

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A REVIEW OF THE RATE CASE PROCEDURE)	
FOR ELECTRIC DISTRIBUTION)	CASE NO.
COOPERATIVES)	2018-00407

ORDER

The Commission, on its own motion, establishes this administrative case to review the procedure for filing general rate adjustments for electric distribution cooperatives (Distribution Cooperatives). Because of the nature of the Distribution Cooperatives' business model, in which the majority of expenses factored into the rates paid by their members is the pass-through of generation costs from their Generation and Transmission Cooperative, the issues presented in rate cases filed by Distribution Cooperatives are not as complicated, nor do they have the same ratepayer impacts as those presented in rate cases filed by vertically integrated, investor-owned utilities. Accordingly, the Commission will use this case to determine which current procedures can be amended or whether alternate procedures may be utilized to reduce the cost and complexity of rate cases filed by Distribution Cooperatives and to ensure the timely processing of such cases by the Commission.¹ In undertaking this review, the Commission hopes to accomplish the following: (1) reduce rate case expense to the Distribution Cooperatives and their members; (2) encourage Distribution Cooperatives to make more frequent, smaller rate

¹ The Commission has undertaken similar efforts to reduce rate case expenses and simplify the review process for qualifying small utilities by allowing them to seek a rate adjustment using the alternative rate adjustment procedure for small utilities. See 807 KAR 5:076.

adjustments as needed; (3) avoid, or at least diminish, rate shock that may result from large infrequent rate increases; and (4) reduce the strain on Commission resources.

The Commission plans to implement the revised procedures that result from this review as a pilot program to determine if permanent changes to rate case procedures for the Distribution Cooperatives should be adopted. The Commission hopes to accomplish the goals discussed above by identifying in this Order certain requirements in the Commission's administrative regulations from which the Distribution Cooperatives may be granted deviations in their applications for a general rate adjustment filed while this pilot program is in effect. During the pilot program, the Commission will undertake an expeditious review of applications to determine if the request for a streamlined rate procedure is reasonable under the circumstances of the Distribution Cooperative at issue. Each application will be reviewed on a case-by-case and utility-by-utility basis, and rulings on the request to use the streamlined process created herein shall not be precedential in a subsequent proceeding. Assuming the Commission initially determines that the application qualifies for the streamlined process, the Commission will allow for limited discovery and issue a final order within 75 days of the date the application was filed.

The pilot program established herein will remain in effect as long as the Commission deems necessary to evaluate the effectiveness of the alternate procedures established herein. The Commission will internally evaluate the effectiveness of the pilot program at periodic intervals, with the first such evaluation being conducted no later than 18 months after the date of entry of this Order. The Commission reserves the right to cancel this pilot program at any time.

I. Prerequisites for Use of the Streamlined Process

The following conditions must be met for a Distribution Cooperative to be eligible to apply to use this streamlined procedure:

- (1) At least 12 months have elapsed since the effective date of the Distribution Cooperative's most recent base rate increase;
- (2) The application requests a maximum rate increase of 0.75 percent per 12 months;²
- (3) Any rate increase results in an operating times interest earned ratio (OTIER)³ of no greater than 1.85;
- (4) While multiple 12-month periods may be aggregated in one rate increase application, the overall cumulative increase cannot exceed four (4) percent;
- (5) The Distribution Cooperative's Cost of Service Study (COSS) is less than five (5) years old;
- (6) The application is limited to seeking adjustments in revenue requirements and rate design and does not include any request for a certificate of public convenience and necessity (CPCN) or changes in the Distribution Cooperative's tariff beyond those necessary to reflect changes in rates; and
- (7) The application must be filed electronically per the requirements of 807 KAR 5:001, Section 8.

II. Notification Requirements

The Commission acknowledges that certain public notification requirements can significantly increase the utility's costs during a rate proceeding. Accordingly, during the pendency of the pilot program, the Commission will grant deviations from specific notification requirements contained in 807 KAR 5:001, Section 17, to all Distribution Cooperatives who file an application seeking to use the streamlined procedure.

