COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF JACKSON PURCHASE ENERGY CORPORATION FOR A GENERAL ADJUSTMENT OF RATES AND OTHER GENERAL RELIEF	))))	CASE NO. 2024-00085

O R D E R

On May 1, 2024, Jackson Purchase Energy Corporation (Jackson Purchase Energy) filed an application requesting approval for a general rate adjustment pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, Section 16. By order entered on May 14, 2024, the Commission suspended the proposed rates up to and including November 1, 2024.[1] The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), is the only intervenor in this matter. Jackson Purchase Energy responded to multiple rounds of discovery,[2] the Attorney General filed direct testimony[3] and Jackson Purchase Energy filed rebuttal

[1] Order (Ky. PSC May 14, 2024).

[2] Jackson Purchase Energy's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 14, 2024); Jackson Purchase Energy's Response to Commission Staff's Second Request (Staff's Second Request) (filed Jun. 12, 2024); Jackson Purchase Energy's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed Jun. 12, 2024); Jackson Purchase Energy' Response to Commission Staff's Third Request for Information (Staff's Third Request (filed July 10, 2024); Jackson Purchase Energy's Response to the Attorney General's Second Request for Information (Attorney General's Second Request) (filed July 10, 2024); Attorney General's Response to Jackson Purchase Energy's First Request for Information (Jackson Purchase Energy's First Request) (filed Aug. 13, 2024).

[3] Direct Testimony of Greg R. Meyer (Meyer Direct Testimony) (filed July 31, 2024).

testimony.[4] On December 16, 2024, a formal hearing was held. Jackson Purchase Energy filed responses to post-hearing information requests on January 6, 2025. Jackson Purchase Energy and the Attorney General filed their respective initial briefs on January 13, 2025, and Jackson Purchase Energy submitted a response brief on January 27, 2025. This matter now stands submitted for a decision based on the case record.

BACKGROUND

Jackson Purchase Energy is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279. Jackson Purchase Energy is engaged in the business of distribution retail electric power to 23,000 members in the Kentucky counties of Ballard, Carlisle, Graves, Livingston, Marshall, and McCracken.[5] Jackson Purchase Energy does not own any electric generating facilities[6] and is one of three distribution cooperatives that receives wholesale power from Big Rivers Electric Corporation (BREC).[7]

Jackson Purchase Energy's application proposed to increase base rates by $5,585,876, which represents a 5.8 percent increase.[8] Jackson Purchase Energy stated the main reasons for the requested rate increase were rising inflation and an increase in labor and supply expense in all areas of the utility.[9] Jackson Purchase Energy also

[4] Rebuttal Testimony of John Wolfram (Wolfram Rebuttal Testimony) (filed Aug. 21, 2024); Rebuttal Testimony of Meredith Kendall (Kendall Rebuttal Testimony) (filed Aug. 21, 2024); Rebuttal Testimony of Greg Grissom (Grissom Rebuttal Testimony) (filed Aug. 21, 2024).

[5] Application at unnumbered page 1.

[6] Application at unnumbered page 1.

[7] Case No. 2023-00310, *Electronic 2023 Integrated Resource Plan of Big Rivers Electric Corporation*, Section 2 at 15 (filed Sept. 29, 2023).

[8] Application at unnumbered page 2.

[9] Application at unnumbered page 2.

requested a change in their rate structure as part of their request to implement the proposed increase, requesting an increase of the monthly residential charge from $20.35 to $30.35, among other changes in its rates.[10]

On November 6, 2024, Jackson Purchase Energy filed a Notice of Intent to Place Rates Into Effect Pursuant to KRS 278.190(2) for bills rendered on or after January 1, 2025, and motion to implement corrected rate.[11] On November 27, 2024, the Commission denied Jackson Purchase Energy's motion to implement corrected rate on the basis that KRS 278.190 only permits a utility to charge its proposed rates subject to refund during the pendency of the action. However, the Commission recognized that Jackson Purchase Energy could implement its proposed rates for bills rendered on or after January 1, 2025, and ordered Jackson Purchase Energy to maintain its records in such a manner to allow Jackson Purchase Energy, the Commission, its customers, or any other party to calculate a refund upon entry of the final order in this matter, pursuant to KRS 278.190(2).[12] On January 6, 2025, Jackson Purchase Energy filed notice that it placed its proposed rates into effect for bills rendered on or after January 1, 2025.

LEGAL STANDARD

Jackson Purchase Energy filed the application for a general rate adjustment pursuant to KRS 278.180, KRS 278.190, 807 KAR 5:001. The Commission's standard

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[10] Application at unnumbered page 2.

[11] Jackson Purchase Energy's Notice of Intent to Place Rates into Effect Pursuant to KRS 278.190(2) and Motion to Implement Corrected Rate (filed Nov. 6, 2024).

[12] Order (Ky. PSC Nov. 27, 2024).

of review for a utility's request for a rate increase is whether the proposed rates are "fair, just and reasonable."[13] Jackson Purchase Energy bears the burden of proof to show that the proposed rates are fair, just and reasonable under the requirements of KRS 278.190(3).

Commission regulation 807 KAR 5:001, Section 16(1), requires that an application requesting a general adjustment of existing rates using a historical test period must be supported by a "twelve months historical test period that may include adjustments for known and measurable changes."

TEST PERIOD

Jackson Purchase Energy used a historical test period ending August 31, 2023, for determining the reasonableness of its proposed rates.[14] The Attorney General did not contest the use of this test period. The Commission concludes that it is reasonable to use the 12-month period ending August 31, 2023, as the test period in this case based on the timing of Jackson Purchase Energy's application. Except for the adjustments approved in this Order, the revenues and expenses incurred during the proposed test period are neither unusual nor extraordinary. Therefore, the Commission finds that the 12-month period ending August 31, 2023, is a reasonable period to use for setting rates in this matter. In using this historic test period, the Commission gave full consideration to appropriate known and measurable changes.[15]

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[13] KRS 278.300; *Pub. Serv. Comm'n v. Com. Ex rel. Conway*, 324 S.W.3d 373, 377 (Ky.2010).

[14] Application at unnumbered page 2.

[15] See 807 KAR 5:001, Section 16(1)(a)(1). *See also Public Service Comm'n v. Continental Telephone Co. of Ky*., 692 S.W.2d 794, 799 (Ky. 1985) ("There is also a provision for an adjustment because of known and measurable changes outside the test year.").

REVENUE REQUIREMENT

REVENUE AND EXPENSES

Jackson Purchase Energy proposed 15 adjustments to normalize its test-year operating revenues and expenses. As discussed in more detail below, the Commission finds that seven of the proposed adjustments, which were not contested by the Attorney General, are reasonable and should be accepted without change. Shown below are the Commission approved adjustments:

- Fuel Adjustment Clause (FAC) - $(328,315)
- Environmental Surcharge - $(111,412)
- Member Rate Stability Mechanism - $14,911
- Non-FAC Purchased Power Adjustment - $372,241
- Life Insurance - $14,628
- Depreciation Normalization - $16,250
- Directors Expense - $29,987

The Commission modified Jackson Purchase Energy's other proposed adjustments and made other adjustments as discussed in more detail below.

Donations, Promotional Advertisements and Dues Adjustment Error

Jackson Purchase Energy proposed an adjustment to remove $455,662 in expenses arising from donations, promotional advertisements, and dues.[16] However, when calculating its revenue requirement for the application, the Attorney General's witness, Greg Meyer (AG Witness Meyer) revealed that Jackson Purchase Energy

[16] Application, Exhibit JW-2, Direct Testimony of John Wolfram (Wolfram Direct Testimony) at 2.

doubled the expenses it proposed to remove instead of removing them.[17] As a result, AG Witness Meyer, proposed a decrease of $911,331 to Jackson Purchase Energy's pro forma test year expenses to remove the expenses as proposed by Jackson Purchase Energy and to correct the mistake in the test-year calculation in which Jackson Purchase Energy inadvertently doubled the expense. Jackson Purchase Energy acknowledged its error and agreed with the adjustment proposed by the Attorney General's witness.

The Commission agrees with the Attorney General's proposed adjustment to expenses for donations, promotional advertisements, and dues. Thus, the Commission finds Jackson Purchase Energy's pro forma test-year expenses for donations, promotional advertisements, and dues should be reduced by $911,331.

Rodeo Expenses

Jackson Purchase Energy proposed to remove $50,973 in expenses related to the lineman's rodeo as part of its pro forma test year adjustments but left in $101,039 in expenses related to the lineman's rodeo in the test year.[18] Jackson Purchase Energy asserted that the $101,039 in expenses related to the lineman's rodeo that it did not remove from the revenue requirement was associated with labor-related expenses only. Jackson Purchase Energy reasoned that it was prudent to include the labor-related expenses incurred for hosting the lineman rodeo because the rodeo was "held during the regular weekdays" such that the expenses would have been incurred regardless of

[17] Meyer Direct Testimony at 6.

[18] Application, Exhibit JW-2, Wolfram Direct Testimony at 9.

whether Jackson Purchase Energy was hosting the rodeo.[19] Jackson Purchase Energy has only hosted the rodeo once in the last ten years.[20]

While the Attorney General did not recommend an adjustment to specifically remove the labor-related expenses associated with the lineman rodeo, the Attorney General noted that Rodeo Expenses totaled $156,920.06.[21] The Attorney General expressed concern that although some of the Rodeo Expenses had been excluded from rates, the expenses were still being paid with customer funds.[22]

The Commission finds that the additional $101,039 of rodeo expenses not already removed should be removed as they are nonrecurring. While the labor expense associated with the rodeo was "held during the regular weekdays," including this expense in the revenue requirement in addition to the salary and labor expenses would allow Jackson Purchase Energy to over collect salary and labor expenses. The overcollection of salary and labor expenses would occur because the salary and wages adjustment as discussed below is calculated using straight time labor expenses for all budgeted employees at full hours and normalized overtime. If the rodeo expenses were meant to be wages, then those wages are already included in the revenue requirement through the wages adjustment below. If the rodeo expenses left in the test year are not wages, the Commission finds that they should be removed as a nonrecurring expense.

