66,558	49,516	50,479	18,123	17,259
	Minus: Consumer Advances	593,021	925	380,239	82,258	59,379	52,574	-	17,647
	Net Investment Rate Base	133,401,972	201,759	83,306,914	16,432,494	12,226,872	12,472,476	4,496,694	4,264,763
	Rate Basse Percent	100.00%	0.15%	62.45%	12.32%	9.17%	9.35%	3.37%	3.20%

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RATE BASE

CLASSIFICATION OF RATE BASE

	Consumer Related Costs	Demand Related Costs	Energy Related Costs	Security Lighting	Total
Stations		201,759			201,759
Lines	40,127,542	43,179,372			83,306,914
Transformers	7,394,675	9,037,819			16,432,494
Services	12,226,872				12,226,872
Meters	12,472,476				12,472,476
Consumer & Accounting Svc	4,496,694				4,496,694
Outdoor Lightin				4,264,763	4,264,763
	76,718,259	52,418,950	-	4,264,763	133,401,972

ALLOCATION OF RATE BASE TO RATE CLASSES

Function	Classification	Amount	Schedule 1 Farm and Home	Schedule 1A Farm & Home ETS Rate	Schedule 1 Small Commercial	Schedule 2 Large Power	Schedule 2 Large Power Primary	Schedule 3 Security Lights
Stations	Demand	201,759	127,357	16	11,308	30,323	3,029	1,392
Lines	Consumer	40,127,542	38,028,905	-	1,651,594	166,849	5,632	249,218
Lines	Demand	43,179,372	27,256,237	3,328	2,420,165	6,489,489	648,243	297,810
Tansformers	Consumer	7,394,675	6,688,591	-	470,323	142,540	-	46,390
Transformers	Demand	9,037,819	7,966,315	302	333,043	437,747	-	26,605
Services	Consumer	12,226,872	10,482,152	212	1,204,208	489,730	-	3,043
Meters	Consumer	12,472,476	11,747,367	1,740	510,188	196,731	6,641	-
Consumer & Accounting Services	Consumer	-						
Outdoor Lighting	Lighting	4,496,694	4,185,952	-	181,796	55,097	1,860	13,716
		4,264,763						4,264,763
		133,401,972	106,482,876	5,597	6,782,625	8,008,506	665,405	4,902,935

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
RATE BASE

ALLOCATION OF RATE BASE TO RATE CLASSES

Function	Classification	Amount	Large Commercial TOD	Schedule XI Large Power LPB1	Schedule XIV Large Power LPB	Schedule XIII Large Power LPB2	Gallatin Steel	Total Sched B Wholesale
Stations	Demand	201,759	688	11,654	1,476	14,517		201,759
Lines	Consumer	40,127,542	7,040	7,040	2,112	9,152		40,127,542
Lines	Demand	43,179,372	147,318	2,494,077	315,801	3,106,905		43,179,372
Tansformers	Consumer	7,394,675	6,014	33,378	7,439	-		7,394,675
Transformers	Demand	9,037,819	19,060	226,115	28,632	-		9,037,819
Services	Consumer	12,226,872	20,664	20,664	6,199	-		12,226,872
Meters	Consumer	12,472,476	9,810	-	-	-		12,472,476
Consumer & Accounting		-						-
Services	Consumer	4,496,694	5,424	5,424	1,627	7,052	38,746	4,496,694
Outdoor Lighting	Lighting	4,264,763						4,264,763
		133,401,972	216,018	2,798,352	363,286	3,137,627	38,746	133,401,972

CLASSIFICATION OF EXPENSES

Expense	2 Lines	Consumer Related Costs	Demand Related Costs	Total
Purchased Power	-	-	-	-
Distibution Operations	2,674,091	1,288,065	1,386,026	2,674,091
Distribution Maintenance	3,812,534	1,836,433	1,976,100	3,812,534
Consumer Accounts	-	-	-	-
Customer Service	-	-	-	-
Administative & General	1,419,029	683,522	735,506	1,419,029
Depreciation	5,823,764	2,805,210	3,018,555	5,823,764
Miscellaneous	130,367	62,795	67,571	130,367
Interest on Long Term Debt	2,850,737	1,373,152	1,477,585	2,850,737
Short Term Interest	176,305	84,923	91,382	176,305
Total Costs	16,886,825	8,134,100	8,752,725	16,886,825
Margin Requirements	-	-	-	-
Revenue Requirements	16,886,825	8,134,100	8,752,725	16,886,825

Expense	3 Transformers	Consumer Related Costs	Demand Related Costs	Total
Purchased Power	-	-	-	-
Distibution Operations	-	-	-	-
Distribution Maintenance	42,845	19,280	23,564	42,845
Consumer Accounts	-	-	-	-
Customer Service	-	-	-	-
Administative & General	48,610	21,875	26,736	48,610
Depreciation	1,181,603	531,725	649,878	1,181,603
Miscellaneous	25,715	11,572	14,143	25,715
Interest on Long Term Debt	562,315	253,044	309,271	562,315
Short Term Interest	34,777	15,650	19,127	34,777
Total Costs	1,895,864	853,145	1,042,719	1,895,864
Margin Requirements	-	-	-	-
Revenue Requirements	1,895,864	853,145	1,042,719	1,895,864

		Energy Related Costs	Demand Related Costs	
Purchased Power	119,602,153			119,602,153

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

CLASSIFICATION OF EXPENSES

		Consumer Related Costs			
Expense		Services	Meters	Consumer Services & Accounting	Total
Purchased Power		-	-	-	-
Distibution Operations		343,261	1,705,040	-	2,048,300
Distribution Maintenance		-	8,136	-	8,136
Consumer Accounts		-	-	3,427,269	3,427,269
Customer Service		-	-	559,353	559,353
Administative & General		94,412	351,258	730,921	1,176,591
Depreciation		870,919	852,203	221,418	1,944,540
Miscellaneous		19,134	19,518	7,037	45,689
Interest on Long Term Debt		418,400	426,804	153,875	999,080
Short Term Interest		25,876	26,396	9,516	61,788
Total Costs		1,772,002	3,389,354	5,109,389	10,270,745
Margin Requirements		-	-	-	-
Revenue Requirements		1,772,002	3,389,354	5,109,389	10,270,745

Expense		Stations	6 Lighting		
Purchased Power			-		
Distibution Operations		15,075	642,109		
Distribution Maintenance		-	-		
Consumer Accounts		-	-		
Customer Service		-	-		
Administative & General		3,318	130,641		
Depreciation		14,121	289,901		
Miscellaneous		316	6,674		
Interest on Long Term Debt		6,904	145,939		
Short Term Interest		427	9,026		
Total Costs		40,161	1,224,289		
Margin Requirements		-	-		
Revenue Requirements		40,161	1,224,289		

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

SUMMARY OF CLASSIFICATION OF EXPENSES

	Consumer Related Costs	Demand Related Costs	Energy Related Costs	Security Lighting	Total
Purchased Power	-	119,602,153	-	-	119,602,153
Stations		40,161			40,161
Lines	8,134,100	8,752,725	-	-	16,886,825
Transformers	853,145	1,042,719	-	-	1,895,864
Services	1,772,002	-	-	-	1,772,002
Meters	3,389,354	-		-	3,389,354
Consumer Services					-
& Accounting	5,109,389	-	-		5,109,389
Lighting				1,224,289	1,224,289
	19,257,991	129,437,759	-	1,224,289	149,920,039

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 364 - POLES

1. Actual Data

Poles	Size	Investment	Number of Units	Unit Cost
35' and under	30.00	6,525,524.38	26,705	$ 244.36
40' and 45'	42.50	15,476,442.02	37,033	$ 417.91
50 ' and over	60.00	1,763,768.47	2,503	$ 704.66
		-	-	
Subtotal		23,765,735	66,241	
All other items		0		
Total Investment in Poles		23,765,735		

2. Determination of Demand and Consumer Related Investment

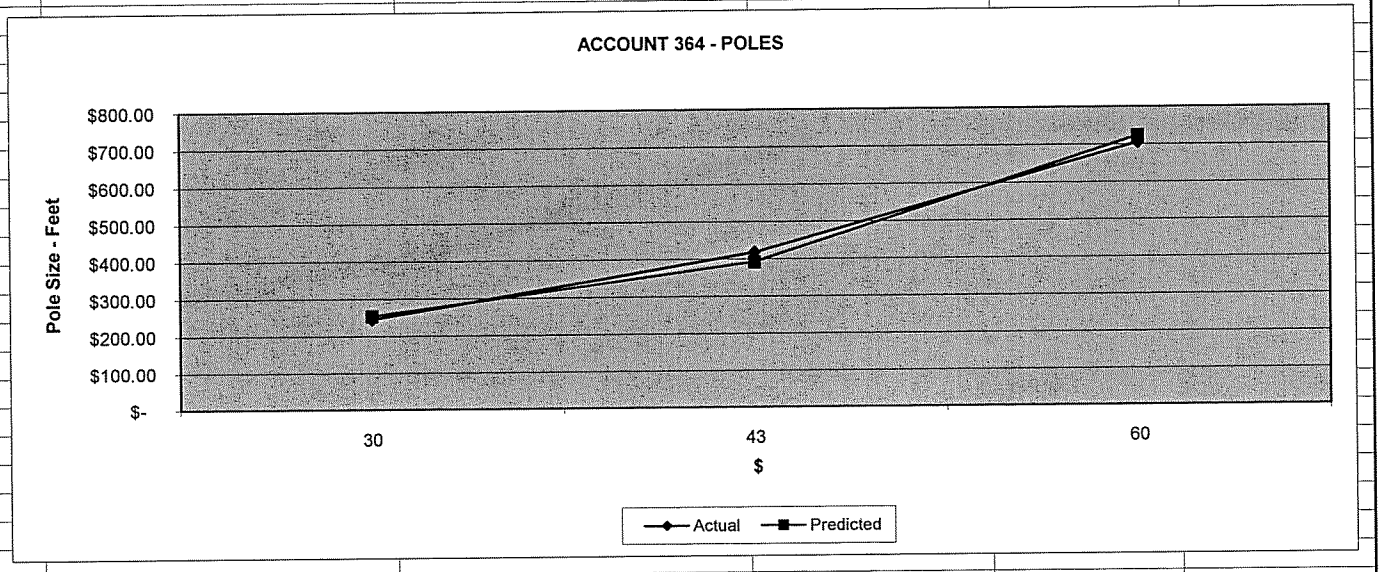
	Formula	Slope	Y intercept
Exponential Curve	y=b*m^x	1.036	88.834
Use y-intercept			244.3559
Number of poles			66,241
Consumer Related Investment			16,186,379
Total Investment in poles			23,765,735
Percent Customer Related			**68.11%**
Percent Demand Related			**31.89%**