² Increases to rates due to a pass-through of a rate increase from the Distribution Cooperatives' generation and transmission providers should be excluded when applying the maximum-rate-increase-per-year limit under the streamlined procedure.

³ OTIER should be calculated in the same manner as the Rural Utilities Service and, thus, should exclude generation and transmission capital credits, other capital credits, patronage, and other interest.

During the pilot program, the Commission will maintain the requirement that the Distribution Cooperative provide 30 days' advance notice to the Commission before filing the rate application. Likewise, pursuant to 807 KAR 5:001, Section 17(1)(a)–(c), the Distribution Cooperative must post a copy of the public notice at its place of business. Within five (5) days of filing its application with the Commission, the Distribution Cooperative must conspicuously post a copy of the public notice on its website and include therein a hyperlink to the Commission's website where the case documents are available. The Distribution Cooperative should also post the public notice, or a link thereto, on its social media accounts. Any notice posted, published, or given to the Distribution Cooperative's members should include a statement that the Commission is required to take action within 75 days of the date the application is filed.

The Commission will allow for summary or abbreviated notices to customers, provided that each includes a reference to the Distribution Cooperative's place of business, website notifications, and social media posts where a copy of the full notice (or link thereto) can be found. The summary notice must include, at a minimum, (a) the case number; (b) the proposed effective date of the proposed rates and the average dollar and percentage increase for each customer class,⁴ (c) the Commission's contact information; (d) information regarding the member's right to request intervention; and (e) the current rate and the proposed rate.

In addition to the notice requirements listed above, the Distribution Cooperative must satisfy its publication requirement by (a) including the summary notice with customer bills mailed no later than the filing date of the application or through a separate notice

⁴ If the Distribution Cooperative has no customer that takes services under a particular rate class, the Distribution Cooperative need not include that customer class in the summary notice.

mailed no later than the filing date of the application; (b) publishing the summary or abbreviated notice in a newspaper of general circulation, with the first publication being no later than the filing date of the application, for three consecutive weeks inclusive of the first publication; or (c) publishing the summary or abbreviated notice in a trade publication or newsletter received by all Distribution Cooperative members, delivered no later than the date of the filing of the application.

III. Procedure Upon Filing of the Application

Contemporaneously with the filing of the application with the Commission, the Distribution Cooperative should electronically submit a copy of the application to the Attorney General, Office of Rate Intervention (Attorney General). Upon filing of the application, the Commission will issue an order that will grant the Attorney General intervention and allow all other potential intervenors seven days from the date of the application's filing to file comments regarding the Distribution Cooperative's request for a streamlined rate case versus a traditional rate case. This Order will also establish a seven-day period in which the Attorney General will file its statement as required by 807 KAR 5:001, Section 8(9)(b), or notify the Commission in writing that the Attorney General will not participate in the proceeding.

Within ten business days of the filing of the application, the Commission will complete its initial review of the application and issue an order either accepting or rejecting the application for filing under the streamlined rate procedure. In the event that the Commission accepts the application for filing under the streamlined rate procedure, the Commission's Order accepting the case for filing will incorporate into the record the last two completed annual reports of the Distribution Cooperative on file with the

Commission and establish a procedural schedule. At a minimum, the procedural schedule should provide deadlines for requests for intervention, one round of requests for information (with an abbreviated time in which to respond to the request), and, upon the conclusion of the filing of evidence, a comment period for parties to submit written comments prior to submission to the Commission for a final decision.

The Distribution Cooperative should identify the witness(es) responsible for providing the information contained in the application or in responses to any requests for information and include contact information for each witness. The Distribution Cooperative may state in its application that members of Commission Staff may contact the Distribution Cooperative's witnesses directly, without counsel present, to seek clarification of certain factual information contained in the application or in responses to requests for information. Following any such communication, Commission Staff will file in the record a memorandum detailing the content and subject of the communication. In cases where there are intervenors; however, Commission Staff will not have direct communication with Distribution Cooperative employees absent proper notice of an informal conference.