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[19] Jackson Purchase Energy's Response to the Attorney General's Second Request for Information (Attorney General's Second Request (filed July 10, 2024), Item 19(c).

[20] Jackson Purchase Energy's Response to Staff's Post-Hearing Request for Information (Staff's Post-Hearing Request) (filed Jan. 6, 2025), Item 1.

[21] Attorney General's Memorandum Brief, (filed Jan 13, 2025) at 26; Jackson Purchase Energy's Response to the Attorney General's First Request (Attorney General's First Request) (filed Jun. 12, 2024), Item 40, Exhibit AG_1-40.xlsx.

[22] Attorney General's Memorandum Brief at 26.

Right-of-Way Management Expenses

Jackson Purchase Energy proposed a pro forma adjustment to increase test year right-of-way (ROW) expenses by $758,989 for a total of $4,673,870 in ROW expenses.[23] Jackson Purchase Energy stated that its proposed pro forma adjustment to the ROW expenses is primarily based on an estimated cost of $12,427 per mile for circuit trimming in 2024 and the assumption that it will perform maintenance on 358 miles per year, consistent with its five-year maintenance cycle policy.[24] Jackson Purchase Energy's pro forma ROW expense adjustment also assumes that it would spend $225,000 on herbicide treatment based on amounts it expected to spend in 2024.[25] However, as of November 30, 2024, Jackson Purchase Energy had spent only $134,906.38 on herbicide treatment.[26] Jackson Purchase Energy also stated that the expense for herbicide treatment increased dramatically because Jackson Purchase Energy planned to consolidate the spraying of all circuits cut in the last three years in 2024.[27]

Jackson Purchase Energy acknowledged that it is behind on its planned five-year cycle for ROW maintenance.[28] Jackson Purchase Energy provided documentation that it cleared 203 miles in 2020, 80 miles in 2021, 242 miles in 2022, 170 miles in 2023, and cleared 186 miles in 2024 as of the date of its response.[29] Although it is behind on the

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[23] Application, Exhibit JW-2, Wolfram Direct Testimony at 19, Schedule 1.14.

[24] Application, Exhibit JW-2, Wolfram Direct Testimony, Schedule 1.14.

[25] Application, Exhibit JW-2, Wolfram Direct Testimony at 18.

[26] Rate Case Expenses Through November 30, 2024 Update, (filed Jan, 15, 2025), Exhibit ROW_Expenses.xlsx.

[27] Jackson Purchase Energy's Response to Staff's Third Request, Item 8.

[28] Jackson Purchase Energy's Reply Brief at 4.

[29] Jackson Purchase Energy's Response to Staff's Second Request, Item 18(c).

miles trimmed, Jackson Purchase Energy argued that the safety and reliability of the system was maintained by trimming the most needed areas and applying additional herbicide to keep weeds from growing.[30] Jackson Purchase Energy stated that the number of miles cleared depends on a budget based on weather cycles from rate revenue, and if the utility is short, the ROW budget is one of the only expenses that can be adjusted by Jackson Purchase Energy. Jackson Purchase Energy further acknowledged that when revenue was needed to cover other expenses, it reduced planned ROW maintenance to below levels needed to maintain a five-year cycle to cover expenses.[31]

AG Witness Meyer argued that there is no reasonable basis to believe that Jackson Purchase Energy is capable of meeting the target of completing 358 miles per year of ROW maintenance to achieve its planned five-year cycle.[32] In support of that argument, the Attorney General's witness indicated that Jackson Purchase Energy was unable to provide the actual number of miles trimmed for the years 2014 to 2019, and that the number of miles budgeted to be trimmed and actually trimmed for the years 2020 to April 30, 2024, fell significantly short of the target of 358 miles per year.[33] The Attorney General's witness noted Jackson Purchase Energy trimmed 242 miles in 2022, which was its most productive year in terms of ROW maintenance.[34]

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[30] Jackson Purchase Energy Post-Hearing Brief at 4.

[31] Hearing Video Transcript (HVT) of the December 16, 2024 hearing, testimony of Greg Grissom (Grissom HVT) at 09:27:50 to 09:30:17.

[32] Direct Testimony of Greg R. Meyer (Meyer Direct Testimony) (filed July 17, 2024) at 7.

[33] Meyer Direct Testimony at 7-8.

[34] Meyer Direct Testimony at 7-8.

AG Witness Meyer noted that ROW expense was a significant issue in Jackson Purchase Energy's previous rate case, Case No. 2021-00358.[35] The Attorney General's witness noted that in addressing the ROW expense that the Commission indicated that Jackson Purchase Energy needed to change its approach to ROW management and expense. The Attorney General's witness stated that despite the concerns the Commission approved Jackson Purchase Energy's ROW expense levels based on 358 miles. However, the Attorney General's witness noted that Jackson Purchase Energy still did not achieve or even budget for that level of ROW maintenance.[36]

AG Witness Meyer recommended reducing Jackson Purchase Energy's proposed pro forma ROW expense by $1,113,716.[37] The Attorney General's witness based that proposed reduction on Jackson Purchase Energy's expected per mile cost for trimming and herbicide treatment and the assumption that Jackson Purchase Energy would only perform ROW maintenance on 266.2 miles of ROW per year, which he estimated by increasing Jackson Purchase Energy's best performing year in terms of miles trimmed by 10 percent "understanding that ROW trimming and treatment has been significantly deferred."[38] In addition, the Attorney General proposed a one-way ROW expense tracker mechanism.[39] The Attorney General explained that the tracker would record unspent money as a regulatory liability with the annual amounts spent below the Commission

[35] *See* Case No. 2021-00358, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief* (Ky. PSC Apr. 8, 2022), Order at 1.

[36] Meyer Direct Testimony at 8-9.

[37] Meyer Direct Testimony at 10.

[38] Meyer Direct Testimony at 9.

[39] Meyer Direct Testimony at 10.

authorized amount to either be returned to customers in the next rate case or to offset any overspending in the interim period until the next rate case.[40]

The Commission finds that Jackson Purchase Energy's goal of performing ROW maintenance on a five-year cycle is both reasonable and necessary to provide reliability on its system. However, as noted by AG Witness Meyer, the facts are undisputed that Jackson Purchase Energy has not actually performed or even budgeted to perform ROW maintenance based on a five-year cycle in any recent year in which Jackson Purchase Energy has records, if ever, which raises serious questions about the reasonableness of setting rates based on the assumption that Jackson Purchase Energy will incur expenses to maintain its ROWs based on a five-year cycle.

While the Commission understands that other expenses may increase following a rate case and that revenue may fluctuate, Jackson Purchase Energy continues to pay costs excluded from rate recovery instead of covering ROW expense as noted in the Attorney General's brief. Further, the Commission does not find it reasonable to include ROW expense in the revenue requirement for the purpose of providing a margin to cover revenue shortfalls, increases in expenses elsewhere, or expenses that are excluded for ratemaking purposes. The Commission notes that there are other costs included in rates, including the TIER discussed below, which the Commission is not reducing as proposed by the Attorney General, that provide Jackson Purchase Energy with appropriate margins, and if those margins become insufficient, Jackson Purchase Energy has the ability to request a rate increase. However, the Commission finds that Jackson Purchase Energy's proposed five-cycle is appropriate and recognizes that if Jackson Purchase Energy is not

[40] Meyer Direct Testimony at 10–11.

authorized to recover ROW expense based on a five-year cycle that it would be unable to perform maintenance on that cycle. Thus, the Commission finds that Jackson Purchase Energy's ROW expense should be set based on a five-year cycle to ensure that it has the funds to complete ROW maintenance on a five-year cycle. However, the Commission is concerned that despite the extensive review in the last rate case, Jackson Purchase Energy has failed to give ROW maintenance the necessary level of attention, or even come close in most years. Therefore, the Commission further finds that an accounting and reporting mechanism should be established as generally proposed by the Attorney General to ensure that the Commission is able to return ROW expense amounts that are unspent to customers in subsequent rate cases.

Specifically, the Commission finds Jackson Purchase Energy's proposed ROW expense of $4,673,870 is reasonable except that the Commission finds that Jackson Purchase Energy's pro forma test year herbicide treatment expense should be reduced by $150,000 such that the final ROW expense in the revenue requirement should be $4,523,870, to normalize the herbicide treatment expense to reflect only one year of herbicide use, because Jackson Purchase Energy indicated that its assumption of $225,000 for herbicide treatment was based on an expectation that it would complete three years of herbicide treatment in a single year. Further, the Commission finds that, Jackson Purchase Energy should document and track its ROW expense annually for each 12 full calendar months beginning with the with the first full month following the effective date of this order. In doing so, Jackson Purchase Energy should record a regulatory liability or regulatory asset for each such 12 month period to the extent its actual ROW expense is lower than or exceeds, respectively, the $4,523,870 included in rates.[41] The Commission further finds that when Jackson Purchase Energy files its next rate case, including any streamlined case, that it should include a report detailing its under or over-spending on ROW maintenance in each such 12 month period and should propose how any regulatory liability or asset should be reflected in rates, including any prorated basis depending on the test year proposed in the next rate case. The Commission will make a determination regarding the appropriate rate treatment of the net regulatory liability or asset in that case based on that report and other available evidence.