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 364 - POLES

GRAPH OF ACCOUNT 364 INFORMATION



Data for Graph		Relevant Data		
Used Exponential Curve			*Average Cost*	*Predicted*
since regression analysis		*Size of Pole*	*Per Unit*	*Cost*
provide a y intercept with a		0	-	$ (561.32)
negative value		30	$ 244.36	$ 253.50
		43	$ 417.91	$ 392.40
EXPONENTIAL CURVE DATA		60	$ 704.66	$ 723.40
Formula	y=b*m^x			
SLOPE - b	Zero Intercept - m			
1.035571204	88.83418561			
REGRESSION LINE DATA	SLOPE - b = $30.34	ZERO INTERCEPT - Y =$561.32		

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 365 - CONDUCTOR

1. Actual Data

Conductor	Investment	Number of Units	Unit Cost	Amps
Conductor Bare 6 A	1,069,115	14,588,484	$ 0.0733	120.00
2&1/0-7str, 4&6HDC 2-3STR	111,037	1029939	$ 0.1078	
#6 AMERDUCTOR	65,343	1709388	$ 0.0382	
1/0 ACSR	2,577,747	3,222,107	$ 0.8000	230.000
3/0 ACSR	1,947,925	3,177,697	$ 0.6130	324.00
4/0 ACSR	143,976	342,367	$ 0.4205	340.00
2 ACSR	8,243,540	11,397,938	$ 0.7232	184.000
336.4 MCM	3,003,833	2,747,051	$ 1.0935	510.000
350 MCM	15,136	4,675	$ 3.2377	
500 MCM	951	825	$ 1.1524	
750 CM	3,333	450	$ 7.4060	
OH SPACER CABKE #2 ACSR	6,674	7,482	$ 0.8920	
OH SPACER CABLE 336.4 MCM	42,321	12307	$ 3.4388	
OH CABLE, MESSENGER	32,498	7,749	$ 4.1939	
OH SPACER CABLE 556	521,059	53,068	$ 9.8187	
SUBTOTAL	17,784,487	38,301,527	$ 0.4643	
All other OH Conductor Invest.	-			
TOTAL	17,784,487		0	

OWEN ELECTRIC COOPERATIVE
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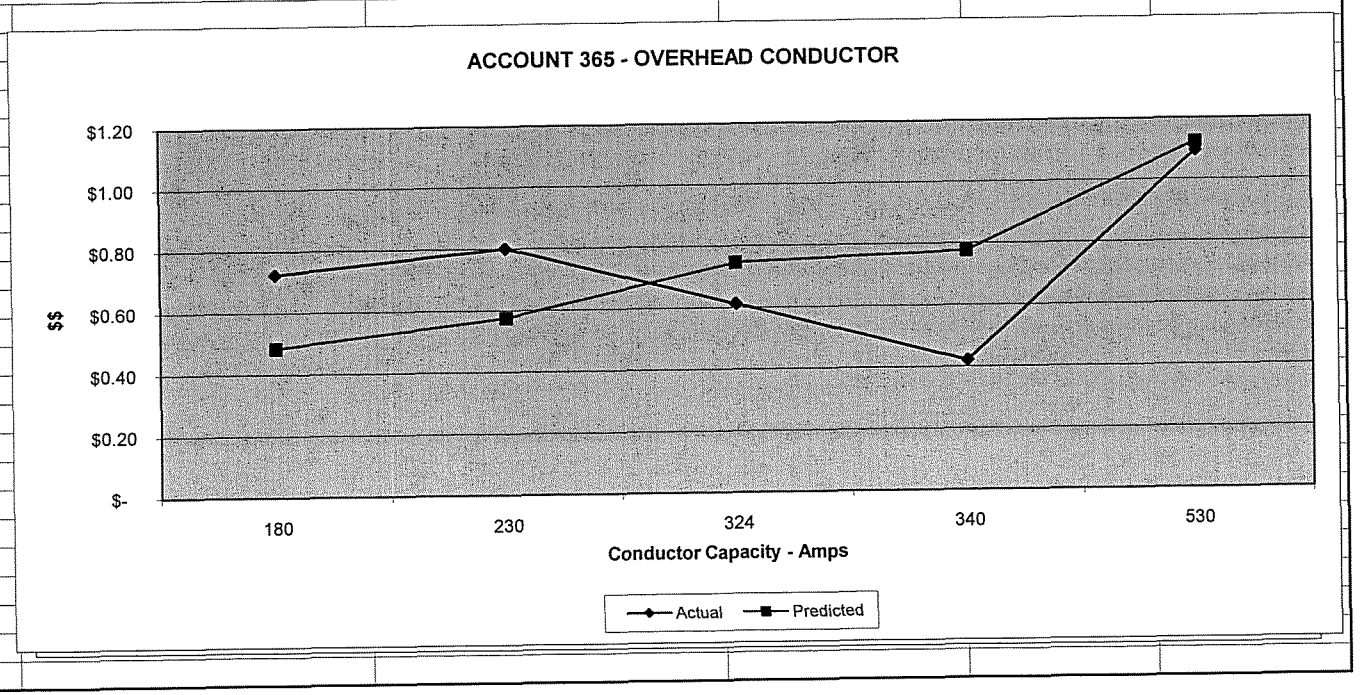
DEMAND AND CONSUMER RELATED INVESTMENTS

2. Demand and Consumer Investment Percents				
Use Exponential Curve		Slope	1.00092	
		y-intercept	0.51812	
Formula	y=b*m^x			
Intercept	0.155919679	#VALUE!		
X Variable 1	0.001823286	#VALUE!		
Use zero intercept				0.15592
Amount of Conduit				38,301,527
Consumer Related Investment				5,971,962
Total Investment in conductor				17,784,487
Percent Customer Related				**33.58%**
Percent Demand Related				**66.42%**

GRAPH OF CONDUCTOR INFORMATION



OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

DEMAND AND CONSUMER RELATED INVESTMENTS

Data for Graph

Conuctor	Per Unit Cost	Wire Size	Predict Valeu
6 ACWC	$ 0.07	120	$ 0.3747
2 ACSR	$ 0.72	180	$ 0.4841
1/0 ACSR	$ 0.80	230	$ 0.5753
3/0 ACSR	$ 0.61	324	$ 0.7467
4/0 ACSR	$ 0.42	340	$ 0.7758
336.4 MCM	$ 1.09	530	$ 1.1223
		-	

Breakdown of Lines into Demand Related and Consumer Related Components

Acct	Total	Consumer-Related		Demand-Related	
No.	Investment	Percent	Amount	Percent	Amount
364.00	51,381,498	33.58%	17,253,707.98	66.42%	34,127,790
365.00	37,592,766	68.11%	25,603,701.15	31.89%	11,989,065
	88,974,264		42,857,409.13		46,116,855
%	**100.00%**		**48.17%**		**51.83%**

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 368 - TRANSFORMERS				
Type of Transfomer	Size In KVA	Number of Transfomers	Total Cost	Per Unit Cost
Various	1-7.5	27	92,511	3,426.32
10 KVA CONV	10	400	340,038.45	850.10
15 KVA CIBV	15	3,222	2,410,366	748.10
25 KVA CONVE	25	1,748	1,182,419	676.44
37.5 KVA CONV	37.5	46	27,317	593.86
50 KVA CONV	50	480	410,977	856.20
75 KVA CONV	75	79	124,945	1,581.58
100 KVA CONV	100	95	136,614	1,438.04
167 KVA CONV	167	19	35,141	1,849.53
250 KVA CIBVE	250	8	27,106	3,388.25
15 KVA PAD	15	15	24,100	1,606.64
25 KVA PAD	25	1,745	1,838,674.70	1,053.68
25 KVA MINI PAK	25	34	31,264.43	919.54
37.5 KVA PAD	37.5	37	33,244.26	898.49
50 KVA PAD	50	4,263	5,180,837.07	1,215.30
75 KVA PAD	75	342	532,768.68	1,557.80
100- 167 KVA PAD	100-167	177	334,282.29	1,888.60
112.5 KVA PAD	112.5	4	14,405.69	3,601.42
225 KVA PAD	225	8	35,414.77	4,426.85
75 KVA 3 PHASE	75	22	75,174.72	3,417.03
1.5-3 KVA CSP	1.5-3	535	130,541.23	244.00
5-7.5 KVA CSP	5-7.5	1,021	294,699.82	288.64
10 KVA CSP	10	6,601	2,246,858.64	340.38
15 KVA CSP	15	11,581	5,325,078.66	459.81
25 KVA CSP	25	2,113	1,127,467.22	533.59
37.5 KVA CSP	37.5	98	48,312.21	492.98
50 KVA CSP	50	181	118021.78	652.05
75 KVA CSP	75	6	5129.08	854.85
1000 KVA PADE	1000	38	378497.13	9,960.45
300 KVA PAD	300	66	372217.33	5,639.66
500 KVA PAD	500	58	429189.02	7,399.81
750 KVA PAD	750	42	372462.27	8,868.15
150 KVA PAD	150	28	149769.88	5,348.92
1500 KVA PAD	1500	26	340,094.69	13,080.57
2000 KVA PAD	2000	14	367,180.54	26,227.18

OWEN ELECTRIC COOPERATIVE
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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCONT 368 - TRANSFORMERS CONTINUED

Type of Transfomer	Size In KVA	Number of Transfomers	Total Cost	Per Unit Cost
167 KVA STEPDOWN	167	12	24,326.22	2,027.19
250 KVA STEPDOWN	250	6	15,858.00	2,643.00
500 KVA STEPDOWN	500	16	66,830.60	4,176.91
1000 KVA STEPDOWN	1000	26	153,930.49	5,920.40
333 KVA STEPDOWN	333	3	10,557.00	3,519.00
1500 KVA PAD	1500	1	10557	10,557.00
333 KVA CONV	333	535	130501.23	243.93
Total		35,778	25,005,680	131688.71

2. Demand and Consumer Investment Percents

Regression Equaltion	
Zero Intercept	314.5127422
Slope - X Variable	8.812805058
Use Intercept	314.51
Number of Transformers	35,778
Consumer Related Investment	11,252,637
Total Investment in transformers	25,005,680.34
Percent Customer Related	**45.00%**
Percent Demand Related	**55.00%**

