

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LICKING)	
VALLEY RURAL ELECTRIC COOPERATIVE)	CASE NO.
CORPORATION FOR A GENERAL RATE)	2016-00174
INCREASE)	

NOTICE OF FILING

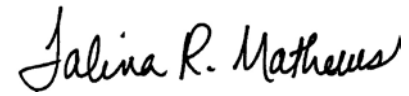
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on January 24, 2017 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on January 24, 2017.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://www.psc.ky.gov/av_broadcast/2016-00174/2016-00174_24Jan17_Inter.aspx.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 27th day of January 2017.

A handwritten signature in black ink that reads "Talina R. Mathews". The signature is written in a cursive style with a large initial 'T' and 'M'.

Talina R. Mathews
Executive Director
Public Service Commission of Kentucky

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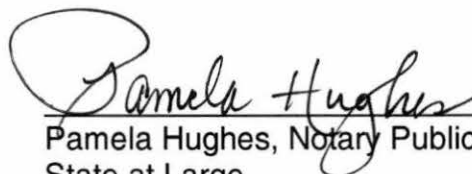
ELECTRONIC APPLICATION OF)
LICKING VALLEY RURAL) CASE NO. 2016-00174
ELECTRIC COOPERATIVE)
CORPORATION FOR A)
GENERAL RATE INCREASE)

CERTIFICATE

I, Pamela Hughes, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on January 24, 2017. Hearing Log and Witness List are included with the recording on January 24, 2017.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of January 24, 2017.
4. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of January 24, 2017, and the time at which each occurred.

Signed this 26th day of January, 2017.



Pamela Hughes, Notary Public
State at Large

My Commission Expires: April 22, 2019



Date:	Type:	Location:	Department:
1/24/2017	General Rates	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Dan Logsdon; Michael Schmitt
 Witness: James R Adkins; Kerry Howard
 Clerk: Pam Hughes

Event Time	Log Event
8:33:27 AM	Session Started
8:33:29 AM	Session Paused
8:58:58 AM	Session Resumed
8:59:01 AM	Chairman Schmitt Note: Hughes, Pam Preliminary remarks and introductions of Commissioners.
9:00:43 AM	Introductions of Counsel Note: Hughes, Pam Gregory Allen for Licking Valley RECC - Quang Nguyen for PSC
9:01:25 AM	Chairman Schmitt Note: Hughes, Pam Notice has been filed Note: Hughes, Pam Asked for Confidential material- no material
9:02:36 AM	Chairman Schmitt asks for pending motions Note: Hughes, Pam No pending motions.
9:02:50 AM	Chairman Schmitt asks for Public Comments Note: Hughes, Pam No public comments
9:03:15 AM	Chairman asks for exhibits Note: Hughes, Pam No exhibits
9:03:38 AM	Atty Allen-calls Kerry Howard to the stand Note: Hughes, Pam Is sworn in by Chairman
9:04:15 AM	Atty Allen- direct exam of Witness Howard Note: Hughes, Pam Adopts his testimony with no changes Note: Hughes, Pam Kerry Howard -CEO of Licking Valley RECC
9:05:58 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Referencing that Licking Valley did not meet its RUS mortgage requirements in 2015.
9:06:56 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam In calendar years of 2011-2014 with its tier with respect to RUS mortgage covenants
9:07:49 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Asking about the 2016 numbers and figure of operating tier before December 2016.
9:08:48 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Questions while Licking Valley hasn't been able to meet its tier
9:09:52 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Load growth decline -- maybe in 5% range and losing members.
9:10:33 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Has Licking Valley been contacted by RUS for failing to meet requirements.
9:11:11 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam When did RUS contact Licking Valley about the 2015 tier? Note: Hughes, Pam Did Licking Valley file a written response to RUS---please provide to the Commission

