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WITHLACOOCHEE
RIVER
ELECTRIC
COOPERATIVE, INC.

DISTRIBUTION CENTER
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July 29, 2009

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

090000-01

Dear Ms. Cole:

Please find enclosed five (5) copies of the following proposed Tariff Sheet revisions for Withlacoochee River Electric Cooperative, Inc.:

Residential Service	- Schedule RR	Sheet No. 5.1.0
General Service Non-Demand	- Schedule GS	Sheet No. 5.3.0
General Service Demand	- Schedule LP	Sheet No. 5.4.0

Documentation supporting the proposed revisions and two (2) copies of the revised tariff sheets in legislative format are also enclosed.

These rate revisions reflect a \$3.00 increase in the Consumer Charges for the rate schedules listed above, which will better enable those charges to recover the cost of providing service to our member-consumers. These revisions were reviewed and approved by Withlacoochee River ECI's Board of Trustees at their regularly scheduled meeting on May 19, 2009, with an implementation date of January 1, 2010.

During the review process, if you have any questions or require further information regarding this filing, please do not hesitate to contact me (352-567-5133, extension 6100; bbrown@wrec.net) or Steve Shurbutt of GDS Associates, Inc. (770-425-8100; steve.shurbutt@gdsassociates.com).

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Sincerely,


Billy E. Brown
Executive Vice President and General Manager

BB:ams

Enclosures

DOCUMENT NUMBER: DATE

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FPSC-COMMISSION CLERK

P.O. Box 278, Dade City, FL 33526-0278

Phone (352) 567-5133 / Fax (352) 521-5971

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REQUEST FOR INCREASE IN CONSUMER CHARGES

EFFECTIVE JANUARY 1, 2010

Introduction

Withlacoochee River Electric Cooperative, Inc. (the "Cooperative" or "WREC") provides electric service to approximately 200,000 member-consumers in central Florida. Most of those consumers are billed under rate Schedule's RR and GS that employ a two-part monthly rate structure consisting of a Consumer Charge and a flat Energy Charge. The other major consumer class is billed under rate Schedule LP that consists of those same two types of charges, plus a Demand Charge. The charges in all three rate schedules have been in effect since January 1, 2009.

The downturn in the economy both nationwide and in Florida has resulted in virtually no growth in consumers or kilowatt-hours sales to help offset increases in the Cooperative's operating costs. In fact, the number of small commercial consumers served by the Cooperative has actually declined, and the Cooperative's idle services system wide has increased from 4.8% to 7.6% of total services, which equates to roughly 6,000 more idle services than normal. In light of these circumstances that are beyond the Cooperative's control, it is necessary for WREC to increase its revenues to recover continued escalations in operating costs, maintain its practice of capital credits retirements, and preserve its sound financial position. As described below, the Cooperative's management and Board of Trustees believe the most appropriate way to produce the needed revenue increase is to raise the Consumer Charges in those rate schedules effective January 1, 2010.

DOCUMENT NUMBER DATE

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MEMBER SERVICES DEPARTMENT

Basis for Consumer Charge Increase

Raising the present Consumer Charge applicable to residential, general service and large power consumers is a reasonable, cost-based rate revision. While changes in wholesale purchased power expenses can be recovered via the Cooperative's Wholesale Power Adjustment Clause and Fuel Adjustment Clause, increased costs associated with the Cooperative's electric distribution system have no corresponding cost recovery adjustment mechanism. Thus, the base rate components of the tariff must be revised to recover increases in labor, materials and other costs incurred by the Cooperative to deliver power and energy to its member-consumers. Since the three rate classes previously mentioned comprise the vast majority of the Cooperative's consumers, and since the Consumer Charge is designed to recover a portion of distribution system costs, it is appropriate to revise that base rate component to better reflect recovery of those costs.

The Consumer Charge should recover that portion of the distribution system costs related to consumer-related expenses such as consumer accounts (meter reading, billing, records and collection) and consumer service and information (consumer assistance, advertising). These expenses are labor intensive and consumer service driven. They mainly vary with the number of consumers served rather than the amount of the consumer's energy consumption or maximum demand. The Consumer Charge should also recover expenses associated with WREC owning, operating, and maintaining the consumer-related portion of the Cooperative's electric distribution system. Those expenses include operations, maintenance, depreciation, and interest expense on distribution system utility plant items such as meters and service drops, and the consumer-related portion of transformers, overhead and underground conductors, and poles. Those expenses are a function of the costs of both labor and materials.