OWEN ELECTRIC COOPERATIVE
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ALLOCATION OF EXPENSES TO RATE CLASSES

Function	Classification	Amount	Green Power	Schedule 1 Farm and Home	Schedule 1A Farm & Home ETS Rate	Schedule 1 Small Commercial	Schedule 2 Large Power	Schedule 2 Large Power Primary
Purchased Power	Demand	18,727,177		14,759,618	-	1,008,703	2,668,767	111,199
Purchased Power	Energy	51,236,936	100	38,436,291	1,498	2,523,948	8,539,862	1,085,753
Stations	Demand	40,161		25,351	3	2,251	6,036	603
Lines	Consumer	8,134,100		7,708,694	-	334,788	33,821	1,142
Lines	Demand	8,752,725		5,525,007	675	490,582	1,315,459	131,403
Transformers	Consumer	853,145		771,682	-	54,262	16,445	-
Transformers	Demand	1,042,719		919,097	35	38,424	50,504	-
Services	Consumer	1,772,002		1,519,145	31	174,522	70,975	-
Meters	Consumer	3,389,354		3,192,308	473	138,642	53,461	1,805
Consumer Services & Accounting	Consumer	5,109,389		4,756,307	-	206,566	62,604	2,113
Lighting	Lighting	1,224,289						-
Revenue Requirements		100,281,998	100	77,613,500	2,714	4,972,689	12,817,934	1,334,018

SUMMARY

	Amount		Schedule 1 Farm and Home	Schedule 1A Farm & Home ETS Rate	Schedule 1 Small Commercial	Schedule 2 Large Power	Schedule 3 Security Lights
Consumer Related	19,257,991	-	17,948,136	503	908,781	237,307	5,059
Demand Related	28,562,782	-	21,229,073	713	1,539,960	4,040,766	243,205
Energy Related	51,236,936	100	38,436,291	1,498	2,523,948	8,539,862	1,085,753
Lighting	1,224,289						-
Revenue Requirements	100,281,998	100	77,613,500	2,714	4,972,689	12,817,934	1,334,018

SUMMARY

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037

ALLOCATION OF EXPENSES TO RATE CLASSES

Function	Classification	Schedule 3 Security Lights	Large Commercial TOD	Schedule XI Large Power LPB1	Schedule XIV Large Power LPB	Schedule XIII Large Power LPB2	Gallatin Steel	Total
Purchased Power	Demand	109,926	68,964	718,415	82,284	955,675	2,905,203	23,388,754
Purchased Power	Energy	452,898	196,589	3,155,321	538,209	4,911,190	36,371,743	96,213,402
Stations	Demand	277	137	2,320	294	2,890		40,161
Lines	Consumer	50,518	1,427	1,427	428	1,855		8,134,100
Lines	Demand	60,368	29,862	505,565	64,015	629,789		8,752,725
Transformers	Consumer	5,352	694	3,851	858	-		853,145
Transformers	Demand	3,069	2,199	26,088	3,303	-		1,042,719
Services	Consumer	441	2,995	2,995	898	-		1,772,002
Meters	Consumer	-	2,666	-	-	-		3,389,354
Consumer Services		-						-
& Accounting	Consumer	15,585	6,164	6,164	1,849	8,013	44,025	5,109,389
Lighting	Lighting	1,224,289						1,224,289
Revenue Requirements		1,922,724	311,696	4,422,145	692,138	6,509,411	39,320,972	149,920,042

		Large Commercial TOD	-	Schedule XI Large Power LPB1	Schedule XIV Large Power LPB	Schedule XIII Large Power LPB2		
Consumer Related		71,896	13,945	14,436	4,034	9,868		
Demand Related		173,640	101,162	1,252,387	149,896	1,588,354		
Energy Related		452,898	196,589	3,155,321	538,209	4,911,190		
Lighting		1,224,289		-	-	-		
Revenue Requirements		1,922,724	311,696	4,422,145	692,138	6,509,411		

OWEN ELECTRIC COOPERATIVE
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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

			ENERGY KWH				
	Schedule 1	Schedule 1A	Schedule 1	Schedule 2	Schedule 2	Schedule 3	Large
	Farm and	Farm & Home	Small	Large	Large Power	Security	Commercial
Month	Home	ETS Rate	Commercial	Power	Primary	Lights	TOD
January	21,977,973	1,907,602	4,578,411	55	835,110		
February	18,979,584	2,091,544	5,324,017	145	839,348		
March	26,034,358	2,541,735	5,926,502	621	841,320		
April	25,405,289	2,562,590	5,449,446	744	842,690		
May	28,087,546	2,669,027	6,093,172	4,315	844,407		
June	22,157,178	2,348,184	6,441,413	1,533	844,274		
July	20,895,533	1,950,991	5,584,225	1,026	845,342		
August	24,010,927	1,868,358	5,477,664	46	849,099		
September	38,562,654	2,252,447	5,840,799	0	850,520		
October	44,362,924	2,476,228	5,734,146	0	853,990		
November	42,764,309	2,430,720	5,755,063	0	853,647		
December	26,671,091	1,932,715	5,892,905	0	856,597		
	710,449,061	27,641	46,652,046	157,848,764	20,068,800	8,371,258	3,633,704
Percentage	75.02%	0.00%	4.93%	16.67%	2.12%	0.88%	0.38%

OWEN ELECTRIC COOPERATIVE
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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

	Total Sched E	Schedule XI	Schedule XIV	Schedule XIII		-	-
	Wholesale	Large Power	Large Power	Large Power	Total Sched B	Gallatin	Total
Month		LPB1	LPB	LPB2	Wholesale	Steel	
January			29,299,151				
February			27,234,638				
March			35,344,536				
April			34,260,759				
May			37,698,467				
June			31,792,582				
July			29,277,117				
August			32,206,094				
September			47,506,420				
October			53,427,288				
November			51,803,739				
December			35,353,308				
	947,051,274	71,508,129	12,197,269	111,300,862	195,006,260	947,051,274	
Percentage	100%	36.67%	6.25%	57.08%	100%		

OWEN ELECTRIC COOPERATIVE
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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

	MONTHLY CONTRIBUTIONS TO EKPC COINCIDENT PEAK DEMAND - KW						
Month	Schedule 1 Farm and Home	Schedule 1A Farm & Home ETS Rate	Schedule 1 Small Commercial	Schedule 2 Large Power	Schedule 2 Large Power Primary	Schedule 3 Security Lights	Large Commercial TOD
January	201,196	-	12,568	30,460	823	1,631	805.00
February	167,377	-	10,889	25,996	1,493	1,612	690.00
March	173,400	-	9,590	27,761	2,221	1,625	711.00
April	113,477	-	6,055	20,509	1,240	1,662	433.00
May	117,697	-	10,984	29,063	661	-	642.00
June	142,763	-	9,323	23,024	473	-	587.00
July	137,982	-	9,361	22,863	680	-	566.00
August	181,283	-	11,227	28,947	919	-	738.00
September	127,449	-	11,221	26,630	979	1,697	674.00
October	86,998	-	9,359	25,973	1,252	1,569	747.00
November	124,216	-	8,232	28,349	735	1,643	730.00
December	176,621	-	10,821	26,935	1,712	1,598	856.00
	1,750,459	-	119,630	316,510	13,188	13,037	8,179
Allocation %	78.81%	0.00%	5.39%	14.25%	0.59%	0.59%	0.37%

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

Month	Total Sched E Wholesale	Schedule XI Large Power LPB1	Schedule XIV Large Power LPB	Schedule XIII Large Power LPB2	Total Sched B Wholesale	0 Gallatin Steel
January	247,483	8,922	1,289	13,988		247,483
February	208,057	8,996	1,193	13,747		208,057
March	215,308	10,324	1,321	13,534		215,308
April	143,376	8,667	1,095	11,092		143,376
May	159,047	8,738	1,231	9,168		159,047
June	176,170	9,794	1,178	13,535		176,170
July	171,452	9,939	1,000	13,651		171,452
August	223,114	10,781	1,217	13,865		223,114
September	168,650	10,102	998	13,433		168,650
October	125,898	9,319	991	13,561		125,898
November	163,905	9,548	935	12,874		163,905
December	218,543	11,044	858	12,093		218,543
	2,221,003	116,174	13,306	154,541	284,021	2,221,003
			13,306			
Allocation %	1.0	40.90%	4.68%	54.41%	100%	
			0%			
				0		

LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

			MONTHLY PEAK DEMANDS FOR EACH RATE CLASS				
	Schedule 1	Schedule 1A	Schedule 1	Schedule 2	Schedule 2	Schedule 3	Large
	Farm and	Farm & Home	Small	Large	Large Power	Security	Commercial
Month	Home	ETS Rate	Commercial	Power	Primary	Lights	TOD
January	261,140	35	13,970	34,884	3,727	1,631	889
February	167,377	28	12,474	33,121	3,537	1,620	785
March	173,401	28	11,866	35,116	3,516	1,625	833
April	113,477	28	11,262	33,880	3,597	1,662	671
May	117,697	21	14,578	35,824	3,772	1,619	722
June	142,763	7	15,102	37,716	3,616	1,581	796
July	123,735	-	18,509	33,887	3,536	1,584	697
August	167,181	-	13,633	40,117	3,483	1,584	870
September	127,870	7	11,586	37,375	3,761	1,697	882
October	113,993	21	11,998	33,150	3,470	1,576	818
November	136,831	21	10,493	33,151	3,308	1,640	757
December	176,621	21	12,322	34,889	2,942	1,598	885
	1,777,087	217	157,793	423,110	42,265	19,417	9,605
	63.12%	0.01%	5.60%	15.03%	1.50%	0.69%	0.34%
	69.14%	0.01%	6.14%	16.46%	0.00%	0.76%	0.37%

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

	Total Sched E	Schedule XI	Schedule XIV	Schedule XIII	Total Sched B	0
	Wholesale	Large Power	Large Power	Large Power	Wholesale	Gallatin
Month		LPB1	LPB	LPB2		Steel
January		12,375	1,636	17,011		347,298
February		12,187	1,657	16,387		249,173
March		12,656	1,605	17,097		257,743
April		13,316	1,665	14,563		194,121
May		13,574	1,855	13,547		203,209
June		14,252	1,958	15,252		233,043
July		14,516	1,793	26,197		224,454
August		15,204	1,938	16,382		260,392
September		14,662	1,847	16,221		215,908
October		13,342	1,559	18,077		198,004
November		13,136	1,563	15,922		216,822
December		13,392	1,514	15,912		260,096
	2,429,494	162,612	20,590	202,568	385,770	2,860,263
	0.00%	5.78%	0.73%	7.20%	2,815,264	
					100.00%	
					2,570,431	
	0.00%	6.33%	0.80%	0.00%	100.00%	

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

		MONTHLY PEAK DEMANDS FOR EACH RATE CLASS					
0	0	0	0	0	0	0	0
0	Schedule 1	Schedule 1A	Schedule 1	Schedule 2	Schedule 2	Schedule 3	Large
0	Farm and	Farm & Home	Small	Large	Large Power	Security	Commercial
Month	Home	ETS Rate	Commercial	Power	Primary	Lights	TOD
	5,729,072	217	239,512	314,811	42,264	19,133	13,707
	88.14%	0.00%	3.68%	4.84%	0.00%	0.29%	0.21%