IV. Application Filing Requirements

An application for a general rate increase under the procedure established in this Order must conform to the requirements of 807 KAR 5:001, Section 16, except that the rate increase may only be based on a historical test year that corresponds with the most recent annual report on file with the Commission. The application also must contain a narrative statement discussing any changes that have occurred for the Distribution

Cooperative since the effective date of its last general base rate adjustment and stating the reasons for the proposed adjustment.

During the pilot program established herein, the Commission finds that good cause exists to grant deviation from certain administrative regulations. Therefore, a Distribution Cooperative approved for use of the streamlined procedure will also automatically be granted deviation from 807 KAR 5:001, Section 12(1)(a),⁵ and the following portions of 807 KAR 5:001, Section 16:

1. (1)(b)(2): certified copy of certificate of assumed name;
2. (4)(c): written testimony or statement that utility will not use a witness if the rate increase is less than \$5,000,000;
3. (4)(j): current chart of accounts;
4. (4)(k): current auditor's report;
5. (4)(l): most recent FERC report;
6. (4)(m): most recent FERC financial reports;
7. (4)(n): latest depreciation study if the depreciation schedule on file with the Commission is the most recent version;
8. (4)(o): list of computer software programs, and models;
9. (4)(p) prospectus of most recent stock or bond offering;
10. (4)(q): annual reports over the two most recent years;
11. (4)(r): monthly managerial reports for the 12-month test period;
12. (4)(s): Form 10-K or Form 8-K from last two years;
13. (4)(v): telecom specific data;

⁵ This regulation requires that any financial exhibits attached to an application be for the period ending not more than 90 days before the date that the application is filed. Because this could create a conflict with use of the most recently completed annual report for the rate case, granting a deviation from this requirement is appropriate.

14. (5)(b): capital construction budget;
15. (5)(c): detail regarding pro forma adjustments reflecting plant additions; and
16. (5)(d): operating budget for each month encompassing the pro forma adjustments.

To help expedite the review process and provide Commission Staff with information normally sought via formal requests for information, the application should also include:

1. The estimated dates for drawdowns of unadvanced loan funds at test-year-end and the proposed uses of these funds;
2. A general statement identifying any electric property or plant held for future use;
3. The calculation of normalized depreciation expense (test-year-end plant account balance multiplied by depreciation rate);
4. Any changes that occurred during the test year to the Distribution Cooperative's written policies on the compensation of its attorneys, auditors, and all other professional service providers, indicating the effective date and reason for these changes;
5. Any changes that occurred during the test year to the Distribution Cooperative's written policies specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicating the effective date and reason for these changes;
6. A schedule reflecting the salaries and other compensation of each executive officer for the test year and two preceding calendar years. Include the percentage of annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each executive officer reports. Also, for employees elected to executive officer status during the test year, provide the salaries for the test year for those persons whom they replaced;
7. An analysis of Account No. 930, Miscellaneous General Expenses, for the test year. Include a complete breakdown of this account by the following categories: industry association dues, debt-serving expenses, institutional

advertising, conservation advertising, rate department load studies, director's fees and expenses, dues and subscriptions, and miscellaneous. Include all detailed supporting workpapers. At a minimum, the workpapers should show the date, vendor, reference (e.g., voucher number), dollar amount, and a brief description of each expenditure. A detailed analysis is not required for amounts less than \$100;