Ordinary Wages and Salaries Expense

Jackson Purchase Energy proposed a pro forma adjustment to wages and salaries that resulted in an increase of $359,915.[42] Jackson Purchase Energy stated the pro forma adjustment normalized wages and salaries to account for changes due to wage increases, departures, and new hires for a standard year of 2,080 hours.[43] Jackson Purchase Energy based the pro forma test year upon 70 employees working 2,080 with the same amount of overtime hours and other hours from the test year.[44] Jackson Purchase Energy stated that it has kept staffing low as a way to minimize costs, and has been able to sustain and provide safe and reliable service to its members with a lean workforce; however, Jackson Purchase Energy does not believe a lean workforce is

[41] While the Attorney General proposed a one-way tracker, the Commission finds that for parody that it is appropriate to have the tracker record both regulatory liabilities and regulatory assets to allow Jackson Purchase Energy to make up for an underspend in subsequent years.

[42] Application, Exhibit JW-2, Wolfram Direct Testimony at 16.

[43] Application, Exhibit 10, Wolfram Direct Testimony at 11.

[44] Application, Exhibit JW-2, Wolfram Direct Testimony at 16, Schedule 1.11.

sustainable long term.[45] Jackson Purchase Energy stated that among cooperatives its size, it ranks 65th lowest out of 67 cooperatives for the number of full-time employees, according to Key Ratio Trend Analysis (KRTA) data.[46]

AG Witness Meyer proposed to reduce the revenue requirement by $320,030 to reflect the removal of wages and benefits associated with vacant positions.[47] Specifically, AG Witness Meyer maintained that his adjustment for vacancies is the result of four vacant positions that were created after the test year ended at a total cost of $441,726.[48] AG Witness Meyer asserted that it would be inherently unfair to force Jackson Purchase Energy's customers to pay an electric rate that includes vacant employee position costs, because the costs are not currently being expended and are merely speculative; there is no guarantee that the positions will be filled; and the vacant positions are providing no benefit to the customers.[49]

Jackson Purchase Energy argued in its rebuttal brief that the Attorney General did not present any evidence that 70 employees are unreasonable.[50] Jackson Purchase Energy witness stated in rebuttal testimony that only one of the four listed positions, the Apprentice Line Technician, should be described as "new," and the other three positions listed have been open or vacant since March of 2024 because of employee resignations

[45] Jackson Purchase Energy's Reply Memorandum in Support of its Application for General Adjustment of Rates (Jackson Purchase Energy's Reply Brief) (filed Jan. 13, 2025) at 7.

[46] Application, Exhibit 8, Direct Testimony of Greg Grissom (Grissom Direct Testimony) at 5.

[47] Meyer Direct Testimony at 15.

[48] Meyer Direct Testimony at 14.

[49] Attorney General's Memorandum Brief at 13.

[50] Jackson Purchase Energy's Reply Brief at 5.

or shifts within the organization and were occupied during the test year.[51] Further, Jackson Purchase Energy stated that the establishment of the Apprentice Line Position was necessary to accommodate future retirements within Jackson Purchase Energy's line crews.[52] Jackson Purchase Energy also filed an update on December 26, 2024, indicating that the Apprentice Line Technician position has been filled—leaving only two vacant positions, one due to the retirement of an employee and another due to the promotion of an employee.[53] Jackson Purchase Energy stated it is considering hiring different positions at the same or similar costs to best meet the needs of the Cooperative.[54]

The Commission finds that Jackson Purchase Energy's proposed pro forma adjustment is reasonable and should be approved. The salary and wages expenses pro forma adjustment is a known and measurable change from the test period. Jackson Purchase Energy filled the Apprentice Line Technician position and one of the three vacant positions. The two remaining vacant positions are a result of employees retiring or being promoted from existing positions. Jackson Purchase Energy is evaluating the positions most needed and presented credible evidence that employees will be hired to fill the positions at the same or similar costs. The Commission has previously found that

[51] Wolfram Rebuttal Testimony at 4 and 7.

[52] Kendall Rebuttal Testimony at 4.

[53] Updated Response to Attorney General's Second Request for Information, Item 20 and Item 21, OAG 2-Item 20 and 21-updated 12-2024.xlsl.

[54] Updated Response to Attorney General's Second Request for Information, Item 20 and Item 21, OAG 2-Item 20 and 21-updated 12-2024.xlsl.

recovery is allowed for vacant positions, even if the vacancy occurs after the test year.[55] Jackson Purchase Energy intends to fill the positions that were vacant due to a retirement and promotion but is evaluating which positions will best serve the needs of the Cooperative for the same or similar costs. The Apprentice Line Technician is the only position that was newly created, but Jackson Purchase Energy provided strong justification for the position. Among other support, testimony was provided at the hearing that line technicians are positions which are essential to provide safe, reliable service, the positions are difficult to fill, require years of extensive training process and the company must compete with other larger utilities in the area to fill the essential positions.[56] Jackson Purchase Energy also presented evidence that it was seeking to fill the Apprentice Line Technician position and ultimately provided an update indicating that position had been filled. Therefore, the Commission finds that Jackson Purchase Energy has demonstrated that the requested positions are necessary to provide safe and reliable service to members, and that the proposed pro forma adjustments related to the vacant positions are reasonable and should be approved.

Rate Case Expense

Jackson Purchase Energy estimated rate case expenses of $210,000 and requested an amortization period of 3 years.[57] Jackson Purchase Energy filed its updated

[55] Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky PSC Oct. 3, 2023), Order at 10.

[56] Grissom HVT at 10:04:00–10:06:00.

[57] Application, Exhibit JW-2, Wolfram Direct Testimony at 13.

rate case expense through January 31, 2025, reflecting total expenses of $111,289.32.[58] The test year also included amortization expenses from the last rate case of $5,888.08 per month, but the rate case expense from the previous case will be fully amortized in March 2025.[59]

AG Witness Meyer proposed to remove the unamortized balance of Jackson Purchase Energy's prior rate case expense, for a reduction of $19,627.[60] AG Witness Meyer argued that Jackson Purchase Energy had control of the timing of its rate case and stated that if the prior rate case expense was allowed, Jackson Purchase Energy overstated the balance in the revenue requirement.[61] Jackson Purchase Energy partially agreed to this adjustment and reduced the remaining balance as of the suspension date.[62] Based on post hearing filings, the Attorney General argued that only $5,883.73 remains uncollected.[63]

The Commission finds that Jackson Purchase Energy should be permitted to recover any unamortized balance of rate case expense from the previous case in this case and that the unamortized balance should be re-amortized over the same 3-year period as rate case expense in this matter, because the re-amortization of uncollected expense is reasonable, particularly given the amounts involved here, and has been historically allowed. However, the Commission finds that that the unamortized balance

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58 Rate Case Expense Through December 30, 2024 Update (filed Feb. 13, 2025).

59 Application, Exhibit JW-2, Wolfram Direct Testimony at 13, Reference Schedule 1.08.

60 Meyer Direct Testimony at 13.

61 Meyer Direct Testimony at 12–13.

62 Rebuttal Testimony of Wolfram at 7.

63 Attorney General's Memorandum Brief at 4.

should be adjusted to the date that the rates were placed into effect in this case subject to refund, because with the rates established in this case and the ordered refund, that is the date at which the previous rate case expense stopped being amortized pursuant to the previous order and began to be amortized based on the new amortization period established herein. Thus, the unamortized balance of the previous rate case expense to be recovered here is $17,664.

The Commission finds that amortizing Jackson Purchase Energy's rate case expense over a 3-year period as proposed is reasonable but finds that Jackson Purchase Energy's estimated rate case expense in this matter of $210,000 should be updated based on the expense through January 31, 2025, of $111,289.32. It is unreasonable to estimate that nearly half of the total rate case expenses would be spent in February 2025, after briefing was completed. The net impact of the reductions to the unamortized balance of the previous rate case expense and the rate case expense in this case is a revenue requirement reduction of $27,690 from the application.

Overtime Wages

Jackson Purchase Energy calculated its total overtime expense in the pro forma test period as $1,504,559, based on the amount of overtime expense in the test year along with a pro forma adjustment to increase overtime expense by $82,878.38.[64] The Attorney General argued that the $1,504,559 in pro forma overtime expense far exceeds every year in the past five calendar years.[65] Additionally, the Attorney General argued that Jackson Purchase Energy included expenses associated with additional employees,

[64] Application, Exhibit JW-2, Wolfram Direct Testimony at 16.

[65] Attorney General's Memorandum Brief at 13.

but did not make any reduction in overtime expense, stating that if Jackson Purchase Energy assumed extra employees to manage the workload, the extra employees should result in a reduction to the amount of overtime costs.[66] Finally, the Attorney General disagreed with Jackson Purchase Energy's application of the average regular-time wage growth to determine the growth in overtime wage rate because the average regular-time wage growth used by Jackson Purchase Energy included many employees not eligible for overtime, or those who did not incur overtime.[67] The Attorney General also indicated that Jackson Purchase Energy's overtime expense for the past five years demonstrates a fluctuation of expense rather than a clearly discernable trend, which further supports an averaging approach.[68] Thus, the Attorney General advocated for the Commission to use a five-year average of overtime expense as the basis for calculating overtime expense.[69] AG Witness Meyer calculated that the overtime expense using a five-year average would be $1,134,596 before applying the labor capitalization rate.[70]

In its rebuttal testimony, Jackson Purchase Energy disagreed with the Attorney General's recommendation and argued that there is no evidence that the test year overtime costs are unreasonable and the costs are simply increasing relative to historical amounts.[71] Additionally, Jackson Purchase Energy argued that the Attorney General's recommendation for overtime costs does not align with the Attorney General's

[66] Attorney General's Memorandum Brief at 14.

[67] Attorney General's Memorandum Brief at 14.

[68] Attorney General's Memorandum Brief at 14.

[69] Meyer Direct Testimony at 17.

[70] Meyer Direct Testimony at 17–18.