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

0	0	0	0	0	0		
0	Total Sched E	Schedule XI	Schedule XIV	Schedule XIII	Total Sched B		
0	Wholesale	Large Power	Large Power	Large Power	Wholesale		
Month	0	LPB1	LPB	LPB2	0		
	-	162,614	20,591	202,568	6,499,657		
	0.00%	2.50%	0.32%	0.00%	100.00%		
					100.00%		

OWEN ELECTRIC COOPERATIVE
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ALLOCATION OF CONSUMER RELATED COSTS

A. Lines (poles and conduit)

		Factor	Number of Consumers	Relative Weight	Allocation Percent
1	Residential	1.00	54,018	54,018.00	94.77%
1A	Residenital ETS	1.00	0	-	0.00%
1	Small Commercial	1.00	2,346	2,346.00	4.12%
2	Large Power	1.00	237	237.00	0.42%
2	Large Power Primary Service	1.00	8	8.00	0.01%
3	Lighting	1.00	354	354.00	0.62%
XI	Large Power LPB1	1.00	10	10.00	0.02%
XIV	Large Power LPB	1.00	3	3.00	0.01%
XIII	Large Power LPB2	1.00	13	13.00	0.02%
	Large Power TOD	1.00	10	10.00	0.02%
			56,999	56,999	100.0%

B. Transformers

		1 Minimum Size Transform.	2 Cost of Minimum Transform.	3 Weighted Cost Min = 1	4 Number of Customers	5 Relative Weight	6 Allocation Percent
1	Residential	10 KVA	$ 369.50	1.00	54,018	54,018	90.45%
1A	Residenital ETS	-	$ -	-	-	-	0.00%
1	Small Commercial	25 KVA	$ 598.26	1.62	2,346	3,798	6.36%
2	Large Power	3-25 KVA	$ 1,794.78	4.86	237	1,151	1.93%
2	Large Power Primary Service	-	-	-	8	-	0.00%
3	Lighting	-	391.06	1.06	354.00	375	0.63%
XI	Large Power LPB1	-	9,960.45	26.96	10.00	270	0.45%
XIV	Large Power LPB		7,399.81	20.03	3.00	60	0.10%
XIII	Large Power LPB2		-	-	13.00	-	0.00%
	Large Power TOD	3-25 KVA	$ 1,794.78	4.86	10.00	49	0.08%
					56,999.00	59,720.43	100.0%

ALLOCATION OF CONSUMER RELATED COSTS

C. Services

		1	2	3	4	5	6	
		Minimum Size Service	Cost Per Unit	Average Length of Service	Cost of Service	Number of Customers	Relative Weight	Allocation Percent
1	Residential	4 Tplx	$ 0.51	110	55.99	54,018	3,024,548	85.73%
1A	Residenital ETS	2 Tplx	$ 0.51	15	7.64	8	61	0.002%
1	Small Commercial	4 Quad	$ 1.97	75	148.11	2,346	347,465	9.85%
2	Large Power	4 Quad	$ 7.95	75	596.24	237	141,308	4.01%
2.00	Large Power Primary Service		$ -		-	8	-	0.00%
3.00	Lighting	6 Dpx	$ 0.17	15	2.48	354	878	0.02%
XI	Large Power LPB1	4.0 Quad	$ 7.95	75	596.24	10	5,962	0.17%
XIV	Large Power LPB	4.0 Quad	$ 7.95	75	596.24	3	1,789	0.05%
	Large Power LPB2		$ -	-	-	13	-	0.00%
	Large Power TOD	4.0 Quad	$ 7.95	75	596.24	10	5,962	0.17%
						57,007.00	3,527,973.90	100.00%

D. Meters

		1	2	3	4	5	6	
		Minimum Size Meter	Cost of Minimum Meter	Weighted Cost Meter	Number of Customers	Relative Weight	Allocation Percent	
1	Residential	3 W AMI	137.02	1.00	54,018	54,018.00	94.186%	
1A	Residenital ETS	3 W AMI	137.02	1.00	8	8.00	0.014%	
1	Small Commercial	3 W AMI	137.02	1.00	2,346	2,346.00	4.091%	
2	Large Power	Demand AM	523.01	3.82	237	904.63	1.577%	
2	Large Power Primary Service	Demand AM	523.01	3.82	8	30.54	0.053%	
3	Lighting		-	-	354	-	0.000%	
XI	Large Power LPB1	EKPC Provic	-	-	10	-	0.000%	
XIV	Large Power LPB	EKPC Provic	-	-	3	-	0.000%	
	Large Power LPB2	EKPC Provic	-	-	13	-	0.000%	
	Large Power TOD	Dmd Non-S	$ 618.07	4.51	10	45.11	0.079%	
					56,997.00	57,352.27	99.9%	

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ALLOCATION OF CONSUMER RELATED COSTS

E. Consumer & Accounting Services

Rate Class		Factor	Multiplier	Consumers Records	Number of Consumers	Total	Allocation Percent
1	Residential	1	1	1	54,018	54,018	93.09%
1A	Residenital ETS	0.25	1	0	-	-	0.00%
1	Small Commercial	1	1	1	2,346	2,346	4.04%
2	Large Power	3	1	3	237	711	1.23%
2	Large Power Primary Service	3	1	3	8	24	0.04%
3	Lighting	0.5	1	1	354	177	0.31%
-	Large Power LPB1	7	1	7	10	70	0.12%
	Large Power LPB	7	1	7	3	21	0.04%
	Large Power LPB2	7	1	7	13	91	0.16%
	Large Power TOD	7	1	7	10	70	0.12%
	Gallatin Steel	1000	1	500	1	500	0.86%
						58,028	100.00%

OWEN ELECTRIC COOPERATIVE
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STATEMENT OF OPERATIONS

	Schedule 1	Schedule 1A	Schedule 1	Schedule 2	Schedule 2	Schedule 3
	Farm and	Farm & Home	Small	Large	Large Power	Security
	Home	ETS Rate	Commercial	Power	Primary	Lights
Revenue from Rates	74,669,022	1,573	4,761,197	14,398,422	1,829,858	1,477,975
Purchased Power	53,195,908	1,498	3,532,651	11,208,628	1,196,952	562,824
Distibution Operations	4,005,314	244	235,097	256,572	21,865	17,749
Distribution Maintenance	3,033,641	1	188,771	306,268	30,851	25,225
Consumer Accounts	3,190,429	-	138,560	41,993	1,417	10,454
Customer Service	520,699	-	22,614	6,854	231	1,706
Administative & General	2,249,684	51	125,137	133,875	11,835	11,810
Depreciation	7,382,026	134	472,791	560,214	47,430	44,480
Miscellaneous	166,634	3	10,614	12,532	1,063	999
Interest on Long Term Debt	3,643,811	67	232,099	274,049	23,236	21,838
Short Term Interest	225,353	4	14,354	16,949	1,437	1,351
Total Costs	77,613,500	2,001	4,972,689	12,817,934	1,336,317	698,434
Margins before Other Revenue	(2,944,478)	(428)	(211,492)	1,580,488	493,541	779,541
Other Revenue	1,517,777	32	96,780	292,673	37,195	30,042
Net Margins	(1,426,701)	(396)	(114,712)	1,873,161	530,736	809,583
TIER	0.61	(4.93)	0.51	7.84	23.84	38.07
Net Investment Rate Base	106,482,876	5,597	6,782,625	8,008,506	665,405	4,902,935
Return on Rate Base	2.08%	-5.89%	1.73%	26.81%	83.25%	16.96%

OWEN ELECTRIC COOPERATIVE
CASE NO. 2011-00037
STATEMENT OF OPERATIONS

	Large Commercial TOD	Schedule XI Large Power LPB1	Schedule XIV Large Power LPB	Schedule XIII Large Power LPB2	Gallatin Steel		Total
Revenue from Rates	329,016	5,295,412	973,843	6,896,704	39,569,039		150,202,063
Purchased Power	265,553	3,873,737	620,493	5,866,865	39,276,947		119,602,056
Distibution Operations	6,546	81,735	10,489	101,108	-		4,736,719
Distribution Maintenance	8,498	115,140	14,643	142,606	-		3,865,646
Consumer Accounts	4,134	4,134	1,240	5,375	29,531		3,427,269
Customer Service	675	675	202	877	4,820		559,353
Administative & General	4,266	44,604	5,859	54,463	6,298		2,647,881
Depreciation	16,472	196,060	25,443	219,199	1,908		8,966,156
Miscellaneous	370	4,379	569	4,910	61		202,133
Interest on Long Term Debt	8,080	95,759	12,432	107,369	1,326		4,420,064
Short Term Interest	500	5,922	769	6,640	82		273,360
Total Costs	315,093	4,422,145	692,138	6,509,411	39,320,972		148,700,637
Margins before Other Revenue	13,923	873,268	281,705	387,292	248,067		1,501,426
Other Revenue	6,688	-	-	-	-		1,981,186
Net Margins	20,611	873,268	281,705	387,292	248,067		3,482,612
TIER	3.55	10.12	23.66	4.61	188.10		1.79
Net Investment Rate Base	216,018	2,798,352	363,286	3,137,627	38,746		133,401,972
Return on Rate Base	13.28%	34.63%	80.97%	15.77%	643.66%		5.92%

OWEN ELECTRIC COOPERATIVE
SUMMARY RESULTS OF COST OF SERVICE STUDY

	Schedule 1 Farm and Home	Schedule 1A Farm & Home ETS Rate	Schedule 1 Small Commercial	Schedule 2 Large Power	Schedule 2 Large Power Primary	Schedule 3 Security Lights
Revenue from Rates	74,669,022	1,573	4,761,197	14,398,422	1,829,858	1,477,975
						-
Less Purchased Power Costs						
Demand	14,759,618	-	1,008,703	2,668,767	111,199	109,926
Energy	38,436,291	1,498	2,523,948	8,539,862	1,085,753	452,898
Total	53,195,908	1,498	3,532,651	11,208,628	1,196,952	562,824
Gross Margin	21,473,114	75	1,228,547	3,189,794	632,906	915,151
						-
Less Distribution Costs						-
Demand Related						-
Stations	25,351	3	2,251	6,036	603	277
Lines	5,525,007	675	490,582	1,315,459	131,403	60,368
Transformers	919,097	35	38,424	50,504	-	3,069
Total Distribution Realted	6,469,455	713	531,257	1,371,999	132,006	63,714
						-
Consumer Related						-
Lines	7,708,694	-	334,788	33,821	1,142	50,518
Transformers	771,682	-	54,262	16,445	-	5,352
Services	1,519,145	31	174,522	70,975	-	441
Meters	3,192,308	473	138,642	53,461	1,805	-
Consumer Svc						-
& Accouting	4,756,307	-	206,566	62,604	2,113	15,585
Outdoor Lighting	-	-	-	-	-	1,224,289
Total Consumer Related	17,948,165	532	908,810	237,336	5,088	1,296,185
Total Distribution Costs	24,417,620	1,245	1,440,067	1,609,335	137,094	1,359,900
						-
Income from Rate Revenue	(2,944,507)	(1,170)	(211,521)	1,580,459	495,811	(444,748)
Other Revenue	1,517,777	32	96,780	292,673	37,195	30,042
Net Margins	(1,426,730)	(1,138)	(114,741)	1,873,132	533,006	(414,706)