Growth in energy sales has stalled due to the decline in the economy. It is expected that a significant, sustained improvement in economic conditions will be a long time coming. Given that outlook, it is especially important for WREC's rates to reflect the consumer-related costs of providing electric service to its members in a cost-based manner that also to a greater extent decouples the revenues used to recover those fixed costs from energy sales. The proposed increase in the Consumer Charges directly addresses those objectives.

Revision to Consumer Charges

When the present Consumer Charges were implemented recently, WREC's allocated cost of service study based on a calendar year 2007 test period indicated that the consumer-related cost for the residential rate class was \$20.01 per month (see line 4 on page 1 of Exhibit 1 attached hereto), which is much higher than the present charge of \$15.00. Given that disparity and the issues regarding recovery of the Cooperative's distribution system expenses described above, it is reasonable for the Consumer Charge in Schedule RR to be increased by \$3.00 to \$18.00.

The proposed \$3.00 increase in the Cooperative's Consumer Charges is consistent with the growing trend in electric utility ratemaking to better align rates with cost of service components and to decouple recovery of fixed costs from energy charges. There are several reasons why that trend has gained momentum. First, even though allocated cost of service studies have for many years indicated that the Consumer Charge component in electric utilities' retail rate schedules was far below the consumer-related cost of service, electric utilities were unwilling or unable to raise their Consumer Charges to a more cost-based level due to the perception that consumers would not accept such charges if they were significantly higher than they had been traditionally. Actual experience,

however, has proven that perception to be incorrect. Several electric cooperatives in Florida have implemented very large increases in the Consumer Charges in their rate schedules in a relatively short period of time, without large scale opposition from their consumers. Many of those increased Consumer Charges are at levels above WREC's proposed charge of \$18.00. For example, the residential Consumer Charges for Escambia River ECI and Choctawhatchee ECI are \$25.00 and \$24.00, respectively. In 2007, Gulf Coast ECI effectively doubled its residential Consumer Charge, increasing it from \$10.00 to \$19.45. A recent summary of the fixed monthly charges employed by the electric cooperatives and investor-owned utilities in Florida is shown on page 1 of Exhibit 2 attached hereto.

Secondly, the recovery of fixed costs via energy charges presents a generally recognized management disincentive for utilities to promote energy efficiency and conservation. One way to address this issue is to recover more of the utility's fixed costs via fixed charges, primarily the Consumer Charge. The resulting improved alignment of costs and rates reduces the financial risk to utilities of encouraging energy efficiency and conservation, while providing better cost-based price signals to consumers regarding their energy use and the value of energy efficient investments.

As shown on page 2 of Exhibit 2 attached hereto, even after implementing the proposed \$3.00 Consumer Charge increase, the Cooperative's residential consumer bill for 1,000 kWh will remain among the lowest bills for 1,000 kWh charged by cooperative and investor-owned electric utilities in Florida.

WREC is also proposing to raise the Consumer Charges in Schedules GS and LP by \$3.00. The revised Consumer Charge in Schedule GS is \$18.00, which is much closer to the consumer-

related cost of \$21.60 in the Cooperative's last allocated cost of service than the present \$15.00 Consumer Charge.

The Schedule LP revised Consumer Charge is \$27.63, which is still well below the consumer-related cost of \$106.79 in the most recent allocated cost of service study. Although a much larger increase in the Consumer Charge could be justified, the allocated cost of service study indicates that the rate of return for this consumer class is above the overall system rate of return, and thus Cooperative prefers at this time to limit the Schedule LP Consumer Charge increase to the same \$3.00 as proposed for the other two rate schedules.

In summary, the revised Consumer Charges proposed herein will enable the Cooperative to continue to operate on a sound financial basis by the application of rates that are more cost-based and provide fewer disincentives to promote conservation and energy efficiency programs.