[71] Wolfram Rebuttal Testimony at 9.

recommendation on wages and salaries.[72] Jackson Purchase Energy explained that if the Commission accepts the Attorney General's position and it is not awarded the funds for the four vacant positions, then overtime costs should be expected to increase.[73] Jackson Purchase Energy acknowledged that if the four vacant positions are filled that it might be possible to reduce its total overtime hours, but due to the nature of the positions, it would not be a one-for-one reduction.[74]

The Commission finds that the Attorney General's overall proposed adjustment to overtime expense is reasonable and should be approved. First, the Commission notes that Jackson Purchase Energy's historic overtime expense indicates significant fluctuations year to year in a manner that does not generally indicate a trend toward a systematic increase, but rather, supports normalizing the expense. Jackson Purchase Energy's test year overtime expense is also significantly higher than most recent historical periods, which raises questions regarding whether the expense is representative. Further, the Commission accepted Jackson Purchase Energy's requested adjustment to set ordinary wages and salaries based on the assumption that Jackson Purchase Energy would be fully staffed with 70 employees, which was not the case in the test year, and the Commission finds that the same assumption that Jackson Purchase Energy will be fully staffed should result in a reduction in overtime expenses as argued by the Attorney General, which Jackson Purchase effectively acknowledged. However, Jackson Purchase Energy was unable to state at the hearing the extent to which being fully staffed

[72] Wolfram Rebuttal Testimony at 9.

[73] Wolfram Rebuttal Testimony at 9.

[74] Wolfram Rebuttal Testimony at 9.

would reduce its overtime hours,[75] which raises questions regarding the reasonableness of Jackson Purchase Energy's overtime expense in light of the wages and salaries adjustment proposed by Jackson Purchase Energy and approved by the Commission. Conversely, because it reflects expected annual fluctuations in overtime expense, the Commission finds that the Attorney General's proposed pro forma test-year overtime expense is reasonable, and if anything, may be overstated because it also includes periods in which Jackson Purchase Energy was not fully staffed. Thus, the Commission finds that the Attorney General's proposed adjustment to overtime expense should be accepted, and that overtime expense should be reduced by $369,963 to $1,134,596.

After determining the total adjustment amount, the Attorney General made an adjustment to the total expense amount for capitalization by reducing it by 28 percent, which resulted in a total test year adjustment of $268,021. However, when Jackson Purchase Energy made its pro forma adjustments to test-year expense for wages and salaries, it only included the "Payroll Expensed" amounts and excluded the "Payroll Capitalized" and "Payroll Other" amounts,[76] which indicates that amounts attributable to "Payroll Other" and "Payroll Capitalized" were not included in pro forma adjustments and raises questions regarding whether amounts attributable to "Payroll Other" were included in test-year expenses. Thus, the Commission finds that when reflecting the rate effect of the adjustment approved above that only the portion of the expense attributable to

[75] Wolfram HVT at 01:50:00–01:53:30.

[76] *See* Jackson Purchase Energy's response to the Attorney General's Post-Hearing Requests (Jackson Purchase Energy's Response to AG's Post-Hearing Requests), Item 3(c), JPEC-2023-RevReq-REV-Dec16-Excl-New.xlsx, Tab Adj List (filed January 6, 2025) (in which no amounts other than "Payroll Expensed" amounts from Tab 1.11 Wages and Salaries is included).

"Payroll Expensed" should be reflected in rates. The net impact of this adjustment is a revenue requirement reduction of $193,405 from the application.

Incentive Compensation

Jackson Purchase Energy stated that the Chief Executive Officer (CEO) is the only employee who receives incentive compensation, and the amount paid is determined by the Board of Directors[77] and a part of the CEO's employment contract.[78] The Attorney General proposed that the cost of the incentive compensation be removed from the revenue requirement in the amount of $34,414.[79] The Attorney General proposed to remove the entire amount from the revenue requirement as Jackson Purchase Energy did not have a formal written policy on incentive compensation.[80] The Attorney General also stated that even if benefits are deferred retirement benefits, the Commission should deny recovery because it would be considered a Supplemental Executive Retirement Plan (SERP) expense.[81] Additionally, the Attorney General requested the Commission to further evaluate and determine whether it is reasonable to pay the CEO of a not-for-profit rural electric cooperative that provides electricity to only 23,000 customers close to $400,000 annually in compensation, which includes incentive compensation/SERP, but excludes benefits.[82]

[77]Jackson Purchase Energy's Response to the Attorney General's Second Request, Item 2v.

[78] Jackson Purchase Energy's Response to the Attorney General's Second Request, Item 2z.

[79] Meyer Direct Testimony at 19.

[80] Meyer Direct Testimony at 18–19.

[81] Attorney General's Memorandum Brief at 15.

[82] Attorney General's Memorandum Brief at 16.

Jackson Purchase Energy did not dispute the amount of compensation; however, at the December 16, 2024 hearing, Greg Grissom, CEO of Jackson Purchase Energy, testified that the compensation is not incentive compensation but “pension replacement”; “retirement mechanism” or “457 deferred compensation.”[83] The CEO also testified that there is no written policy for incentive compensation.[84] Additionally, Mr. Wolfram testified that incentive compensation is a necessary and reasonable part of the CEO’s contract as Jackson Purchase Energy struggled for years to hire a CEO.[85]

The Commission finds that Jackson Purchase Energy, which bears the burden of proof to show that a proposed rate increase is reasonable, failed to establish that the inclusion of the incentive compensation in rates is reasonable. Jackson Purchase Energy did not produce any wage and benefit study or similar evidence specific to the incentive compensation demonstrating that the incentive compensation is reasonable and necessary to attract and retain a CEO.[86] Moreover, the CEO’s contract does not explicitly require the payment of the incentive compensation, and Jackson Purchase Energy does not have a formal policy or criteria for awarding the incentive compensation, and therefore, there is no way to evaluate any criteria Jackson Purchase Energy may have utilized to award the incentive compensation to the CEO. The Commission acknowledges

[83] Grissom HVT at 09:49:45–09:50:41.

[84] Grissom HVT at 10:36:59–10:37:56.

[85] HVT of the December 16, 2024 hearing, testimony of John Wolfram (Wolfram HVT) at 01:54:3401:56:32.

[86] The Commission notes that the Attorney General suggested in its brief that Jackson Purchase Energy be explicitly required to obtain and file a wage and benefits study with its next rate case. The Commission is not ordering that such a study be prepared in this matter but notes that Jackson Purchase Energy has the burden to establish that a proposed rate increase is reasonable. Jackson Purchase Energy may be unable to support the inclusion of certain elements of its compensation packages without such a study.

Jackson Purchase Energy had some apparent difficulty finding a CEO, which likely justifies, along with other evidence, some increases in the base salary of the CEO, which did occur, and the board of Jackson Purchase Energy potentially had valid reasons for the awarding the incentive compensation. However, in the absence of a study or similar evidence indicating that the incentive compensation is appropriate, or specific criteria for providing the compensation that may be reviewed to determine if the award is reasonable, the Commission finds that including the incentive compensation in rates is unreasonable. Thus, the Commission finds that the $34,414 in incentive compensation included in the revenue requirement should be removed.

<u>Employee Awards</u>

Jackson Purchase Energy included employee service awards as part of its revenue requirement.[87] Jackson Purchase Energy explained that all employees become eligible to receive a service award after every five years of employment with the cooperative and service awards are granted to employees upon retirement, if the employee was employed for at least 10 years with the cooperative.[88] Jackson Purchase Energy stated that these awards are a reasonable component of overall compensation and consistent with the cooperative's policy.[89] Jackson Purchase Energy stated that the employee service awards are subject to Jackson Purchase's Procedure Number 311.[90]

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[87] Jackson Purchase Energy's Response to Attorney General's First Request, Item 1-3,1-4, and 1-5, Exhibit AG_1-3_AG_1-4_AG_1-5.xlsx

[88] Jackson Purchase Energy's Response to the Attorney General's Second Request, Item 27(f).

[89] Wolfram Rebuttal Testimony at 10.

[90] Jackson Purchase Energy's Response to the Attorney General's Second Request, Item 2q.

The Attorney General recommended that $3,269 in employee awards be removed from the revenue requirement.[91] The Attorney General argued that the amount was calculated as a time-weighted average of the 2022 (four months in the test year) and 2023 (eight months in the test year), as the amount of awards for the 12 months that ended August 2023 was not provided.[92]

The Commission has a history of excluding awards finding that awards do not benefit ratepayers and therefore should be excluded from the rates.[93] However, the Commission has also found that it is not appropriate to exclude at least some employee service awards.[94]

Here, Jackson Purchase Energy has a specific policy and criteria for rewarding employees for long-term service to the cooperative. Considering the testimony provided by the CEO that Jackson Purchase Energy competes against other electric cooperatives in the state for employees,[95] the Commission finds that providing awards to employees based upon years of service to the cooperative is reasonable and should be accepted as employee retention is a benefit to ratepayers and allows Jackson Purchase Energy to provide a small incentive to long term employees.

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[91] Meyer Direct Testimony at 20.

[92] Meyer Direct Testimony at 19.

[93] Case No. 2023-00147, *Electronic Application of Taylor County Rural Electric Cooperative Corporation for a General Adjustment of Rates* (Ky. PSC Apr. 5, 2024), Order; Case No. 2003-00165, *Application of Kenergy Corporation for Review and Approval of Existing Rates* (Ky. PSC Apr. 22, 2004) Order; Case No. 2014-00159, Application of Cumberland Valley Electric, Inc. for an Adjustment of Rates (Ky. PSC Jan. 16, 2015), Order; and Case No. 2004-00067*, Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Ky. PSC Dec. 21, 2004), Order.