9:13:02 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	What are the tier and operating tier that Licking Valley is supposed to meet?
9:13:31 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Note: Hughes, Pam	Will the failure trigger any significant consequences from RUS With Licking Valley not meeting its tier requirements in 2016 as well, what does Licking Valley expect RUS response to be.
9:14:57 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Has Licking Valley ever in the past not met its RUS requirements
9:15:23 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Note: Hughes, Pam	Could have Licking Valley come in earlier for a rate increase to attempted to meet the requirements? When notified that the rate increase was needed?
9:17:23 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Post Hearing DR_ provide communications and board minutes that touch on the 2015 failure to meet 2015 requirements and any communications about rate increase.
9:18:37 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Post Hearing DR_ Provide the RUS letter concerning 2015
9:19:29 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Note: Hughes, Pam	Post Hearing DR- Identify the types of measures that have been implemented over past 5 years for savings. Years 2011-2016 In Howard testimony about striving to minimize its expenses and has implemented any cost containment programs and has that caused a significant impact.
9:21:58 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Refer to exhibit 19 of the application concerning Capital credits. Page 1 of 3. Has Licking Valley never refunded capital credits and reason?
9:24:23 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Note: Hughes, Pam	Refer to Licking Valley's response to Staff's 2nd request for information, Item 2.(C). Concerning Mercury vapor or metal halide lights. Referring to when mercury vapor being phased out. LV switched 12 to 18 months ago to LED light
9:27:35 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Asks that Licking Valley revise their Tariff to say no longer supplying mercury or halide lighting.
9:28:21 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Referencing Licking Valley's prepaid program. How many participants are currently enrolled? Exhibit 15 to application states a number, current is close to 130.
9:29:59 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam	Referring to a cap set on the number of participants in the prepaid program.
9:30:20 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Note: Hughes, Pam	How is this prepaid program benefitting the customers? Average is 10% average savings. How is Licking Valley promoting the prepaid program to its customers
9:31:35 AM	Atty Nguyen cross-exam of Witness Howard Note: Hughes, Pam Note: Hughes, Pam	Licking Valley's request to implement updated AMI system, what is the update on that? Customer information kept to contact?

9:32:37 AM Atty Nguyen cross-exam of Witness Howard
Note: Hughes, Pam Regarding LED lighting, Is Licking Valley waiting to switch those customers out on an as needed basis?

9:34:01 AM Atty Nguyen cross-exam of Witness Howard
Note: Hughes, Pam Refer to Staff's 4th DR, Item 3. Employee contribution 10.37% rate. Has Licking Valley considered raising that rate?

9:35:31 AM Atty Nguyen cross-exam of Witness Howard
Note: Hughes, Pam Referencing Insurance benefits to employees. Single coverage paid by Licking Valley- 100 % and family plan members pay 10.37%

9:36:38 AM VC Cicero cross exam of Witness Howard
Note: Hughes, Pam Referencing RUS problems and cost cutting measures.
Note: Hughes, Pam Health care benefits to employees

9:39:39 AM VC Cicero cross exam of Witness Howard
Note: Hughes, Pam Referencing why Licking Valley is here for rate increase and why the board is not making cost benefit savings concerning salaries and insurance benefits.

9:41:26 AM VC Cicero cross exam of Witness Howard
Note: Hughes, Pam Referring to Dispatch costs and what that is.

9:42:30 AM VC Cicero cross exam of Witness Howard
Note: Hughes, Pam Questions about the employee contracts and the dispatch contracts.

9:43:10 AM VC Cicero cross exam of Witness Howard
Note: Hughes, Pam Referring to salaries paid to employees.

9:44:27 AM Comm. Logsdon cross exam of Witness Howard
Note: Hughes, Pam Referring to Vacation payouts to employees. After year 1 they get 80 hours. 40 hours can be transferred into the next quarter and if not able to take vacation then they pay them out that 40 hours or whatever they have left.

9:47:12 AM Comm. Logsdon cross exam of Witness Howard
Note: Hughes, Pam Referring to cutting expenses.

9:48:48 AM Comm. Logsdon cross exam of Witness Howard
Note: Hughes, Pam Referring to overtime paid and cost benefit analysis to cut costs.
Note: Hughes, Pam Post Hearing Data Request _ contract from G&S

9:50:31 AM Comm. Logsdon cross exam of Witness Howard
Note: Hughes, Pam Post Hearing Data Request -provide money from KEAC every year.

9:51:15 AM Witness Howard excused

9:51:25 AM Atty Allen calls Witness Adkins to the stand
Note: Hughes, Pam Chairman swears Witness in

9:52:10 AM Atty Allen- direct exam of Witness Adkins
Note: Hughes, Pam James Adkins -Self-employed Consultant. Adopts his testimony with no changes.

9:53:32 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Referring to the rate case and the tier for Licking Valley and not met it in 2015. Application, exhibit k, page 6 of 7. Listing of the tiers.

9:56:42 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Met it's tier requirement but not its operating tier requirement. Exhibit S of the test year Oct. 2015. Page 1 of 4 - operating tier - 5.78 should not have been in this exhibit.