8. An analysis of Account No. 426, Other Income Deductions, for the test period. Include a complete breakdown of this account by the following categories: donations, civic activities, political activities, and other. Include detailed supporting workpapers. At a minimum, the workpapers should show the date, vendor, reference (e.g., voucher number), dollar amount, and a brief description of each expenditure. A detailed analysis is not required for amounts of less than \$250;
9. A statement explaining whether the depreciation rates reflected in this filing are identical to those most recently approved by the Commission. If identical, identify the case in which they were approved. If not, provide the depreciation study that supports the rates reflected in this filing;
10. A copy of all exhibits and schedules that were prepared for the rate application in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible;
11. The Distribution Cooperative's times interest-earned ratio (TIER), OTIER, and debt service coverage ratio, as calculated by RUS, for the test year and the five most recent calendar years, including the data used to calculate each ratio;
12. A trial balance as of the last day of the test year showing account number, subaccount number, account title, subaccount title, and amount. The trial balance shall include all asset, liability, capital, income, and expense accounts used by the Distribution Cooperative. All income statement accounts should show activity for 12 months. The application should show the balance in each control account and all underlying subaccounts per the company books;
13. A schedule comparing balances for each balance sheet account or subaccount included in the Distribution Cooperative's chart of accounts for each month of the test year to the same month of the 12-month period immediately preceding the test year;
14. A schedule comparing each income statement account or subaccount included in the Distribution Cooperative's chart of accounts for each month of the of the test year to the same month of the 12-month period immediately preceding the test year. The amounts should reflect the income or expense

activity of each month, rather than the cumulative balances at the end of the particular month; and

15. A schedule showing employee health, dental, vision, and life insurance premium contributions by coverage type, including the cost split of each identified premium between the employee and the Distribution Cooperative.

V. Excluded Items for Ratemaking Purposes

During a rate case, several expense items are typically excluded as recovery of these items is unreasonable and not allowable. For each application under the streamlined procedure, each of the following should be addressed and certain items should be excluded from the pro forma test year and supporting documentation should be included in the application:

1. For employer retirement contributions for employees participating in multiple benefit packages exclude the contribution for the least generous plans;
2. If employee health care insurance premium contribution is zero, then for ratemaking purposes, the pro forma income statement should reflect healthcare insurance premiums adjusted for employee contributions based on the national average for coverage type;⁶
3. Life insurance premiums for coverage above the lesser of an employee's annual salary or \$50,000;
4. Advertising expenses prohibited from rate recovery by 807 KAR 5:016;
5. All fuel adjustment clause (FAC) and environmental surcharge (ES) revenue and expense from test-year revenue and expense;
6. Charitable and political contributions (in cash or services);

⁶ See <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table10a.pdf>. This information is updated every September.

7. Salary and all company-paid or reimbursed expenses or allowances for lobbying on the local, state, or national level. If any amounts are allocated, show a calculation of the factor used to allocate each amount;

8. Any non-regulated activities;

9. All non-utility property and related property taxes; and

10. For board of directors:

a. Per diems for attending industry association meetings,

b. Costs of health insurance coverage,

c. Costs of post-retirement benefits,

d. Costs of Christmas gifts,

e. Cost of insurance for spouses or dependents of deceased directors,

and

f. Any costs for a director's spouse.

VI. Revenue Neutral Rate Design

If the Distribution Cooperative is not seeking an increase in revenue requirements, but rather a change in rate design so as to more accurately recover fixed costs, a revenue neutral rate design adjustment may be filed. Similar to the streamlined procedure above, a Distribution Cooperative is not eligible for adjustments under this procedure until 12 months after the effective date of its most recent rate increase and the Distribution Cooperative's COSS must be less than 5 years old. The application should be filed electronically, in accordance with the requirements of 807 KAR 5:001, Section 8, and should be limited to seeking an adjustment of the Distribution Cooperative's rate design. The application should not include any request for a CPCN or changes in the Distribution

Cooperative's tariff, except those necessary to reflect changes in rates. Notice requirements and other procedures will be the same as stated in Sections II and III of this Order above. For a revenue neutral rate design application, in addition to the deviations listed in Section IV, deviation from 807 KAR 5:001, Sections 16(4)(h), (4)(i), (4)(r), (4)(t), and (5), also may be requested. The Distribution Cooperative need not provide the additional information listed on pages 8–10 in Section IV with its application.