UNIT COST SUMMARY

Withlacoochee River Electric Cooperative, Inc

Twelve Months Ending December 31, 2007

Line No.	Item	Total System	Residential RR	GS Non Dem. GS	GS Dem. LP	GS Dem LPW	GS Dem. LPX	TVS	Lights AL
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Present Revenue	\$415,383,074	\$307,917,837	\$31,243,989	\$49,176,098	\$352,813	\$18,189,652	\$405,579	\$8,097,107
2	Customer Costs	\$52,245,881	\$43,180,181	\$4,774,019	\$1,618,509	\$10,570	\$291,386	\$3,233	\$2,367,983
3	No. of Customers	254,245	179,820	18,419	1,263	7	44	1	54,691
4	\$/Customer/Mo.		\$20.01	\$21.60	\$106.79	\$125.84	\$551.87	\$269.41	\$3.61
5	Demand Costs - Power Cost	\$70,488,337	\$55,419,126	\$4,737,489	\$7,220,951	\$53,854	\$2,735,274	\$19,061	\$302,583
6	kWh Sales	3,692,471,733	2,634,876,898	273,431,692	532,769,513	3,966,095	201,853,084	5,607,570	39,966,881
7	kW NCP Demand	1,101,955	844,826	78,368	121,936	912	39,562	3,283	13,068
8	\$/kW (Power Cost)		\$5.47	\$5.04	\$4.93	\$4.92	\$5.76	\$0.48	\$1.93
9	\$/kWh (Power Cost)		\$0.02103	\$0.01733	\$0.01355	\$0.01358	\$0.01355	\$0.00340	\$0.00757
10	Demand Costs - System Cost	\$29,217,866	\$22,843,109	\$2,371,262	\$2,203,052	\$16,051	\$650,623	\$2,295	\$1,131,475
11	kWh Sales	3,692,471,733	2,634,876,898	273,431,692	532,769,513	3,966,095	201,853,084	5,607,570	39,966,881
12	kW NCP Demand	1,101,955	844,826	78,368	121,936	912	39,562	3,283	13,068
13	\$/kW (System Cost)		\$2.25	\$2.52	\$1.51	\$1.47	\$1.37	\$0.06	\$7.22
14	\$/kWh (System Cost)		\$0.00867	\$0.00867	\$0.00414	\$0.00405	\$0.00322	\$0.00041	\$0.02831
15	Energy Costs	\$262,539,709	\$187,495,518	\$19,457,158	\$37,876,421	\$280,343	\$14,203,489	\$382,773	\$2,844,008
16	kWh Sales	3,692,471,733	2,634,876,898	273,431,692	532,769,513	3,966,095	201,853,084	5,607,570	39,966,881
17	\$/kWh		\$0.07116	\$0.07116	\$0.07109	\$0.07068	\$0.07037	\$0.06826	\$0.07116
18	Revenue Costs	\$10,134,872	\$7,488,220	\$761,421	\$1,223,908	(\$10)	\$453,439	\$10,123	\$197,771
19	kWh Sales	3,692,471,733	2,634,876,898	273,431,692	532,769,513	3,966,095	201,853,084	5,607,570	39,966,881
20	\$/kWh		\$0.00284	\$0.00278	\$0.00230	(\$0.00000)	\$0.00225	\$0.00181	\$0.00495
21	Operating Income	(\$9,243,592)	(\$8,508,317)	(\$857,360)	(\$966,742)	(\$7,995)	(\$144,559)	(\$11,905)	\$1,253,286
22	kWh Sales	3,692,471,733	2,634,876,898	273,431,692	532,769,513	3,966,095	201,853,084	5,607,570	39,966,881
23	\$/kWh		(\$0.00323)	(\$0.00314)	(\$0.00181)	(\$0.00202)	(\$0.00072)	(\$0.00212)	\$0.03136
Investment									
24	Total Utility Plant	\$591,240,491	\$466,937,680	\$51,025,168	\$30,168,782	\$212,515	\$7,591,117	\$77,914	\$35,227,315
25	Number of Consumers		179,820	18,419	1,263	7	44	34,477	54,691
26	Investment/Consumer		\$2,597	\$2,770	\$23,887	\$30,359	\$172,525	\$2	\$644
Average Usage									
27	kWh/Cons/Mo		1,221	1,237	35,152	47,215	382,298	5,607,570	61

Notes:

1. All lighting unit costs are "per light"

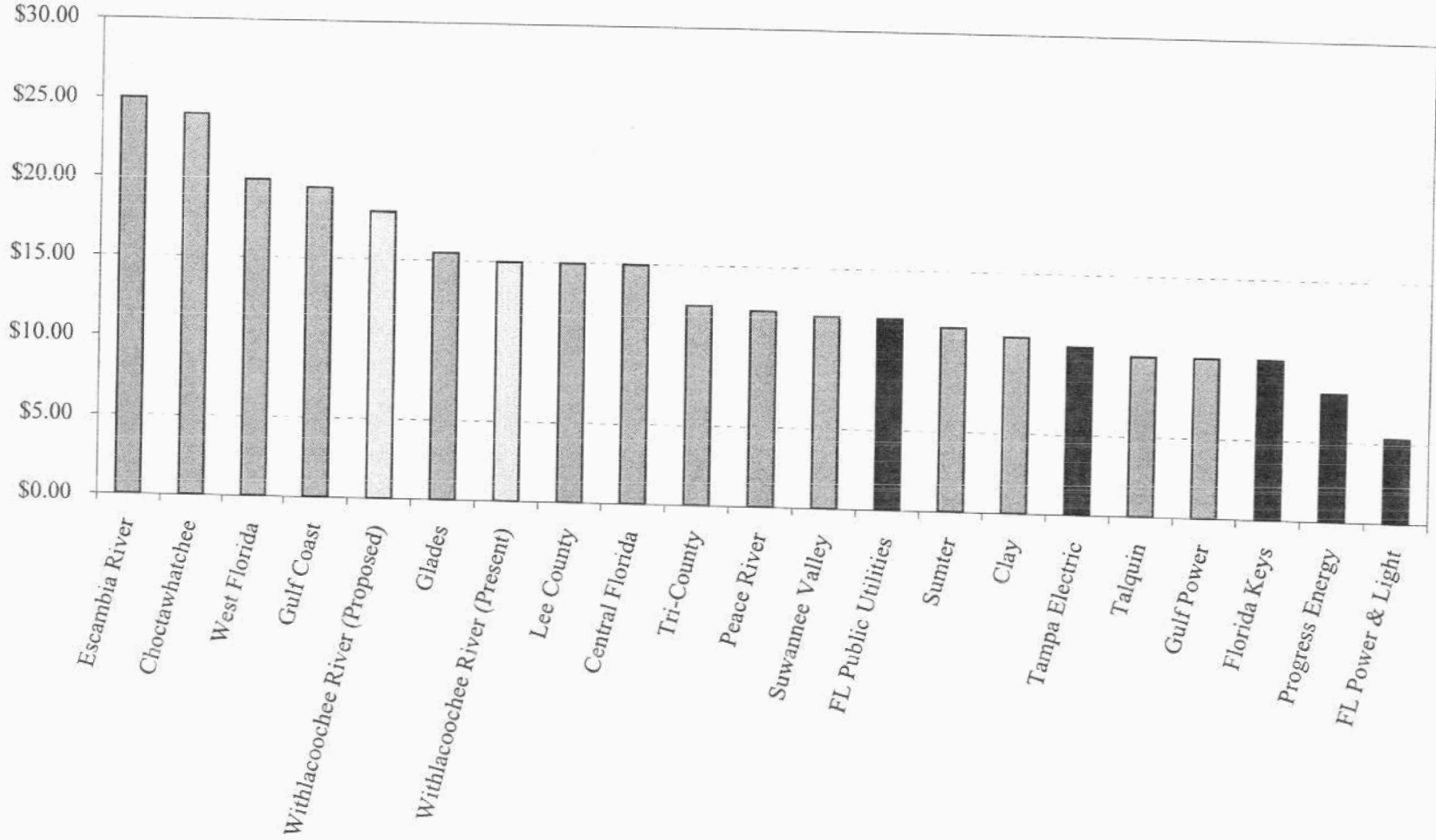
ALLOCATED INCOME STATEMENT - REVISED

Withlacoochee River Electric Cooperative, Inc

Twelve Months Ending December 31, 2007

Line No.	Item	Total System	Residential RR	GS Non Dem. GS	GS Dem. LP	TVS	Lights AL
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Operating Revenues							
1	Base	\$209,927,820	\$161,792,662	\$16,207,723	\$25,979,890	\$103,244	\$5,844,301
2	FAC & WPAC	\$211,541,703	\$150,952,097	\$15,664,901	\$42,313,746	\$321,257	\$2,289,702
3	Gross Receipts Tax	\$10,792,033	\$8,015,648	\$816,013	\$1,741,018	\$10,880	\$208,474
4	Subtotal	\$432,261,556	\$320,760,407	\$32,688,637	\$70,034,654	\$435,381	\$8,342,477
5	Other Electric Revenue Revenue	\$9,348,418	\$8,199,265	\$736,859	\$230,647	\$411	\$181,237
6	Total Revenue	\$441,609,974	\$328,959,672	\$33,425,496	\$70,265,301	\$435,792	\$8,523,714
Operating Expenses							
7	Purchased Power	\$333,028,047	\$242,914,643	\$24,194,647	\$62,370,332	\$401,834	\$3,146,591
8	Other Power Supply	\$0	\$0	\$0	\$0	\$0	\$0
9	Subtotal	\$333,028,047	\$242,914,643	\$24,194,647	\$62,370,332	\$401,834	\$3,146,591
10	Power Production	\$0	\$0	\$0	\$0	\$0	\$0
11	System Control	\$0	\$0	\$0	\$0	\$0	\$0
12	Transmission	\$61,990	\$47,525	\$4,409	\$9,136	\$185	\$735
13	Distribution - Operation	\$15,198,988	\$12,147,387	\$1,248,457	\$1,113,499	\$170	\$689,474
14	Distribution - Maintenance	\$15,083,878	\$12,742,580	\$1,286,322	\$852,147	\$1	\$202,828
15	Customer Accounts	\$11,529,839	\$9,766,161	\$1,179,297	\$340,664	\$1,483	\$242,234
16	Customer Service & Information	\$3,502	\$3,150	\$323	\$23	\$0	\$7
17	Sales	\$353,275	\$317,747	\$32,547	\$2,322	\$0	\$659