OWEN ELECTRIC COOPERATIVE
SUMMARY RESULTS OF COST OF SERVICE STUDY

	Large Commercial TOD	Schedule XI Large Power LPB1	Schedule XIV Large Power LPB	Schedule XIII Large Power LPB2	Gallatin Steel	Total
Revenue from Rates	329,016	$ 5,295,412	973,843	6,896,704	39,569,039	150,202,063
Less Purchased Power Costs						
Demand	68,964	718,415	82,284	955,675	2,905,203	23,388,754
Energy	196,589	3,155,321	538,209	4,911,190	36,371,743	96,213,302
Total	265,553	3,873,737	620,493	5,866,865	39,276,947	119,602,056
Gross Margin	63,463	1,421,676	353,351	1,029,838	292,092	30,600,007
Less Distribution Costs						
Demand Related						
Stations	137	2,320	294	2,890		40,161
Lines	29,862	505,565	64,015	629,789		8,752,725
Transformers	2,199	26,088	3,303	-		1,042,719
Total Distribution Realted	32,198	533,972	67,612	632,679		9,835,606
Consumer Related						
Lines	1,427	1,427	428	1,855		8,134,100
Transformers	694	3,851	858	-		853,145
Services	2,995	2,995	898	-		1,772,002
Meters	2,666	-	-	-		3,389,354
Consumer Svc & Accouting	6,164	6,164	1,849	8,013	44,025	5,109,389
Outdoor Lighting						1,224,289
Total Consumer Related	13,974	14,436	4,034	9,868	44,025	20,482,280
Total Distribution Costs	46,172	548,408	71,646	642,546	44,025	30,317,886
Income from Rate Revenue	17,291	873,268	281,705	387,292	248,067	282,121
Other Revenue	6,688	-	-	-	-	1,981,186
Net Margins	23,979	873,268	281,705	387,292	248,067	2,263,307

Owen Electric Cooperative
Statement of Operations
December 31, 3009

Operating Revenue & Patronage Capital	$141,746,617
Cost of Purchased Power	110,001,447
Distribution Expense-Operations	5,379,575
Distribution Expense-Maintenance	3,863,514
Consumer Accounts Expense	3,427,327
Customer Service & Information Expense	559,353
Administrative & General Expense	2,778,189
Total Operations & Maintenance Expense	$126,009,405
Depreciation & Amortization Expense	9,253,930
Tax Expense Property	
Tax Expense Other	138,361
Interest on Long Term Debt	4,564,974
Interest Expense Other	282,323
Other Deductions	70,399
Total Cost of Electric Service	$140,319,392
Patronage Capital & Operating Margins	1,427,225
Non Operating Margins-Interest	96,038
Income (Loss) from Equity Investments	0
Non Operating Margins-Other	8,980
Generation & Transmission Cap. Credits	0
Other Capital Credits & Patronage Dividends	3,796,304
Patronage Capital or Margins	$5,328,547

Owen Electric Cooperative
Balance Sheet
December 31, 2009

ASSETS AND OTHER DEBITS

Total Utility Plant in Service	$ 204,255,817		
Construction Work in Progress	3,617,437		
Total Utility Plant	207,873,254		
Accumulated Provision for Depreciation	(75,981,487)		
Net Utility Plant		$	131,891,767
Inv in Assoc Org - Patronage Capital	23,839,675		
Inv in Assoc Org - Non Gen Fund	2,886,993		
Other Investments	361,867		
Special Funds	26,676		
Total Other Property & Investments			27,115,211
Cash - General Funds	2,496,552		
Special Deposits	1,450		
Accts Recv - Sales Energy (Net)	7,721,994		
Accts Recv - Other (Net)	470,426		
Material & Supplies - Electric & Otehre	971,283		
Prepayments	540,028		
Other Current & Accrued Assets	338,340		
Total Current & Accrued Assets			12,540,073
Regulatory Assets			-
Other Deferred Debits			7,897
Total Assets & Other Debits		$	171,554,948

LIABILITIES AND OTHER CREDITS

Memberships	$ 1,114,450		
Patronage Capital	51,091,709		
Non-Operating Margins	4,441,745		
Other Margins & Equities	1,606,552		
Total Margins & Equities		$	58,254,456
Long Term Debt - RUS (Net)	70,029,382		
Long Term Debt - Other (Net)	24,172,174		
Total Long Term Debt			94,201,556
Accumulated Operating Provisions	8,047,086		
Total Other Noncurrent Liability			8,047,086
Notes Payable	-		
Accounts Payable	4,691,941		
Consumer Deposits	2,702,977		
Other Current & Accrued Liability	3,042,427		
Total Current & Accrued Liability			10,437,344
Regulatory Liabilities			-
Other Deferred Credits			614,505
Total Liabilities & Other Credits		$	171,554,948

OWEN Electric

A Touchstone Energy® Cooperative

January 27, 2011

Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Dear Mr. Derouen:

This is to advise, in accordance with the Kentucky Public Service Commission's Administrative Regulation 807 KAR5:001, Section 10(2), that Owen Electric Cooperative intends to file an application for a change in retail rate design that is revenue neutral for all rate classes. The rate application will be supported by a historical test year period ending December 31, 2009. Owen intends to file this application on or after March 1, 2011.

Please contact me with any questions regarding our intention to file.

Respectfully submitted,

Mark Stallons
President and CEO
Owen Electric Cooperative, Inc.

Cc Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, KY 40601

Owen Electric Cooperative

2011 Education and Communications Plan

As Owen Electric expands the rate offerings available to its membership, education becomes increasingly important. Our members will have more rate choices and will need more information to make decisions about which rate schedule(s) they should consider to assist them in managing their electric bill.

The purpose of the education/communications plan developed by Owen Electric is to communicate, educate, and encourage energy innovation as a tool to mitigate rising energy costs, to promote controlling costs, preserving resources, and using energy wisely, and to provide clear and easy to understand information regarding rate options available to members.

Owen Electric's education/communications plan will focus on two audiences--those internal to the cooperative (our member contact personnel) and external stakeholders (member/consumers and the public at large). The overall message is that Owen Electric is promoting rate choices and the ability to gain control of one's utility bills.

Internally, meeting with and training Customer Service Representatives (CSR's) and other member contact personnel will be essential. First, a presentation explaining the menu of rate choices and the motive behind the new offerings will be given. Following this, the CRS's will go through extensive training explaining who is targeted for each menu rate offered, how to recommend the alternatives to a member, and go through an

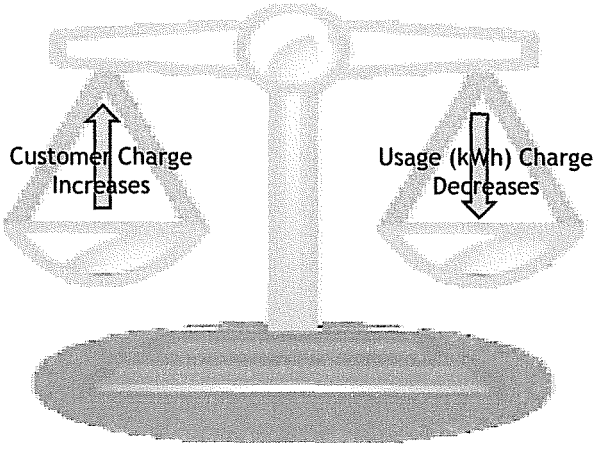
example of what the net effect is to the member. A script will be written to assist the CSR and a FAQ list for quick reference will be generated.

Externally, the message of rate choices will be advocated. Bill inserts will accompany monthly bills. These inserts will be simple and promote a choice of rates. The goal is for the member to become interested and call the Cooperative to obtain additional information from a trained CSR. At that point, the CSR will direct the member to a rate best suited for their lifestyle and usage patterns. Articles in the *Kentucky Living* magazine will be published announcing and explaining the new rate choices. Owen Electric personnel will network throughout the communities they serve by attending and presenting Owen's rate options at community events and meetings (i.e. community action centers, senior citizens, civic groups, etc…). Facebook postings and Tweets will also point out the new rate offerings. Later a more targeted approach will be used where members who best fit the rate options will receive direct mailings and/or bill inserts catered towards a specific optional rate. A rates website page will be developed which will be linked from the company's main website and will have easy to follow narratives and illustrations of Owen's rate options and examples of each.

Energy conservation, energy efficiency and demand side management (DSM) initiatives are an extremely important focus of Owen Electric. This focus will intensify and will become increasingly more important in the future. Robust and ongoing communications to educate our membership about these programs is critical. A central message of Owen Electric's communication efforts associated with this rate case will be to promote these initiatives and expanded rate choices to our membership as a means to manage their energy bill.

The following pages provide an outline of the education plan and how it will be implemented:

REVENUE NEUTRAL RATE CASE



REVENUE NEUTRAL RATE CASE

- **Consistent with PSC's order (2008-00154)**
  - Encouraged to come back with subsequent filings if we desired to increase customer charge further -- "Gradualism Concept"
- **More accurately aligns our rates with our cost of service**
  - Customer charge absorbs more of the true fixed cost
  - Energy charge more accurately reflects variable cost
- **Enables us to better position ourselves to promote and encourage reduced energy consumption to membership**
  - Lessens revenue erosion from reduced energy sales
- **Reduces effect of weather extremes**
  - Member benefits from less volatile swings (seasonal bills)Allows for better budgeting
  - Cooperative benefits from more accurate budgeting
- **Revenue Neutral**

PROPOSED BASE RATES

(REVENUE NEUTRAL)

Annual increase in the customer charge which is off set with annual decreases in the energy charge.