VII. Conclusion

In the event the pilot program and its streamlined procedures achieve the goals stated in this Order, the next step would be for the Commission to permanently codify some or all of the temporary changes undertaken herein. Just as this pilot program was developed through communication and collaboration between and among the Commission, the stakeholders, and the Attorney General, any permanent changes will be similarly vetted with all affected parties.

IT IS THEREFORE ORDERED that:

1. Within 45 days of the date of entry of this Order, a pilot program is established for the purposes of reviewing and streamlining the rate case procedure for Distribution Cooperatives subject to the Commission's jurisdiction.
2. Distribution Cooperatives seeking to utilize the streamlined procedure shall follow the procedures and conform their applications to the requirements listed in Appendix A to this Order.
3. A Distribution Cooperative approved for a streamlined rate case is granted deviation from 807 KAR 5:001, Section 12(1)(a).

4. A Distribution Cooperative approved for a streamlined rate case is granted deviation from the following sections of 807 KAR 5:001, Section 16:

- a. (1)(b)(2): certified copy of certificate of assumed name;
- b. (4)(c): written testimony or statement that utility will not use a witness if the rate increase is less than \$5,000,000;
- c. (4)(j): current chart of accounts;
- d. (4)(k): current auditor's report;
- e. (4)(l): most recent FERC report;
- f. (4)(m): most recent FERC financial reports;
- g. (4)(n): latest depreciation study if the depreciation schedule on file with the Commission is the most recent version
- h. (4)(o): list of computer software programs, and models;
- i. (4)(p) prospectus of most recent stock or bond offering;
- j. (4)(q): annual reports over the two most recent years;
- k. (4)(r): monthly managerial reports for the 12-month test period
- l. (4)(s): Form 10-K or Form 8-K from last two years;
- m. (4)(v): telecom specific data;
- n. (5)(b): capital construction budget;
- o. (5)(c): detail regarding pro forma adjustments reflecting plant additions;
and
- p. (5)(d): operating budget for each month encompassing the pro forma adjustments.

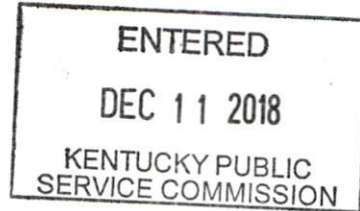
5. A Distribution Cooperative that plans to file an application seeking to use the streamlined procedure is granted deviation from the notice requirements in 807 KAR 5:001, Section 17, as specified in Appendix B to this Order.

6. A copy of this Order shall be served on all Distribution Cooperatives subject to the Commission's jurisdiction and the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention.

7. Within 30 days of the date of entry of this Order, any interested party may file comments regarding the proposed pilot program.

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By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00407 DATED **DEC 11 2018**

The procedure for the streamlined rate case for Distribution Cooperatives is as follows:

A. Prerequisites for Use of the Streamlined Process

1. At least 12 months have elapsed since the effective date of the Distribution Cooperative's most recent base rate increase;
2. The application requests a maximum rate increase of 0.75 percent per 12 months;
3. Any rate increase procedure cannot result in an OTIER of no greater than 1.85;
4. While multiple 12-month periods may be aggregated in one rate increase application, the overall cumulative increase shall not exceed four (4) percent;
5. The Distribution Cooperative's Cost of Service Study (COSS) must be less than five (5) years old;
6. The application is limited to seeking adjustments in revenue requirements and rate design and does not include any request for a certificate of public convenience and necessity (CPCN) or changes in the Distribution Cooperative's tariff beyond those necessary to reflect changes in rates; and
7. The application shall be filed electronically per the requirements of 807 KAR 5:001, Section 8.