[94] Case No. 2000-00373, *Application of Jackson Energy Cooperative Corporation for an Adjustment of Rates* (Ky. PSC May 21, 2001), Order at 10.

[95] Grissom HVT at 09:58:00—09:59:00.

Healthcare Costs

Jackson Purchase Energy proposed a pro forma adjustment of $6,488 in its application to adjust employee contributions to employee insurance premiums to 12 percent for all employees.[96] Jackson Purchase Energy stated that it provided employees with bundled insurance, which includes medical, dental, and vision, with a total monthly premium per employee of $1,336.[97] Jackson Purchase clarified that it pays 82.5 percent, or $1,102.20, of the health insurance premiums for union employees and 92 percent, or $1,233.60, of premiums for non-union employees.[98] Jackson Purchase Energy indicated that the health insurance policy and contributions are specifically negotiated in the contract with the union employees.[99] Jackson Purchase Energy stated that the health insurance policy it provides to employees is necessary to attract and retain employees.[100] Finally, Jackson Purchase Energy stated that multiple insurance policies were considered to determine which policy provided the best insurance benefits to its employees while also ensuring its employees are not overpaying.[101]

The Attorney General and its witness proposed an adjustment to remove Jackson Purchase's premium contribution amounts above the Bureau of Labor Statistics (BLS) 2024 averages for a reduction of $208,537 to the test year premium cost and net reduction

[96] Application, Exhibit JW-2 at 20, Schedule 1.15.

[97] Direct Testimony of Meredith Kendall at 9.

[98] Direct Testimony of Meredith Kendall at 9.

[99] Jackson Purchase Energy's Reply Brief at 8.

[100] HVT of the December 16, 2024 hearing, testimony of Meredith Kendall (Kendall HVT) at 11:19:17–11:19:52.

[101] Jackson Purchase Energy's Reply Brief at 8.

from the application of $202,049.[102] The BLS 2024, National Compensation Survey publication collects data to provide details of employer provided benefit plans, including data regarding the employer/employee percentage of employer provided health insurance premiums. In support of their argument, the Attorney General maintained that the BLS 2024 averages for single and family coverages are 80 percent and 68 percent, respectively.[103] The Attorney General asserted that when compared to the BLS 2024 averages for the union employees Jackson Purchase Energy is contributing 2.5 percent more to health insurance premiums for single coverage, and 14.5 percent more for family coverage.[104] Further, the Attorney General argued that when compared to the BLS 2024 averages, Jackson Purchase Energy is contributing 12 percent more to health insurance premiums for single coverage, and 24 percent more for family coverage for the non-union employees.[105] The Attorney General also cited to the final Order in Case No. 2023-00158, to support its position that since the employees pay less than 12 percent of the cost of their insurance premium payments that an adjustment to the BLS standard is warranted.[106] The Attorney General also noted that in addition to health insurance, Jackson Purchase Energy provides dental and vision insurance to its employees[107] and

[102] Meyer Direct Testimony at 21.

[103] Attorney General Post-Hearing Brief at 17.

[104] Attorney General Post-Hearing Brief at 17.

[105] Attorney General Post-Hearing Brief at 17.

[106] Attorney General Post-Hearing Brief at 17.

[107] Attorney General Post-Hearing Brief at 18.

Jackson Purchase Energy inexplicably pays the same healthcare premium for single employee coverage as it does for family employee coverage.[108]

Jackson Purchase Energy stated in rebuttal testimony that it disagreed with the Attorney General's recommendation to adjust insurance premium contributions to the BLS averages, as the Attorney General's recommendation is supported by a Commission finding in a streamlined rate case filed by Farmers Rural Electric Cooperative Corporation.[109] Jackson Purchase Energy argues that the case at issue is not a streamlined rate proceeding, and the provisions of the streamlined rate pilot program (and newly effective Commission regulation on streamlined rate filings) do not apply to the current case as no adjustment was made in the last Jackson Purchase case for healthcare costs.[110]

Regarding the union employees, the Commission finds that Jackson Purchase Energy's payment of 82.5 percent of the insurance premiums for union employees is reasonable. The Commission has generally found that benefits that are provided under union contracts, given the arms-length negotiating that lead to them, generally indicates that costs agreed to were necessary to attract and retain the employees, and therefore, that the costs are reasonable. There was no evidence presented in this matter to indicate that Jackson Purchase Energy's union contract was not an arms-length negotiation or that the employer's share of insurance premiums based on the contract is unreasonable. In fact, while there are some distinctions between Jackson Purchase Energy's bundled

[108] Attorney General Post Hearing Brief at 17.

[109] Wolfram Rebuttal Testimony at 10.

[110] Wolfram Rebuttal Testimony at 11.

insurance and typical à la carte health insurance benefits, Jackson Purchase Energy's contribution rate for union employees of 82.5 percent of insurance premiums is not materially different than the 2024 BLS average for single health insurance premiums and not so high when compared to the 2024 BLS average for family health insurance premiums that the difference indicates that contribution rates were not negotiated for at arms-length. The Commission finds Jackson Purchase Energy's contribution for union employees' insurance premiums is reasonable and finds that the Attorney General's proposed adjustment for union employees' insurance premiums should be rejected.

Conversely, Jackson Purchase Energy failed to establish that its insurance premium contribution of 92 percent for non-union employees is reasonable. Jackson Purchase Energy's contribution rate for non-union employees is higher than the 2024 BLS averages for both individual and family health insurance premiums and is higher than the contribution rates for union employees, both of which indicate that Jackson Purchase Energy's contribution rate is higher than is necessary for non-union employees. Further, as with the incentive compensation discussed above, Jackson Purchase Energy did not provide a wage and benefits study or other similar evidence to support a finding that a 92 percent employer contribution rate is necessary to attracted and retain non-union employees or that a higher contribution rate for non-union employees is justified by other differences in the compensation packages of non-union employees. Thus, the Commission finds that Jackson Purchase Energy failed to establish that the contribution rate for non-union employees is reasonable.

However, the Commission also disagrees with the Attorney General that the employer insurance premium contribution rate for non-union employees should be adjusted to the 2024 BLS averages. Unlike most cases in which the Commission has adjusted to the BLS average, Jackson Purchase Energy does not pay 100 percent of employee insurance premiums, which indicates that there was some consideration by Jackson Purchase Energy of the appropriate contribution levels even if it was unable to produce specific evidence in this matter justifying the contribution level.[111] Further, as noted above, Jackson Purchase Energy's union employees collectively bargained for an employer contribution rate of 82.5 percent, which weighs in favor of finding that the level of employer contribution for union employees is reasonable to attract and retain Jackson Purchase Energy employees. While the benefits bargained for by union employees are not dispositive on the question of whether contribution rates for the non-union employees are reasonable, because there could be differences in the positions or other compensation that justify different contribution rates and compensation packages, the Commission does not find any basis in the record of this case for finding that Jackson Purchase Energy should contribute less for insurance premiums for non-union employees than it does for union employees. Thus, having reviewed the record and being otherwise sufficiently advised, the Commission finds it reasonable to adjust Jackson Purchase Energy's employer contribution rate for insurance premiums for non-union employees to match the contribution rates for union employees and that that adjustment should be made. This results in a $59,406 reduction of healthcare costs, for a net adjustment from the application of $52,918.

<u>Retirement Benefits-401k</u>

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[111] *See, e.g.* Case No. 2020-00342, *Electronic Application of CitiPower LLC for a Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 27, 2021), Order at 7–8.

Jackson Purchase Energy stated that bargaining employees participate in the National Rural Electric Cooperative Association (NRECA) retirement security plan and also receive a 5 percent contribution to the International Brotherhood of Electrical Workers (IBEW) Pension Plan.[112] Jackson Purchase Energy explained that non-bargaining employees who were hired prior to 2006 participate in the NRECA retirement security plan, and also receive a 4 percent contribution to their 401(k) account.[113] Additionally, Jackson Purchase Energy explained that non-bargaining employees hired on or after January 1, 2006, receive a 14 percent contribution to their 401(k) account, but do not participate in the NRECA retirement security plan.[114] Jackson Purchase Energy acknowledged that it should remove the 401(k) matching for non-union employees with both a pension plan and 401(k) matching plan pursuant to previous Commission cases that have found it to be unreasonable for customers to pay for two retirement plans, and proposed an adjustment in its application removing $22,064 in expenses associated with 401(k) contributions for seven employees in the test year that also participated in a defined benefit pension plan.[115]

The Attorney General recommended an adjustment to remove 2023 401(k) contributions for eight non-union employees that participated in a defined benefit retirement plan, a reduction of $23,390.[116]

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[112] Application, Exhibit 9, Direct Testimony of Meredith Kendall (Kendall Direct Testimony) at 10.

[113] Application, Exhibit 9, Kendall Direct Testimony at 10.

[114] Application, Exhibit 9, Kendall Direct Testimony at 10.

[115] Application, Exhibit JW-2, Wolfram Direct Testimony at 10.

[116] Meyer Direct Testimony at 23.

In its rebuttal testimony, Jackson Purchase Energy agreed with the Attorney General to remove the costs associated with the least expensive retirement plan for those employees that have more than one retirement plan is reasonable and could be adopted, which is a reduction to the proposed revenue requirement of $23,390.[117]

The Commission rejects the Attorney General's proposed adjustment because it is based on the 2023 calendar year and double counts the adjustment made by Jackson Purchase Energy in the application. The Commission makes an additional adjustment of $2,190 to account for the eighth employee who received contributions to both plans during the test year.[118] In Jackson Purchase Energy's proposed $22,064 decrease to retirement, it did not include $2,190 associated with an employee that retired during the test year but was included in the test year expenses. The total adjustment is a revenue requirement reduction of $24,254 from the test year or $2,190 from the application.