(Note: Only Years 1 & 2 are shown for example purposes)

	Residential		Small Commercial	
	Customer Charge	Energy Charge	Customer Charge	Energy Charge
Present	$11.30	$0.09478	$13.34	$0.09478
Proposed Year 1	$15.00	$0.09140	$20.00	$0.09115
Proposed Year 2	$17.50	$0.08912	$25.00	$0.08842

PROPOSED BASE RATES

DOLLAR IMPACT IS MINIMAL

Bill comparison for a Residential Member

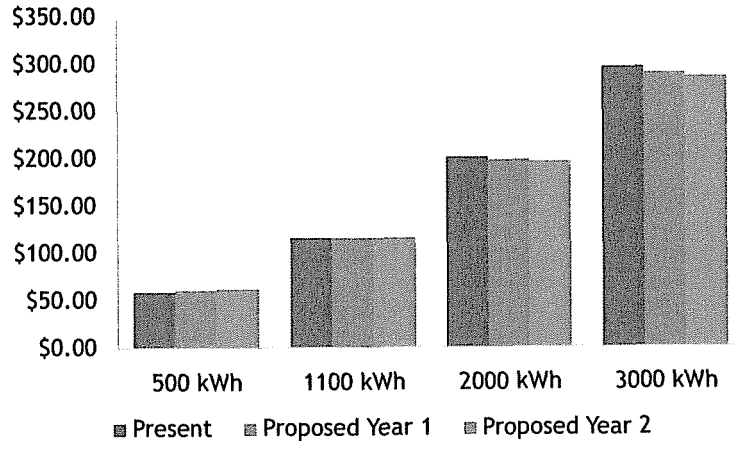
Monthly Usage	Present	Proposed Year 1	Proposed Year 2
500 kWh	$58.69	$60.70	$62.06
1100 kWh	$115.56	$115.54	$115.53
2000 kWh	$200.86	$197.80	$195.73
3000 kWh	$295.64	$289.20	$284.85

Purpose: For the customer charge to absorb more of the fixed costs rather than be dependent upon usage to cover it

Note: Lower energy users can lower their bill under the inclining block rate

PROPOSED BASE RATES
DOLLAR IMPACT IS MINIMAL

Bill Comparison of a Residential Member



PROPOSED BASE RATES (REVENUE NEUTRAL)

- Member Profile
  - Uses more than 800 kWh per month
  - Time of Day rates are not a good fit for lifestyle
    - Unable or unwilling to adjust usage
  - Personal Choice
    - Satisfied with base rate
    - Don't want to keep up with schedule, etc...

OPTIONAL "VOLUNTARY" RATES PROPOSED

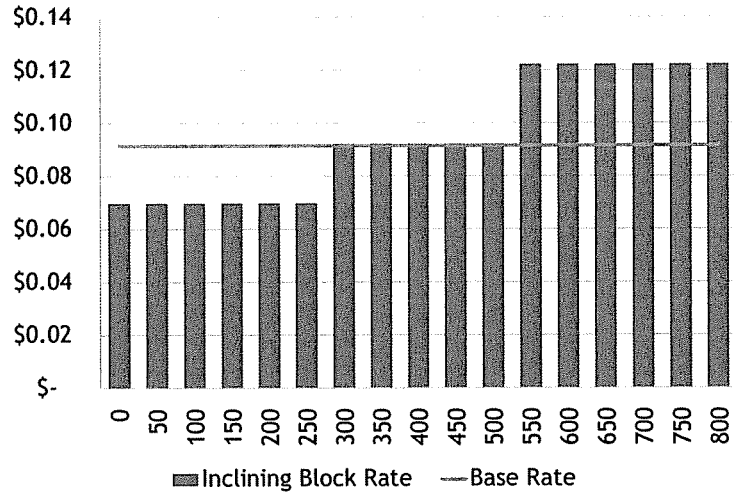
- In addition to the *revenue neutral* Base Rates, we also propose filing some other "optional" rates.
  - Inclining Block Rate*
  - Time of Day (TOD) Rates*
- These voluntary rate options will enable Owen Electric to offer more choices to our members.

INCLINING BLOCK (VOLUNTARY RATE)

- Customer usage is divided into increasing usage blocks.
- Each increasing block is charged a higher rate
- Encourages conservation
  - Lower usage is rewarded
- Target: Member who uses, on average, less than 800 kWh per month

Inclining Block Rate	
Customer Charge	$15.78
0 - 300 kWh	$0.06977
301 - 500 kWh	$0.09227
Over 500 kWh	$0.12227

INCLINING BLOCK (VOLUNTARY RATE)



INCLINING BLOCK (VOLUNTARY RATE)

Monthly Usage	Inclining Rate	Base Rate	Savings	Percentage Saved
300 kWh	$36.71	$42.42	$5.71	13.5%
500 kWh	$55.16	$60.70	$5.54	9.1%
800 kWh	$91.84	$88.12	-$3.72	-4.2%

Energy conservation is encouraged because it is rewarded with more savings.

INCLINING BLOCK (VOLUNTARY RATE)

- Typical Member Profile
  - Single family dwelling
    - **Less than 1,700 sq ft**
  - Gas Heat and Central Air Conditioning
  - Two or less people in the home

TOD RATES (VOLUNTARY RATE)

- Charges a discounted energy price during designated off-peak hours
- Charges a higher energy price during designated peak hours
- Simple and focused rate that targets shifting load
  - The more a customer shifts load to off peak, the higher the savings
- Shaves load peak
- Voluntary Option for Members

TOD RATES (VOLUNTARY RATE)

	Option 1 - 'B1'	Option 2 - 'B2'	Option 3 - 'B3'
Customer Charge	$25.00	$25.00	$25.00
Energy Rate			
On-Peak	$0.12070	$0.10313	$0.10191
Off-Peak	$0.060000	$0.060000	$0.06000
Shoulder			$0.07750
Peak Hours	Week Days Only	Week Days & Week Ends	Week Days & Week Ends
Winter	7-12 Noon 5-10 PM	7-12 Noon 5-10 PM	6-10 AM 6-10 PM
Summer	10 AM - 10 PM	10 AM - 10 PM	2 PM - 10 PM
Off-Peak Hrs			
Winter	All Other Hours	All Other Hours	10 PM - 6 AM
Summer	All Other Hours	All Other Hours	10 PM - 6 AM
Shoulder Hrs			
Winter	N/A	N/A	10 AM - 6 PM
Summer	N/A	N/A	6 AM - 2 PM

TOD RATES (VOLUNTARY RATE)

- **Typical Member Profile**
  - Single family dwelling
    - **+2000 sq ft**
  - Electric Heat and Central Air Conditioning
  - Both work out of home
  - Empty nesters or older children
  - Active Lifestyle

IMPLEMENTATION TIMELINE

- **File with Commission May 2011**
  - Review Process by the Commission
- **Rates effective Nov 2011**

Education Plan Summary Outline:

EDUCATION
M^4 = POSITIVE IMAGES

- **Motive (Why)**
  - To meet Strategic Challenge "...to improve member satisfaction"
    - **Provide expanded rate choices to membership as a means to mitigate rising energy costs. (manage their bill)**
- **Market (Who)**
  - Internal Audience (Customer Service Reps)
  - External Audience
    - **Membership**
    - **Other - Public (Community Action, Senior Citizens, Community Leaders)**
- **Message (What) (Selling 'Choice' not Rates)**
  - State Your Rate
- **Method (How)**
  - **Mass Marketing→ Target Marketing→ Testimonials→ Public Forums (CAC's, Senior Citizens, Civic groups)**
  - **One on One, individualized consultations with members**

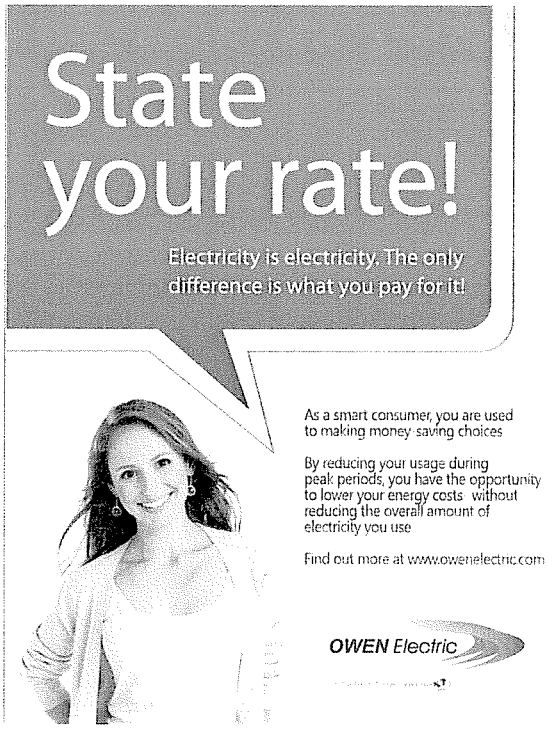
EDUCATION - METHODS (CONTINUED)

- **Phase I - Mass Audience**
  - Kentucky Living
    - **Manager's Columns**
    - **Rates Articles**
  - Bill Inserts
    - **Testimonials - Teasers**
  - Website Links
- **Phase II - Targeted Audience**
  - Member Usage Profiles Direct Mail/Bill Inserts
    - **Target members whose usage best fits rate option**
  - Member Groups
    - **Community Action Commission (low income)**
    - **Senior Citizens**
- **Public Forums**
  - Civic Clubs
  - Other
- **One on One**
  - Individual consultations with members

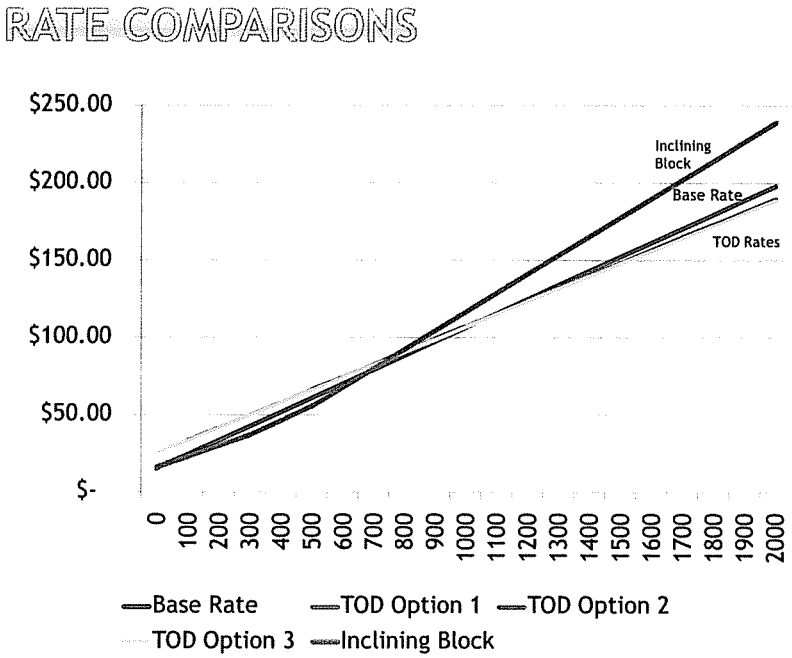
Sample ad copy to peak member interest to inquire about rate choice options…Owen members are encouraged to compare options and then "State their own Rate".