B. Procedure Upon Filing of the Application

1. Contemporaneously with the filing of the application with the Commission, the Distribution Cooperative shall electronically submit a copy of the application to the Attorney General, Office of Rate Intervention (Attorney General);
2. Upon filing of the application, the Commission shall issue an order that granting the Attorney General intervention, and allow all other potential intervenors should have seven (7) days from the date of the application's filing to file comments regarding the Distribution

Cooperative's request for a streamlined rate case versus a traditional rate case. This Order shall also establish a seven-day period in which the Attorney General shall file its statement as required by 807 KAR 5:001, Section 8(9)(b) or notify the Commission in writing that the Attorney General will not participate in the proceeding;

3. Within ten business days of the filing of the rate case, the Commission shall complete its initial review of the application and issue an order either accepting or rejecting the application for filing under the streamlined rate procedure;
4. An Order approving the Distribution Cooperative for the streamlined procedure shall incorporate into the record the last two completed annual reports of the Distribution Cooperative on file with the Commission;
5. An Order approving the Distribution Cooperative for the streamlined procedure shall establish a procedural schedule that:
 - a. provides deadlines for requests for intervention,
 - b. provides for one round of requests for information, and
 - c. upon the conclusion of the filing of evidence, provides for a comment period for parties to submit written comments prior to submission of the case to the Commission for a final decision;
6. The Distribution Cooperative shall identify the witness(es) responsible for providing the information contained in the application or in responses to any requests for information and include contact information for each witness; and
7. The Distribution Cooperative may state in its application that members of Commission Staff may contact the Distribution Cooperative's witnesses directly, without counsel present, to seek clarification of certain factual information contained in the application or in responses to requests for information. Following any such communication, Commission Staff shall file in the record a memorandum detailing the content and subject of the communication.

C. Application Filing Requirements

1. The rate increase shall only be based on a historical test year that corresponds with the most recent annual report on file with the Commission;
2. The application shall also contain a narrative statement discussing what changes have occurred for the Distribution Cooperative since the effective date of its last general rate adjustment and stating the reasons for the proposed adjustment;
3. The application shall include:
 - a. The estimated dates for drawdowns of unadvanced loan funds at test-year-end and the proposed uses of these funds;
 - b. A general statement identifying any electric property or plant held for future use;
 - c. The calculation of normalized depreciation expense (test-year-end plant account balance multiplied by depreciation rate);
 - d. Any changes that occurred during the test year to the Distribution Cooperative's written policies on the compensation of its attorneys, auditors, and all other professional service providers, indicating the effective date and reason for these changes;
 - e. Any changes that occurred during the test year to the Distribution Cooperative's written policies specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicating the effective date and reason for these changes;
 - f. A schedule reflecting the salaries and other compensation of each executive officer for the test year and two preceding calendar years. Include the percentage of annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each executive officer reports. Also, for employees elected to executive officer status during the test year, provide the salaries for the test year for those persons whom they replaced;
 - g. An analysis of Account No. 930, Miscellaneous General Expenses, for the test year. Include a complete breakdown of

this account by the following categories: industry association dues, debt-serving expenses, institutional advertising, conservation advertising, rate department load studies, director's fees and expenses, dues and subscriptions, and miscellaneous. Include all detailed supporting workpapers. At a minimum, the workpapers should show the date, vendor, reference (e.g., voucher number), dollar amount, and a brief description of each expenditure. A detailed analysis is not required for amounts of less than \$100;

