

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On December 11, 2018, the Commission, on its own motion, issued an Order establishing this administrative case to review the procedure for filing general rate adjustments for electric distribution cooperatives (Distribution Cooperatives). On March 26, 2019, the Commission issued a final Order establishing the procedure to be followed by the Distribution Cooperatives for streamlined rate proceedings. In the December 11, 2018 Order, the Commission stated that it would internally evaluate the streamlined procedure no later than 18 months after the entry of the December 11, 2018 Order.

Since its establishment, two Distribution Cooperatives have utilized the streamlined rate procedure.¹ After reviewing the two cases, the Commission will make the following modifications to the streamlined procedure:

1. Anticipated rate case expenses should be included in the application and, by the day that the case is submitted to the Commission for a decision, the Distribution Cooperative should file the total amount of expenses as well as detailed invoices in

¹ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment In Existing Rates*, (Ky. PSC June 20, 2019), and Case No. 2019-00066, *Electronic Application of Jackson Energy Cooperative Corporation for a General Adjustment In Existing Rates* (Ky. PSC June 10, 2019, rehearing denied July 19, 2019).

support of the rate case expenses or a statement that the invoices have already been filed in the record.

2. A Distribution Cooperative that has not had a general adjustment in rates within the past five years should provide a detailed explanation as to why it did not seek a rate increase during that period of time.

3. A Distribution Cooperative that has not had a general adjustment in rates for ten years or more will not be eligible for the streamlined procedure.

4. Applications for revenue-neutral cases should be revenue neutral, should only include changes in rate design or allocation, and should result in no change to the Distribution Cooperative's annual revenue as approved in the Distribution Cooperative's last base rate case.

The Commission, regardless of the modifications made herein, and its acceptance of the two streamlined rate cases filed to date, reemphasizes that it retains the discretion to grant or deny use of the streamlined rate procedure. The Commission has the right to extend the time for processing a streamlined case if it determines that further information is necessary to complete the record of the case. The Commission also retains the right to modify or cancel this pilot program.

IT IS THEREFORE ORDERED that:

1. This case is reopened to amend the streamlined rate procedure.
2. Distribution Cooperatives seeking to utilize the streamlined procedure, as amended by this Order, 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)(j): current chart of accounts;
- c. (4)(k): current auditor's report;
- d. (4)(l): most recent FERC report;
- e. (4)(m): most recent FERC financial reports;
- f. (4)(n): latest depreciation study if the depreciation schedule on file with the Commission is the most recent version;
- g. (4)(o): list of computer software programs, and models;
- h. (4)(p) prospectus of most recent stock or bond offering;
- i. (4)(q): annual reports over the two most recent years;
- j. (4)(r): monthly managerial reports for the 12-month test period;
- k. (4)(s): Form 10-K or Form 8-K from last two years;
- l. (4)(v): telecom specific data;
- m. (5)(b): capital construction budget;
- n. (5)(c): detail regarding pro forma adjustments reflecting plant additions;
and
- o. (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 on the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention.

7. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED
DEC 20 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00407

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-000407 DATED **DEC 20 2019**

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

A. Prerequisites for Use of the Streamlined Process

1. No more than ten years has elapsed since the Distribution Cooperative's most recent base rate increase;
2. At least 12 months have elapsed since the effective date of the Distribution Cooperative's most recent base rate increase;
3. The application requests a maximum rate increase of 0.75 percent per 12 months;
4. Any rate increase procedure cannot result in an OTIER of greater than 1.85;
5. While multiple 12-month periods may be aggregated in one rate increase application, the overall cumulative increase shall not exceed 4 percent;
6. The Distribution Cooperative's Cost of Service Study (COSS) must be less than five years old;
7. 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
8. 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 grants the Attorney General intervention and allows seven days for the Attorney General to 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. This Order shall also allow seven days to file comments regarding the Distribution Cooperative's request for a streamlined rate case versus a traditional rate case;
 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's use of the streamlined procedure shall incorporate into the record the two most recent 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 provides deadlines for:
 - a. requests for intervention,
 - b. one round of requests for information,
 - c. parties to submit written comments upon the conclusion of the filing of evidence, and
 - d. 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
- C. 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. In cases where there are intervenors, Commission staff will not have direct communication with the applicant unless the intervenor(s) participates or has waived participation.

D. 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 contain a narrative statement discussing any changes that 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. If more than five years has elapsed since the Distribution Cooperative's most recent base rate case, the application shall include a detailed explanation of why the Distribution Cooperative did not seek a base rate increase in that period;
4. 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. A schedule of the Distribution Cooperative's standard directors' fees, per diems, and other compensation in effect during the test year. Include a description of any changes that occurred during the test year to the Distribution Cooperative's written policies specifying the compensation of directors, indicating the effective date and reason for any change;

- 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;

- i. 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;
- 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; and
- p. A schedule showing anticipated and incurred rate case expenses, with supporting documentation. This information should be updated during the proceeding.

E. Excluded Items for Ratemaking Purposes

The following items shall be excluded from the pro forma test year income and expense 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, 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;²

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;
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.

² See <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table10a.pdf>. This information is updated every September.

F. 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.
2. A Distribution Cooperative is not eligible for adjustments under this procedure if the application would result in an increase in the Distribution Cooperative's annual revenue approved in the Distribution Cooperative's most recent base rate case.
3. A revenue-neutral case shall only result in changes to a Distribution Cooperative's rate design and/or revenue allocation and the annual revenues requirement shall be the last Commission approved base case revenue.
4. The Distribution Cooperative's COSS must be less than five years old.
5. The application shall be filed electronically, in accordance with the requirements of 807 KAR 5:001, Section 8.
6. 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.
7. 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) may also be requested.

6. The Distribution Cooperative need not provide the information listed in Section C.4. 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 20 2019**

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 public notice shall not include the statement required by 807 KRS 5:001, Section 17(4)(j);
3. The public notice shall include the statement required by 807 KRS 5:001, Section 17(4)(i);
4. The Distribution Cooperative shall post a copy of the public notice at its place of business;
5. Within five days of filing its application with the Commission, the Distribution Cooperative shall conspicuously post a copy of the notice on its website and include therein a hyperlink to the Commission's website where the case documents are available;
6. The Distribution Cooperative shall post the public notice, or a link thereto, on its social media accounts;
7. 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;
8. 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;
9. Any summary or abbreviated notice to customers shall include, at a minimum:
 - a. the case number,

- b. information regarding the right to request intervention,
 - c. the current rate and the proposed rate,
 - d. the proposed effective date of the proposed rates and the average dollar and percentage increase to each customer class, and
 - e. the Commission's contact information,
10. A Distribution Cooperative may omit from the summary or abbreviated notice any rates under which no customers are currently receiving service;
11. A summary or abbreviated notice may summarize proposed changes to lighting and other miscellaneous rates;
12. In addition to the notice requirements listed above, the Distribution Cooperative shall satisfy its publication requirement by:
- a. including the summary or abbreviated 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.

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