Improperly Booked Expenses

Although Jackson Purchase Energy did not address the issue of improperly booked expenses, the Attorney General recommended the removal of $57,964 from the proposed revenue requirement.[119] The Attorney General argued that the improperly booked expenses concern invoices associated with staking and drawing work orders for pole replacements.[120]

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[117] Wolfram Rebuttal Testimony at 11.

[118] *See* Jackson Purchase Energy's Response to Staff's Second Request, Item 16, PSC_2-16.xlsx.

[119] Meyer Direct Testimony at 23.

[120] Meyer Direct Testimony at 23.

Jackson Purchase Energy acknowledged that invoices totaling $57,964 were improperly booked to administrative and general expense when they should have been capitalized[121]

The Commission accepts the Attorney General proposed an adjustment to remove $57,964 of expenses that should have been capitalized as agreed to by Jackson Purchase Energy.

<u>Year End Customer Count</u>

Jackson Purchase Energy normalized revenues and purchase power expenses based on year-end customers, for a net decrease to the revenue requirement of $153,468.[122] Jackson Purchase Energy's adjustment was intended to compare the test year end customer count to the average usage during the test year and to adjust projected revenues based on end of test year customer counts. Jackson Purchase Energy argued that the adjustment is properly calculated;[123] however, the year-end, or December 2022 customer count was used to calculate the adjustment.[124] Using the August 2023 customer count as the year end results in a net increase to the revenue requirement of $85,049 from the unadjusted test year.[125]

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[121] Jackson Purchase Energy's Response to Staff's Second Request, Item 17.

[122] Application, Exhibit JW-2, Wolfram Direct Testimony at 2.

[123] Jackson Purchase Energy's Response to Staff's Third Request, Item 1.

[124] Application, Exhibit JW-2, Wolfram Direct Testimony at 15. Using December 2022 as the year end results in an increase in revenues and expenses of $684,800 and $531,332, respectively, for an increase in net income of $153,468.

[125] Application, Exhibit JW-2, Wolfram Direct Testimony at 15. Using August 2023 as the end of the year results in a decrease in revenues and expenses of $385,929 and $300,880, respectively, for a decrease in net income of $85,049.

The Commission rejects Jackson Purchase Energy's proposed adjustment, finding it reasonable to use August 2023 as the correct year end month for the test year. The net adjustment from the application is a revenue requirement increase of $238,517.

<u>Revenue and Expense Adjustments since December 2024</u>

Jackson Purchase Energy updated its responses to Staff's First Request, Item 24, and the Attorney General's Second Request, Item 10, on December 10, 2024, and proposed revisions to test-year revenues and expenses based on those responses.[126] Specifically, Jackson Purchase Energy proposed to remove revenues from a large industrial customer that provided notice it would terminate service on February 1, 2025, reflected through the removal of $238,485 of revenues, which appears to have been based on the removal of revenue associated with the large industrial customer's minimum bill.[127] Additionally, Jackson Purchase Energy proposed an adjustment due to a wage increase of $159,660 arising from the implementation of a new union contract that went into effect in November 2024.[128]

The Attorney General argued that adjustments filed on December 10, 2024, should be disallowed.[129] The Attorney General specifically argued that the late filing of expenses does not permit the Attorney General to ask additional discovery questions or have its expert evaluate the expenses.[130] Additionally, the Attorney General stated that while

[126] Staff's First Request, Item 24, and Attorney General's Second Request, Item 10, Update (filed Dec. 10, 2024).

[127] JPEC-2023-Pres_Proposed_Rates-REV-RevDec9.xlsx, at I-E (filed Dec. 10, 2024).

[128] JPEC-2023-RevReq-REV-RevDec9.xlsx, at Adj List (filed Dec. 10, 2024).

[129] Attorney General Post-Hearing Brief at 22.

[130] Attorney General Post-Hearing Brief at 22.

Jackson Purchase Energy "filed two new expense adjustments, it did not file updated revenues or any potential offsets to the new expenses that may exist."[131]

To reflect the loss of the industrial customer, Jackson Purchase Energy appears to have removed revenue associated with the large industrial customer's minimum bill but does not appear to have reflected other revenue changes or any reduction in expenses associated with the loss of the industrial customer.[132] Because the adjustment does not appear to include all expense and revenue changes associated with the loss of the industrial customer, the Commission questions the reasonableness of Jackson Purchase Energy's proposed methodology. Further, given the timing of the proposed change, there was limited opportunity to develop of the record on this issue, and there is limited information in the record explaining how the adjustment was completed or why the methodology for accounting for the loss of the industrial customer is reasonable. Thus, the Commission finds that the record is insufficient to allow it to make a reasonable, known and measurable adjustment to reflect the loss of the large industrial customer, and therefore, the Commission finds that the adjustment proposed by Jackson Purchase Energy on December 10, 2024, related to the loss of the large industrial customer should be denied.

Conversely, Jackson Purchase Energy's proposed adjustment to reflect an increase in wages associated with its new contract with union employees is, at least in part, more certain and supported by the record, because it is based on a known increase in union wages reflected in a new union contract. Specifically, the Commission finds that

[131] Attorney General Post-Hearing Brief at 23.

[132] *See* JPEC-2023-Pres_Proposed_Rates-REV-RevDec9.xlsx, at I-E (filed Dec. 10, 2024).

the wage rate increase from the union contract is a known and measurable change, and that Jackson Purchase Energy's test-year expenses should be increased to reflect that wage rate increase for regular time and other hours. However, as discussed above, the Commission is adjusting the overtime expenses based on a five-year average for the reasons discussed above, and therefore, finds that portion of Jackson Purchase Energy's proposed adjustment associated with overtime expense should be rejected for the same reasons the Commission is making the adjustment above with respect to overtime expense. The resulting adjustment for the increase in the average wage rate with the adjustment for overtime expenses is an additional increase to test-year expenses of $128,144.[133] The Commission finds that adjustment is reasonable and should be reflected in Jackson Purchase Energy's revenue requirement.

Interest Expense

Jackson Purchase Energy proposed in its Application to normalize its interest expense as of Dec. 31, 2023, and removed short-term interest expense for notes repaid post test year.[134] However, Jackson Purchase Energy clarified that the appropriate period for normalizing interest expense is the ending balance as of August 31, 2023, the end of the 12-month test period.[135] The Attorney General stated that Jackson Purchase

[133] The requested increase in regular and other wages from the application total $6,117,625. Using the increased wage rates results in regular and other wages of $6,362,751, for an increase of $245,126. Jackson Purchase Energy stated that it expensed 52 percent of wages in the test year, so the resulting test year expense increase is $128,144.

[134] Application, Exhibit JW-2, Wolfram Direct Testimony at 14.

[135] Jackson Purchase Energy's Response to Staff's Second Request, Item 7(a). Jackson Purchase Energy did not include this adjustment in rebuttal testimony but did include the revised date in Jackson Purchase Energy's Response to the Attorney General's Post-Hearing Request, Item 3.

Energy updated its interest expense but did not address the specific amount or the appropriate period for normalizing the interest expense.[136]

The Commission finds that the revised date reasonable and as a result reduces the adjustment from $288,997 to $87,720, for a reduction from the Interest Expense proposed in the application of $201,278. Therefore, the Commission accepts the revised Interest Expense adjustment of $87,720**.**

Rider Revenues and Expenses

Jackson Purchase Energy made an adjustment to remove all fuel adjustment clause (FAC), Environmental Surcharge Mechanism (ESM), Member Rate Stability Mechanism (MRSM), and Purchase Power Adjustment expenses and revenues from the test year.[137] The Attorney General did not object to those adjustments, which are commonly made to remove revenue and expenses accounted for in rates or riders other than base rates. The Commission finds that the adjustments are reasonable given that they are accounted for outside of base rates and should be accepted.

Life Insurance

Jackson Purchase Energy removed the Life Insurance premiums for coverage that exceeds the lesser of an employee's annual salary or $50,000 from the test year.[138] The Attorney General did not address this adjustment. The Commission finds the adjustment is reasonable and should be accepted.

[136] Attorney General Post-Hearing Brief at 3.

[137] Application, Exhibit JW-2, Wolfram Direct Testimony at 2.

[138] Application, Exhibit JW-2 at 12.

Depreciation Normalization

Jackson Purchase Energy normalized its depreciation expense based on the balance as of the end of the test year.[139] The Attorney General did not address this adjustment. The Commission finds that the adjustment is reasonable and should be accepted.

Directors Expenses

Jackson Purchase Energy proposed an adjustment to remove $29,987 from its board of directors' expenses.[140] Jackson Purchase Energy stated that the adjustment removed expenses, which included the cost for directors attending Big Rivers/KAEC annual meeting(s), training, or tours when the director is not the Jackson Purchase Energy representative for the respective organization.[141] Jackson Purchase Energy explained that all the costs related to attending the NRECA director training/education seminars and liability insurance for directors were not removed.[142] The Attorney General did not address this adjustment. The Commission finds that the adjustment is reasonable and should be accepted.

TIER AND OTIER CALCULATION

In its application, Jackson Purchase Energy proposed to base its revenue requirement on a Times Interest Earned Ratio (TIER) of 2.0.[143] The Attorney General argued that a TIER of 1.85 is sufficient to ensure that the Company has more than

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[139] Application, Exhibit JW-2 at 2.

[140] Application, Exhibit JW-2, Wolfram Direct Testimony at 2.

[141] Application, Exhibit 10, Wolfram Direct Testimony at 12.

[142] Application, Exhibit 10, Wolfram Direct Testimony at 12.