18	Administrative & General	\$1,544,595	\$1,220,575	\$133,697	\$96,893	\$131	\$93,299
19	Subtotal	\$43,776,067	\$36,245,126	\$3,885,052	\$2,414,683	\$1,970	\$1,229,236
20	Depreciation & Amortization	\$17,897,732	\$14,148,868	\$1,552,319	\$1,104,498	\$950	\$1,091,097
21	Taxes - Property	\$0	\$0	\$0	\$0	\$0	\$0
22	Taxes - Other	\$10,789,852	\$8,014,045	\$815,849	\$1,740,649	\$10,878	\$208,431
23	Interest on Long Term Debt	\$17,241,995	\$13,617,026	\$1,488,017	\$1,107,367	\$2,272	\$1,027,313
24	Interest Expense - FFB	\$2,503,886	\$1,977,467	\$216,090	\$160,812	\$330	\$149,187
25	Other 1	\$43,955	\$34,714	\$3,793	\$2,823	\$6	\$2,619
26	Other 2	\$112	\$88	\$10	\$7	\$0	\$7
27	Subtotal	\$92,253,599	\$74,037,335	\$7,961,130	\$6,530,839	\$16,405	\$3,707,889
28	Total Expenses	\$425,281,646	\$316,951,978	\$32,155,777	\$68,901,171	\$418,239	\$6,854,480
29	Operating Margins	\$16,328,328	\$12,007,693	\$1,269,719	\$1,364,130	\$17,553	\$1,669,233
30	Non-Op Margins	\$13,014,583	\$10,125,876	\$1,088,919	\$1,145,342	\$4,407	\$650,039
31	Total Net Margins	\$29,342,911	\$22,133,569	\$2,358,638	\$2,509,472	\$21,959	\$2,319,272
32	TIER - Operating Margins	1.83	1.77	1.75	2.08	7.75	2.42
33	TIER - Total Margins	2.49	2.42	2.38	2.98	9.44	2.97
34	Net Rate Base	\$464,817,186	\$365,682,953	\$39,694,994	\$32,288,911	\$75,973	\$27,074,356
35	Rate of Return - Op. Mgns	7.76%	7.55%	7.49%	8.15%	26.53%	10.51%
36	Relative ROR	1.00	0.97	0.97	1.05	3.42	1.35
37	Rate of Return - Total Mgns	10.56%	10.32%	10.23%	11.70%	32.33%	12.91%
38	Relative ROR	1.00	0.98	0.97	1.11	3.06	1.22

Fixed Monthly Charges for Florida Electric Utilities Withlacoochee River Present and Proposed



Residential Rate Comparison June 2009 @ 1,000 kWh