OWEN Electric
OWN Your Rate!

- Program in which customer picks a rate plan that fits his/her lifestyle and can ultimately result in savings for the customer.



Sample template for individualized rate evaluations with members (member's actual usage will be plotted against rate offerings to determine optimal rate choices).



Owen Electric's Energy Innovation Vision.

April 29, 2011

Mark Stallons

OWEN Electric

A Touchstone Energy® Cooperative

OWEN Electric

This Mornings Topics

- Owen Electric Facts & Figures
- Business Environment & Strategy
- Opportunities & Challenges
- Workforce Impact

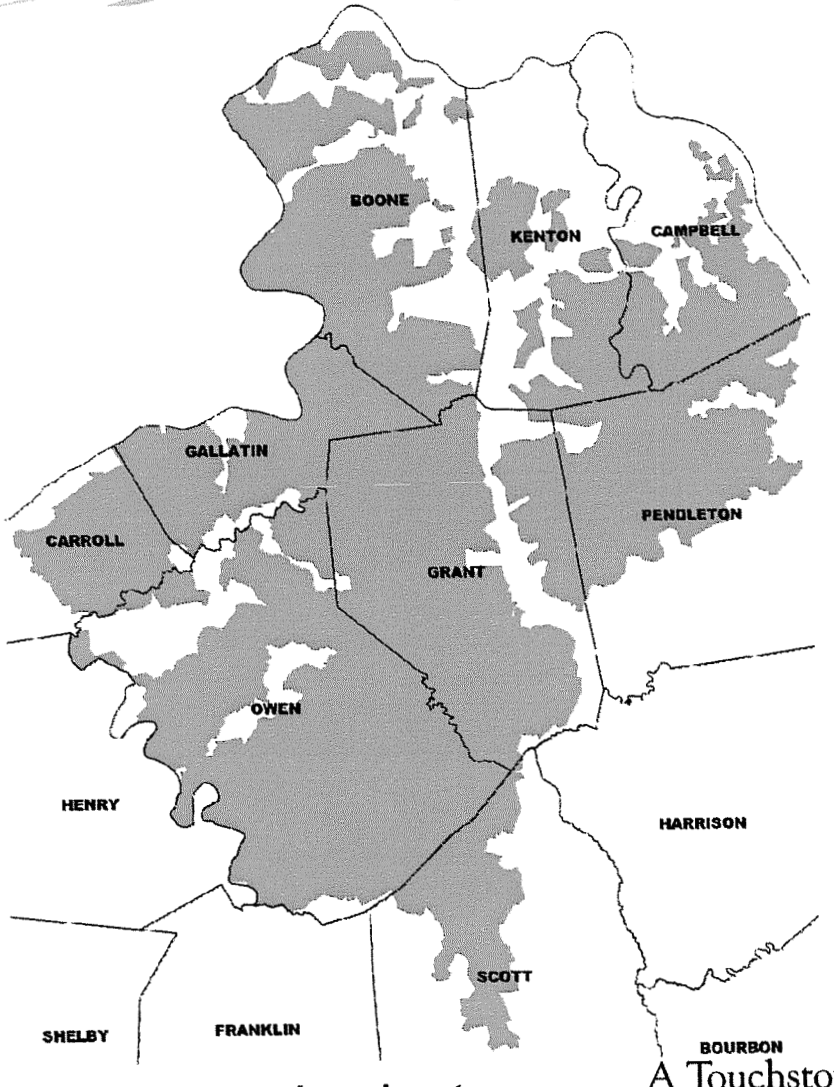
OWEN Electric

Facts & Figures

- Serves nine counties in Northern Kentucky
- Incorporated in 1937
- Serves over 57,000 members
- Employs 134 employees
- Annual budget approaches $160 Million
- Total assets around $175 Million

OWEN Electric

Cincinnati



Louisville

Lexington

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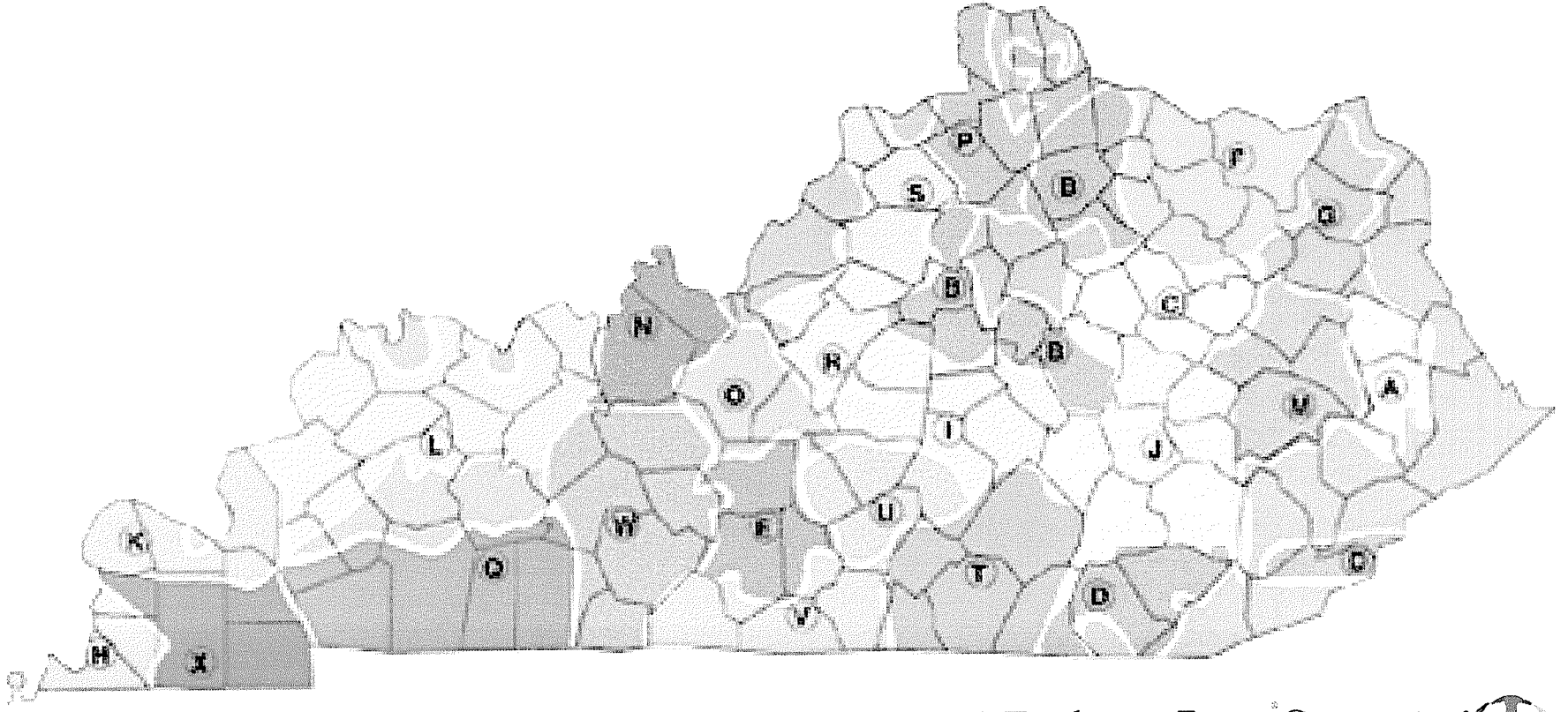
Kentucky Electric Cooperatives



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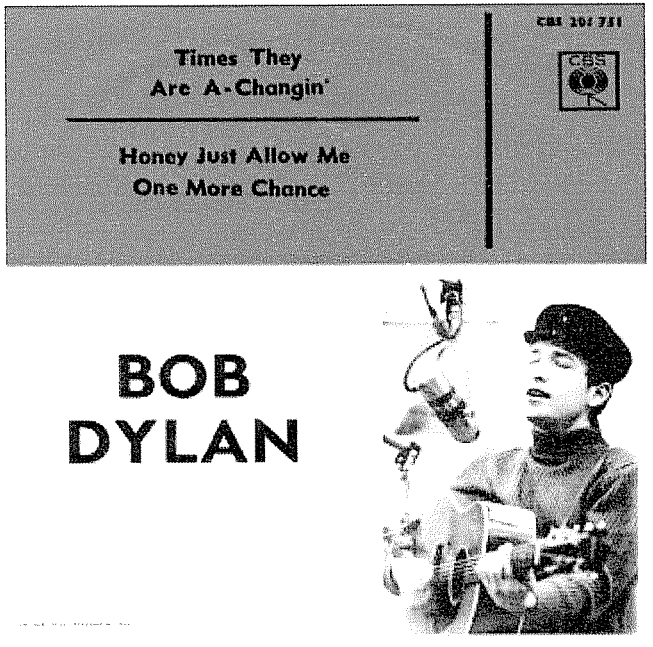
Kentucky Cooperatives

- 24 Distribution Systems
- 2 Generation & Transmission Systems
- Serve over 830,000 members
- Employ over 3,300 employees

OWEN Electric

- *Times They are A-Changin'*



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Forces of Change

- **Environmental Costs**
- **New Generation Costs**
- **Member Financial Stress**

will require we live our

VISION MISSION VALUES

OWEN Electric

Our Vision

Through a ***culture*** that is ***adaptable*** to ***change*** yet ***committed*** to our corporate ***values***, Owen Electric will ***provide*** the highest level of ***quality service*** to our member-owners.