9:59:21 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Referring to tier requirement in 2014, and previous years.

10:00:42 AM Post Hearing Data Request
Note: Hughes, Pam Provide the calculations as well as result for 2011-2016 of its operating tier.

10:02:15 AM Post Hearing Data Request
Note: Hughes, Pam In addition- PHDR-for calendar year for 2016 to the operating calculation as close as possible.

10:03:19 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam What colateral is provided to RUS for the loans.
Note: Hughes, Pam Licking Valley failed to meet the RUS, what consequences will this trigger.

10:05:00 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Referring to Adkins direct testimony deteriorating tier. 2.5 would help Licking Valley to build equity and increase their margins.

10:05:59 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Would Licking Valley use any margin to equity, and what the operating tier would be if granted the 2.5 a year.
Note: Hughes, Pam Would an increase of 2.0 also help to increase it's equity?

10:09:54 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Rationality of the Commission's granting the 205 in the late 1980's

10:10:53 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Questions how would Licking Valley's decline in equity impact them.

10:11:50 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Refers to RUS having any guidelines about what equity they want Co-Ops to have.

10:12:48 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Referring to the equity level that Licking Valley hoping to achieve.
Note: Hughes, Pam Licking Valley's current equity ratio...exhibit K of the application. Page 7, test year was 40%, without the G&T.

10:15:21 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Exhibit Y of the Application, unnumbered page 2. Account of long term debt -224.14. Provide as a Post Hearing Data Request.

10:17:25 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Last page of Exhibit Y- interest income explanation.

10:18:54 AM Post Hearing Data Request
Note: Hughes, Pam Licking Valley is to provide account 224.14 and 419 interest income as of Dec 31, 2015 and Dec. 31. 2016.

10:19:59 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Previous page Exhibit Y- other interests. What would interest be for the \$6,939

10:23:04 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Rate design component- explain what Licking Valley is proposing to rate design and revenue allocation proposed and the general direction.
Note: Hughes, Pam Primary reason is to get closer to cost of consumer related costs.

10:26:57 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Increase from 9.32 to 15.00 is 61 % increase. How does this keep in the principal of gradualism.

10:28:23 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Question if Commission proposed a lower increase, how should that be implemented by Licking Valley.

10:29:03 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Allocations of rate classes, If given a bigger increase would Licking Valley propose to allocate propotionately.

10:30:04 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Refers to any Analysis that has been done.

10:30:17 AM Atty Nguyen cross-exam of Witness Adkins
Note: Hughes, Pam Any review to determine if their has been studies on impact on low income customers of rate increases.

10:31:59 AM	Atty Nguyen cross-exam of Witness Adkins Note: Hughes, Pam	Based on various Licking Valley rate classes, return on Rate Base. Security light rate class, exhibit R to the application has been revised. Page 38, Negative return 8.1%.
	Note: Hughes, Pam	Questions why did Licking Valley not increase the allocation for the security lighting.
10:38:39 AM	VC Cicero cross exam of Witness Adkins Note: Hughes, Pam	Referring to proposed rate increase. Disparity on large power rate and residential rate.
10:42:22 AM	VC Cicero cross exam of Witness Adkins Note: Hughes, Pam Note: Hughes, Pam	Questions how long Witness Adkins has consulted for Licking Valley. Referring to Equity and revenues and expense control. Controllable expenses need to be looked at.
10:45:36 AM	VC Cicero cross exam of Witness Adkins Note: Hughes, Pam	Referring to the cost containment measures that have been put in place.
10:47:22 AM	VC Cicero cross exam of Witness Adkins Note: Hughes, Pam Note: Hughes, Pam	Referring to Equity asset ratio and what Witness recommends it goes to. Witness is recommenrding 40%. Referring to weather impact on profits.
10:48:51 AM	Atty Nguyen asks for Post Hearing Data Request Note: Hughes, Pam	Equity asset ratio for calendar year 2016.
10:49:41 AM	Witness Adkins dismissed	
10:49:54 AM	Post Hearing Data Requests Note: Hughes, Pam	PHDR will be presented to Atty Allen by Commission Staff no later than Friday, January 27, 2017, and Atty Allen has until Feb. 7, 2017 to respond.
10:50:34 AM	Hearing Adjourned	
10:51:02 AM	Session Paused	
10:58:21 AM	Session Ended	

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