[143] Application, Exhibit 10, Wolfram Direct Testimony at 6.

necessary funds to meet its debt obligations with an adequate cushion should the cost of debt increase, while saving Jackson Purchase Energy's member-owners approximately $400,000 in revenue requirement.[144] The Attorney General acknowledged that the Commission has historically allowed a TIER ratio of 2.0; however, the Attorney General stated that Case No. 2021-00407 allows the TIER to be determined on a case by case basis.[145]

The Commission finds that, while TIER is determined on a case by case basis, a 2.0 TIER is more appropriate here as well as consistent with Commission precedent.[146] If the Commission were to authorize a TIER lower than 2.0, considering Jackson Purchase Energy's balance sheet, Jackson Purchase Energy will have a lower margin and would be more likely to have insufficient cash flow to cover expenses in the event of fluctuations in revenue caused by unpredictable weather and unexpected changes in expenses. The Commission is concerned that this could prevent Jackson Purchase Energy from meeting its debt service obligation requirements, which could negatively affect its ability to obtain debt, and could require Jackson Purchase Energy to file more frequent rate cases at customer's expense.

In fact, while Jackson Purchase Energy's inability to meet targets for ROW maintenance spending can be attributed, in part, to Jackson Purchase Energy continuing

[144] Meyer Direct Testimony at 26–27.

[145] Meyer Direct Testimony at 27.

[146] Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Oct. 3, 2023); and Case No. 2023-00213, *Electronic Application of Shelby Energy Cooperative, Inc. for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Oct. 17, 2023).

to incur expenses that were properly disallowed for rate-making purposed, Jackson Purchase Energy also presented evidence that it was using its ROW expense to cover fluctuations in revenue and increases in expenses after the test year in its last rate case despite being provided a TIER of 2.0; neither use is appropriate. Further, by approving a tracker like that proposed by the Attorney General, the Commission has effectively prevented Jackson Purchase Energy from using ROW expenses in the revenue requirement to cover fluctuations in revenue and expenses, because that is not the purpose of including ROW expense in the revenue requirement. However, given Jackson Purchase Energy's recent cash flow issues, the Commission finds that it would be imprudent to reduce Jackson Purchase Energy's TIER while simultaneously eliminating Jackson Purchase Energy's ability to use ROW expense to cover fluctuations in revenue and expenses.

The Commission notes that the authorized TIER for an electric distribution cooperative should be addressed on a case-by-case basis as asserted by the Attorney General. However, based on the evidence in the case record, the Commission finds that a TIER of 2.0 should be authorized in this case, because if a lower TIER were authorized, Jackson Purchase Energy's cash flow and operating margin would be reduced below a reasonable level. Thus, the Commission finds that the Attorney General's proposed adjustment reducing the TIER to 1.85 should be rejected.

REVENUE REQUIREMENT SUMMARY

The Commission PSC authorizes a rate increase of $3,993,497 which represents a 4.90 percent increase. The pro forma adjustments and revenue requirement calculation are found in Appendix A. The effects of the adjustments on Jackson Purchase Energy's net income results in utility operating margins of $2,026,977 based upon total operating revenues of $85,472,525, a total cost of electric service of $83,445,548 and resulting net margins of $2,456,589. The resulting credit metrics are a 2.0 TIER, a 1.85 OTIER, and a debt service coverage ratio of 2.00, all of which will give Jackson Purchase Energy a reasonable margin to achieve its debt covenants.

RATE DESIGN

COST OF SERVICE STUDY (COSS)

Jackson Purchase Energy filed a fully allocated COSS based upon the 12 Coincident Peak (12CP) methodology, to mirror the basis of cost allocation used in the Applicable BREC wholesale tariff, in order to determine the cost to serve each customer class.[147] With the 12CP methodology, Jackson Purchase Energy explained that demand-related costs are allocated on the basis of the demand for each rate class at the time of BREC's system peak CP for each of the twelve months and customer related costs are allocated on the basis of the average number of customers served in each rate class during the test year.[148]

For the distribution components, the zero-intercept method was used to determine the customer components of overhead conductor, underground conductor, and line transformers.[149] The COSS determined Jackson Purchase Energy's overall rate of return (ROR) on rate base and used to determine the relative rates of return that Jackson

[147] Wolfram Direct Testimony at 17.

[148] Wolfram Direct Testimony at 17.

[149] Wolfram Direct Testimony at 15.

Purchase Energy is earning from each rate class.[150] In response to a post-hearing information request from the Attorney General, Jackson Purchase Energy filed a revised revenue increase on January 6, 2025 along with revised rates to reflect certain adjustments proposed by the Attorney General to which Jackson Purchase Energy had generally agreed. The revised Revenue Allocation with the ROR after the rate revision is illustrated below:[151]

Rate Class	Revenue Increase	Return on Rate Base	Return After Rate Revision
Residential	$3,344,789	1.35%	4.74%
Small Commercial Single Phase	$487,227	(5.17%)	(2.24%)
Small Commercial Three Phase	$200,545	(1.75%)	3.74%
Commercial and Industrial Demand	$105,980	3.23%	3.74%
Commercial and Industrial Direct	NA	NA	NA
Large Commercial Existing	$42,204	1.57%	3.74%
Lighting	NA	9.24%	9.24%
Total	$4,180,744	1.10%	3.97%

Having reviewed Jackson Purchase Energy's revised COSS, the Commission accepts Jackson Purchase Energy's proposal to use the 12CP method as a guide to determine revenue allocation. However, the Commission made additional adjustments that require additional changes to the rates as discussed in more detail below.

[150] Wolfram Direct Testimony at 13.

[151] JPEC-2023-COS-REV-Dec16-Excl-New.xlsx, Summary of Rates tab and JPEC-2023-Pres_Proposed_Rates-REV-Dec16-Excl-New.xlsx, Present and Proposed Rates tab.

Revenue Allocation and Rate Design

Based on the results of the COSS, Jackson Purchase Energy stated that particularly within the residential and small commercial classes, the unbundled costs within each rate class indicate an imbalance within the current rate structure between the recovery of fixed costs and variable costs.[152] Therefore, Jackson Purchase Energy stated that according to the COSS that rates for the residential and small commercial classes are insufficient and should be increased and the large commercial class D and the lighting class have higher rates of return than all other classes.[153]

Jackson Purchase Energy filed a revised revenue allocation in response to the Attorney General's post-hearing information request as discussed above. The revision substantially decreased the revenue increase among the customer classes, except for the Small Commercial Three Phase customer class, which received an increase of revenue allocation of $102,023.[154] Additionally, the changes in rate design were reflected in the energy and demand charges, with no change in the proposed $10 increase in all customer charges.

In its rebuttal testimony, Jackson Purchase Energy stated that the revised pro forma adjustments have a negligible impact on the results of the COSS, however noted that the revisions change the cost-based rates by small increments and do not change the relative assessments of the overall rates of return for rate classes and the residential rates still have negative rates of return on rate base and are significantly subsidized by

[152] Wolfram Direct Testimony at 20.

[153] Wolfram Direct Testimony at 20.

[154] JPEC-2023-COS-REV-Dec16-Excl-New.xlsx, Summary of Rates tab, filed January 6, 2025.

the non-residential rate classes.[155] The rebuttal testimony further explained that the cost based customer charge for the residential class is $51.68 per month while the actual current charge is $20.35 per month, however the proposed residential customer charge of $30.35 was not changed in rebuttal.[156] Additionally, the rebuttal testimony stated that the revised pro forma adjustments changed the proposed energy charge for residential customers from the as-originally-filed $0.118059 per kWh to $0.116367 per kWh.[157] Jackson Purchase Energy stated that it is employing the principle of gradualism as it is not seeking the entire $53.45 customer charge that was supported.[158]

In addition, to the changes to the residential customer charge, Jackson Purchase Energy is proposing to increase all other customer charges by $10 per month. The remaining revenue is proposed to be allocated proportionately across all demand and energy charges, until the target revenue is reached, resulting in a 1.0309, or a 3.09 percent increase.[159]

Jackson Purchase Energy stated that the proposed revisions to customer charges will help mitigate the under recovery of fixed costs. Jackson Purchase Energy further stated that spreading the remaining increase across other charges for the appropriate rate classes is a general way of improving Jackson Purchase Energy's overall cost

[155] Wolfram Rebuttal Testimony at 14.

[156] Wolfram Rebuttal Testimony at 15.

[157] Wolfram Rebuttal Testimony at 15.

[158] Jackson Purchase Energy Reply Brief at 9.

[159] Wolfram Rebuttal Testimony at 20–21.

recovery, is consistent with the ratemaking principle of gradualism, and will allow the avoidance of rate shock while still making movements to improve cost recovery.[160]

The Attorney General argued in its post-hearing brief that, if the Commission were to grant the proposed residential customer charge, it would result in a 49.14 percent increase, be the highest residential monthly customer charge in the entire state of Kentucky,[161] and violate the principle of gradualism in ratemaking.[162] Additionally, the Attorney General argued that the proposed increases to the residential monthly customer charge and energy charge will hinder residential customers' ability to control their monthly electric bills, and pose a financial hardship on those customers already struggling to make ends meet.[163] The Attorney General explained that the average poverty rate in Jackson Purchase Energy's service territory is 14.8 percent, with the highest poverty rate of 17.6 percent in Graves County and the lowest of 12.9 percent in Carlisle County.[164]

Additionally, the Attorney General argued in its post-hearing brief, that if the Commission were to grant the requested $30.35 residential monthly customer charge, that the increase be implemented in a two-phased approach, with the first phase the residential monthly customer charge increase to $25.35 in the first year, and then under the second phase increase to $30.35 in the second year. Finally, the Attorney General noted that the Commission approves the requested increase to the residential monthly customer charge and energy charge, then the residential customers will be paying the

[160] Wolfram Rebuttal Testimony at 23-24.

[161] Attorney General Post-Hearing Brief at 5.

[162] Attorney General Post-Hearing Brief at 7.

[163] Attorney General Post-Hearing Brief at 5-6.