OWEN Electric

Our Mission

Our mission is to stay ***focused*** on the ***core business***, pursuing those ***opportunities*** that ***add benefit*** and ***enhance*** the ***quality of life*** for our ***member-owners*** and ***employees***

OWEN Electric

Our Values

Integrity

Innovation

Stewardship

Commitment to Community

Commitment to Employees

A Touchstone Energy® Cooperative

OWEN Electric

Drive our Culture

Adaptable to ***Change***

Committed to ***Values***

Focused on ***Core Business***

Pursue ***Opportunities***

Provide ***Quality Service***

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OWEN Electric

Strategic Response

Today's Challenge:

Providing Affordable Energy

Tomorrow's Opportunity:

Transforming our

MEMBER RELATIONSHIP

by helping them Manage their bill

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Challenge One

Restructure Rates to be kWh Sales Neutral

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Challenge Two

Develop Technology

Identify best available

Avoid the bleeding edge

Does the timeline work

OWEN Electric

Challenge Three

Develop Market Strategy

Identify market segments

Identify products for each market

Develop member education plan

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Challenge Four

Cost Justify Deployment

Define costs

Identify savings

Identify member benefits

OWEN Electric

Challenge Five

Obtain Board Approval

Communicate value to member

Allow members choice

Sound implementation plan

A Touchstone Energy® Cooperative

OWEN Electric

Marketing Challenge

- **EE Achievers™ (12 percent)**
  - *Customers who are most in engaged in energy-efficient programs*
- **EE Anticipators™ (26 percent)**
  - *Customers who are very inclined to participate in energy-efficiency programs*
- **EE Uncommitteds™ (25 percent)**
  - *Shows high interest in saving money through saving energy but they are not ready to commit to participation of energy-efficient programs at this time*
- **EE Indifferents™ (37 percent)**
  - *Customer group least promising*

Source - E-Source Companies LLC

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Pilots projects at Owen

Beat the Peak Pilot

April 2011

Smart Home Pilot

April 2012

Self Healing Grid Pilots (3 projects)

Summer 2011

Other: Upgraded SCADA, Upgraded Communications, Volt Var Control Pilots

April 2012

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Beat the Peak

- 2011 state stimulus project pilot
- 100 in-home displays with communication
- 100 homes communication only
- 100 members as a control group
- Load analysis by EKPC
- Preston Osborne – Marketing Partner

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Beat the Peak Pilot

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Smart Home January 2012

Energy Management System
In-home display
Internet gateway
Web portal
Smart thermostat
Smart appliances
Smart meter
Incentive rates
Load management switches

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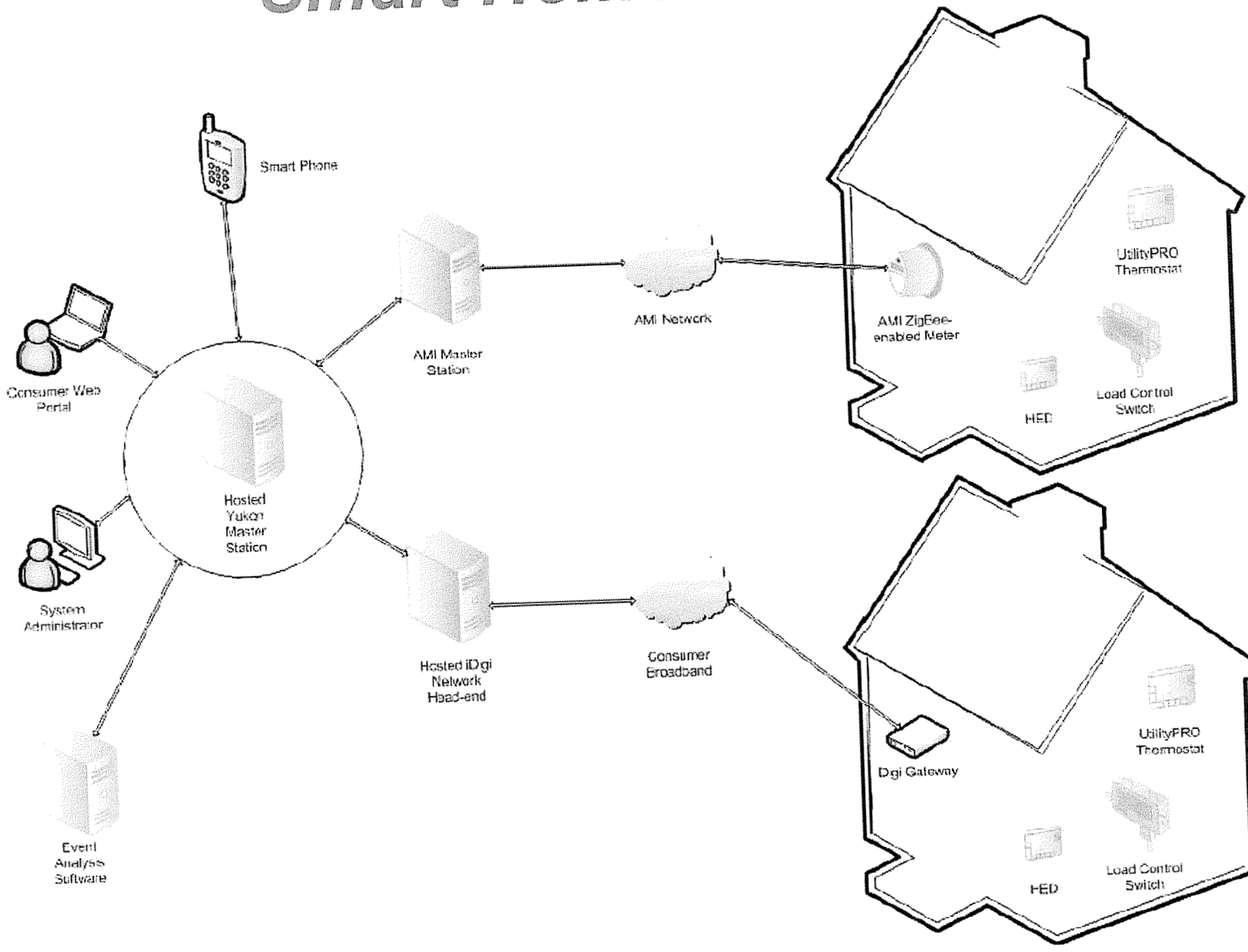
Smart Home Model



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Smart Home Helps Our Members:

Manage energy co$t

Know $$ they have spent

Manage comfort

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Smart Home Objectives

- Evaluate efficiency, conservation & demand reduction impact
- Determine acceptance of IHD, gateway, web-portal, appliances, thermostat & plugs
- Extrapolate deployment potential
- Evaluate member target markets

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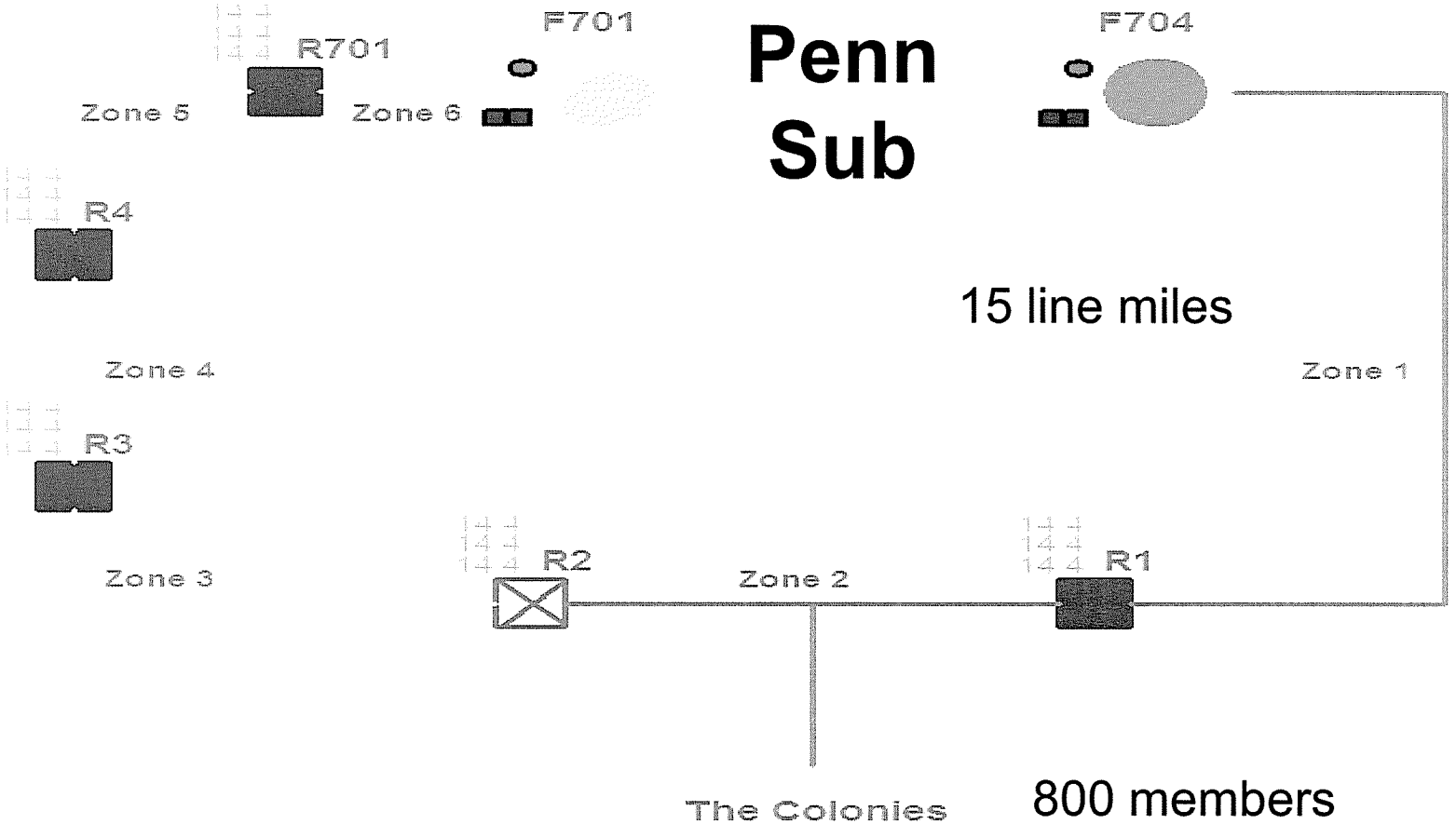
Self Healing Pilot



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Integrated Volt Var Control

- Install line capacitors to end of sub feeders
- Raise sub and feeder PF to unity
- Balance feeder & phase loads
- Install line regulators
- Install Integrated Volt Var Controller
- Reduce feeder voltage drop to near 2-3 volts
- Lower substation voltage by 5%
- Reduce KWh by 4%

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Smart Grid Budget

Smart Grid Projects	Total Project $	Stimulus Share $	Owen Electric $
SCADA	$ 913,540	$ 404,014	$ 509,526
Communications	$ 595,012	$ 244,750	$ 350,262
Self Healing	$ 415,736	$ 155,112	$ 260,624
Smart Home	$ 513,067	$ 203,778	$ 309,289
Volt Var Control	$ 727,991	$ 311,490	$ 416,501
Penn Self Healing	$ 166,000	$ 83,000	$ 83,000
Beat the Peak	$ 72,500	$ 36,250	$ 36,250
Total Cost	$ 3,403,846	$ 1,438,394	$ 1,965,452

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Smart Grid Advantages

Better information

Quicker decisions

Less outage time

Fewer grid energy losses

Members manage their bill

Reduced energy consumption

Delayed capital investments

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Thanks for the opportunity to share Owen Electric's energy innovation vision.

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