- h. An analysis of Account No. 426, Other Income Deductions, for the test period. Include a complete breakdown of this account by the following categories: donations, civic activities, political activities, and other. Include detailed supporting workpapers. At a minimum, the workpapers should show the date, vendor, reference (e.g., voucher number), dollar amount, and a brief description of each expenditure. A detailed analysis is not required for amounts of less than \$250;
- i. A statement explaining whether the depreciation rates reflected in this filing are identical to those most recently approved by the Commission. If identical, identify the case in which they were approved. If not, provide the depreciation study that supports the rates reflected in this filing;
- j. A copy of all exhibits and schedules that were prepared for the rate application in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible;
- k. The Distribution Cooperative's TIER, OTIER, and debt service coverage ratio, as calculated by the RUS, for the test year and the five most recent calendar years, including the data used to calculate each ratio;
- l. A trial balance as of the last day of the test year showing account number, subaccount number, account title, subaccount title, and amount. The trial balance shall include all asset, liability, capital, income, and expense accounts used by the Distribution Cooperative. All income statements accounts should show activity for 12 months. The application should show the balance in each control account and all underlying subaccounts per the company books;
- m. A schedule comparing balances for each balance sheet account or subaccount included in the Distribution Cooperative's chart of accounts for each month of the test year to the same month of the 12-month period immediately preceding the test year;

- n. A schedule comparing each income statement account or subaccount included in the Distribution Cooperative's chart of accounts for each month of the of the test year to the same month of the 12-month period immediately preceding the test year. The amounts should reflect the income or expense activity of each month, rather than the cumulative balances at the end of the particular month; and
- o. A schedule showing employee health, dental, vision, and life insurance premium contributions by coverage type, including the cost split of each identified premium between the employee and the Distribution Cooperative.

D. Excluded Items for Ratemaking Purposes

The following items shall be excluded from the pro forma test year income statement and supporting documentation included in the application:

1. For employer retirement contributions for employees participating in multiple benefit packages, exclude the contribution for the least generous plans;
2. If employee health care insurance premium contribution is zero, then for ratemaking purposes, the pro forma income statement should reflect healthcare insurance premiums adjusted for employee contributions based on the national average for coverage type;⁷
3. Life insurance premiums for coverage above the lesser of an employee's annual salary or \$50,000;
4. Advertising expenses prohibited from rate recovery by 807 KAR 5:016;
5. All fuel adjustment clause (FAC) and environmental surcharge (ES) revenue and expense from test-year revenue and expense;

⁷ See <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table10a.pdf>. This information is updated every September.

6. Charitable and political contribution (in cash or services);
7. Salary and all company-paid or reimbursed expenses or allowances for lobbying on the local, state, or national level. If any amounts are allocated, show a calculation of the factor used to allocate each amount;
8. Any non-regulated activities;
9. All non-utility property and related property taxes; and
10. For board of directors:
 - a. Per diems for attending industry association meetings,
 - b. Costs of health insurance coverage,
 - c. Costs of post-retirement benefits,
 - d. Costs of Christmas gifts,
 - e. Cost of insurance for spouses or dependents of deceased directors, and
 - f. Any costs for a director's spouse.

E. Revenue Neutral Rate Design

1. A Distribution Cooperative is not eligible for adjustments under this procedure until 12 months after the effective date of its most recent base rate increase and the Distribution Cooperative's COSS must be less than 5 years old.
2. The application shall be filed electronically, in accordance with the requirements of 807 KAR 5:001, Section 8, and shall be limited to seeking an adjustment of the Distribution Cooperative's rate design.

3. The application shall not include any request for a CPCN or changes in the Distribution Cooperative's tariff, except those necessary to reflect changes in rates.
4. The procedure and notice requirements detailed in Sections A and B of Appendix A to this Order shall be followed.
5. For a revenue neutral rate design application, in addition to the deviations listed in ordering paragraph 4. Of this Order, deviation from 807 KAR 5:001, Sections 16(4)(h), (4)(i), (4)(r), (4)(t), and (5) also may be requested.
6. The Distribution Cooperative need not provide the information listed in Section C.3. of Appendix A of this Order with its application.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00407 DATED **DEC 11 2018**

Notification Requirements

A Distribution Cooperative that plans to file an application seeking to use the streamlined procedure must follow the notification requirements set forth below and is granted deviation from the notice requirements in 807 KAR 5:001, Section 17, as follows:

1. The Distribution Cooperative shall provide 30-days advance notice to the Commission before filing the rate application;
2. The Distribution Cooperative shall post a copy of the public notice at its place of business;
3. Within five (5) days of filing its application with the Commission, the Distribution Cooperative shall post, conspicuously, a copy of the notice on its website and include therein a hyperlink to the Commission's website where the case documents are available;
4. The Distribution Cooperative should also post the public notice, or a link thereto, on its social media accounts;
5. Any notice posted, published, or given to the Distribution Cooperative's members shall include a statement that the Commission is required to take action within 75 days of the date the application is filed;
6. Any summary or abbreviated notice to customers shall include a reference to the Distribution Cooperative's place of business, website notifications, and social media posts where a copy of the full notice (or link thereto) can be found;
7. Any summary or abbreviated notice to customers shall include, at a minimum:
 - a. the case number,

- b. the proposed effective date of the proposed rates and the average dollar and percentage increase to each customer class⁸,
 - c. the Commission's contact information,
 - d. information regarding the member's right to request intervention, and
 - e. the current rate and the proposed rate;
8. In addition to the notice requirements listed above, the Distribution Cooperative shall satisfy its publication requirement by:
- a. including the summary notice with customer bills mailed no later than the filing date of the application or through a separate notice mailed no later than the filing date of the application,
 - b. publishing the summary or abbreviated notice in a newspaper of general circulation, with the first publication being no later than the filing date of the application, for three consecutive weeks inclusive of the first publication, or
 - c. publishing the summary or abbreviated notice in a trade publication or newsletter received by all Distribution Cooperative members, delivered no later than the date of the filing of the application.

⁸ If the Distribution Cooperative has no customer that takes services under a particular rate class, the Distribution Cooperative need not include the customer class in the summary notice.

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411 Ring Road
Elizabethtown, KY 42701-6767

*East Kentucky Power Cooperative, Inc
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

*Taylor County R.E.C.C.
Taylor County R.E.C.C.
625 West Main Street
P. O. Box 100
Campbellsville, KY 42719

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

*Inter-County Energy Cooperative Corp
Inter-County Energy Cooperative Corporation
1009 Hustonville Road
P. O. Box 87
Danville, KY 40423-0087

*Jackson Purchase Energy Corporation
Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
P. O. Box 4030
Paducah, KY 42002-4030

*Meade County R.E.C.C.
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489

*Jackson Energy Cooperative Corporati
Jackson Energy Cooperative Corporation
115 Jackson Energy Lane
McKee, KY 40447

*Farmers R.E.C.C.
Farmers R.E.C.C.
504 South Broadway
P. O. Box 1298
Glasgow, KY 42141-1298

*Salt River Electric Cooperative Corp
Salt River Electric Cooperative Corp.
111 West Brashear Avenue
P. O. Box 609
Bardstown, KY 40004

*Licking Valley R.E.C.C.
Licking Valley R.E.C.C.
P. O. Box 605
271 Main Street
West Liberty, KY 41472

*Fleming-Mason Energy Cooperative, In
Fleming-Mason Energy Cooperative, Inc.
1449 Elizaville Road
P. O. Box 328
Flemingsburg, KY 41041

*Blue Grass Energy Cooperative Corp.
Blue Grass Energy Cooperative Corp.
1201 Lexington Road
P. O. Box 990
Nicholasville, KY 40340-0990

*Owen Electric Cooperative, Inc.
Owen Electric Cooperative, Inc.
8205 Highway 127 North
P. O. Box 400
Owenton, KY 40359

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*Clark Energy Cooperative, Inc.
Clark Energy Cooperative, Inc.
2640 Ironworks Road
P. O. Box 748
Winchester, KY 40392-0748

*Shelby Energy Cooperative, Inc.
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, KY 40065

*Kenergy Corp.
Kenergy Corp.
6402 Old Corydon Road
P. O. Box 18
Henderson, KY 42419

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

*Grayson R.E.C.C.
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

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*Big Rivers Electric Corporation
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420