[164] Attorney General Post-Hearing Brief at 6.

same exact monthly customer charge as well as the same energy charge as the Small Commercial Single-Phase customers, leading to an inequitable result.[165]

The Commission gives substantial weight to the evidence from the COSS that indicates other classes are earning considerably more than the Small Commercial Single-Phase and Small Commercial Three Phase classes relative to their cost of service. The Commission acknowledges that the Small Commercial Single-Phase rate class carry a negative ROR on Rate Base. The Residential rate class, which contributes to 56 percent of Jackson Purchase Energy's revenue, has a positive ROR, but is a substantially smaller ROR compared to the Commercial and Industrial Demand rate class, which contributes 19.6 percent of revenue.[166]

The Commission agrees with Jackson Purchase Energy that the proposed revisions to customer charges will help mitigate the under recovery of fixed costs, and spreading the remaining increase across other charges is a general way of improving Jackson Purchase Energy's overall cost recovery. The Commission also acknowledges the Attorney General's arguments regarding Jackson Purchase Energy's proposed 49.14 percent increase to the residential customer charge. The Commission must weigh these factors and strike a balance between the customers' financial interest and the utility's ability to provide adequate, reliable service.

Based upon the Commission-approved revenue increase of $3,993,497, the Commission finds the allocation of proposed revenue to the classes of service is not reasonable. The Commission finds the revenue allocations of the Residential and Small

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[165] Attorney General Post-Hearing Brief at 7–8.

[166] Jackson Purchase Energy's Response to AG's Post-Hearing Requests, Item 3(c), JPEC-2023-COS-REV-Dec16-Excl-New.xlsx, Summary of Rates tab.

Commercial Single-Phase customer classes needs to be addressed. The Commission notes that it has consistently found it reasonable to raise the customer charge in utility rate cases to better reflect the fixed costs inherent in providing utility service. However, the Commission has also found it reasonable to embrace the principal of gradualism in ratemaking, which mitigates the financial impact of rate increases on customers while providing reasonable rates. Therefore, the Commission finds that Jackson Purchase Energy's residential customer charge should increase from $20.35 to $26.00, which is an 18 percent increase toward the COSS rate. By increasing the customer charge $5.65, it allows Jackson Purchase Energy to recover an additional $1,727,476 in fixed revenue. The energy charge associated with the Residential class will increase from 0.114521 per kWh to $0.118662 per kWh. Utilizing the Commission's revenue increase of $3,993,497, for a residential customer with an average monthly usage of 1,116 kWh, the average bill increases by $10.27, or 6.0 percent, from $172.50 to $182.77. The changes in the rate design reflect a $3,140,478, or 6 percent revenue increase for the Residential customer class. The January 6, 2025, rate filing shows a $3,344,789 or 6.3 percent revenue increase to the Residential customer class.[167]

The Commission notes that even after rate revisions, the Small Commercial Single-Phase class carries a ROR of negative 2.24 percent. The Commission acknowledges that the Small Commercial Single-Phase and Residential charges having the same customer charge and energy charge is a legacy issue.[168] However, the

[167] Jackson Purchase Energy's Response to AG's Post-Hearing Requests, Item 3(c), JPEC-2023-Pres_Proposed_Rates-REV-Dec16-Excl-New.xlsx.

[168] Jackson Purchase Energy's Response to Staff's First Request (filed May 14, 2024), Response 13.

Commission finds that the Small Commercial Single-Phase customer charge should be differentiated from the Residential customer charge due to the Small Commercial Single-Phase class's negative ROR. The Commission finds that the Small Commercial Single-Phase customer charge should increase from $20.35 to $31.00 to further spread the cost difference between the classes and allowing Jackson Purchase Energy to recover an additional $492,286 in fixed revenue. The Commission does not find it reasonable to implement a rate design in which a small single-phase commercial class pays a monthly energy charge that is higher than that charged to the residential class. Therefore, the energy charge associated with the Small Commercial Single-Phase class will increase from 0.114521 per kWh to $0.114926 per kWh, which is $0.003736 less than the energy charge for the Residential class. The Small Commercial Single-Phase customer class will receive a $504,304 or 9.7 percent revenue increase, while the January 6, 2025 filing shows a $487,227, or 9.4 percent increase in revenue.

The Commission notes that the additional reduction to Jackson Purchase Energy's revised revenue increase discussed herein and the increase in the revenue from the Small Commercial Single-Phase class are all reflected in the rates of the Residential customer class, which was bearing the bulk of the proposed increase, for the reasons discussed above. In regard to the other rate classes with proposed rate revisions, the Commission finds the rates in Jackson Purchase Energy's January 6, 2025, revised rates to be reasonable and finds that those rates, which are reflected in Appendix B to this Order along with the rates approved for the Residential and Small Commercial Single-Phase classes, should be approved as filed in Jackson Purchase Energy's January 6, 2025 revisions.[169] Therefore, based upon the above findings, the Commission finds that the rates set forth in Appendix B, are reasonable and should be approved for bills rendered on and after January 1, 2025, which is when Jackson Purchase Energy placed its rates into effect subject to refund pursuant to KRS 278.190.

Pursuant to KRS 278.190, the Commission finds that Jackson Purchase Energy should refund all its customers the actual amount each customer overpaid based on the actual usage of each customer during the timeframe that the utility was charging the higher proposed rate placed into effect pending this final Order. The Commission finds that the refunds should be implemented by issuing a single bill credit, where feasible. The Commission further finds that the refunds should be completed within 60 days.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Jackson Purchase Energy are denied.

2. The rates set forth in Appendix B to this Order are fair, just and reasonable, and are approved for bills rendered on and after January 1, 2025.

3. Within 60 days of the date of service of this Order, Jackson Purchase Energy shall refund to each customer all amounts collected from that customer in excess of the rates approved in this Order for bills rendered on and after January 1, 2025, through the date of entry of this Order by providing a single bill credit, when feasible, to each customer.

4. Within 75 days of this Order, Jackson Purchase Energy shall submit a written report to the Commission in which it describes its efforts to refund all monies collected in excess of the rates that are set forth in Appendix B to this Order.

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[169] JPEC-2023-Pres_Proposed_Rates-REV-Dec16-Excl-New.xlsx, filed January 6, 2025.

5. Within 20 days of the date of service of this Order, Jackson Purchase Energy shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved in this Order and reflecting their effective data and that they were authorized by this Order.

6. Jackson Purchase Energy shall account for and track its ROW expense annually for each 12 full calendar month period beginning with the first full month following the effective date of this order and shall record a regulatory liability or regulatory asset in each such period to the extent its actual ROW expense is lower than or exceeds, respectively, the $4,523,870 in annual ROW expense included in rates.

7. When Jackson Purchase Energy files its next rate case, including any streamlined case, Jackson Purchase Energy shall include a report detailing its under or over-spending on ROW maintenance in each such 12-month period described in ordering paragraph 6, including any pro rata amount to the extent a period is not complete, and shall propose how any regulatory liability or asset should be reflected in rates.

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

PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

ENTERED

FEB 28 2025 AH

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00085 DATED FEB 28 2025

Item	Revenue	Expense	Non-Operating Income	Net Margin
FAC	(9,297,927)	(8,969,611)	-	(328,315)
ES	(3,734,413)	(3,623,000)	-	(111,412)
MRSM	3,156,156	3,141,245	-	14,911
Non-FAC PPA	(3,640,327)	(4,012,568)	-	372,241
Donations, Promo Ads & Dues	-	(556,705)	-	556,705
401k Contributions	-	(24,254)	-	24,254
Life Insurance	-	(14,628)	-	14,628
Rate Case Costs	-	(34,592)	-	34,592
Interest Expense	-	84,145	-	(84,145)
Year End Customers	(385,929)	(300,880)	-	(85,049)
Wages & Salaries	-	294,654	-	(294,654)
Depreciation Normalization	-	(16,250)	-	16,250
Directors Expenses	-	(29,987)	-	29,987
Right of Way	-	608,989	-	(608,989)
Health Care Costs	-	(59,406)	-	59,406
CEO Incentive Comp	-	(34,414)	-	34,414
Improperly Booked Expense	-	(57,964)	-	57,964
Total	(13,902,440)	(13,605,226)	-	(297,213)

Description	Actual Rates Actual Test Yr	Pro Forma Adjustment	Present Rates Adj Test Yr	Proposed Rates Adj Test Yr
Operating Revenues				
Total Sales of Electric Energy	94,026,216	(13,902,440)	80,123,776	84,117,273
Other Electric Revenue	1,355,252	-	1,355,252	1,355,252
Total Operating Revenue	95,381,468	(13,902,440)	81,479,028	85,472,525
Operating Expenses:				
Purchased Power	70,722,286	(13,764,815)	56,957,471	56,957,471
Distribution Operations	4,126,999	-	4,126,999	4,126,999
Distribution Maintenance	7,186,249	608,989	7,795,239	7,795,239
Customer Accounts	1,134,564	-	1,134,564	1,134,564
Customer Service	608	-	608	608
Sales Expense	4,366	-	4,366	4,366
A&G	3,957,854	(517,295)	3,440,559	3,440,559
Total O&M Expense	87,132,925	(13,673,121)	73,459,805	73,459,805
Depreciation	7,326,400	(16,250)	7,310,149	7,310,149
Taxes - Other	67,856	-	67,856	67,856
Interest on LTD	2,368,870	87,720	2,456,589	2,456,589
Interest - Other	153,310	(3,575)	149,735	149,735
Other Deductions	1,413	-	1,413	1,413
Total Cost of Electric Service	97,050,775	(13,605,226)	83,445,548	83,445,548
Utility Operating Margins	(1,669,307)	(297,213)	(1,966,520)	2,026,977
Non-Operating Margins - Interest	308,201	-	308,201	308,201
Income(Loss) from Equity Investments	-	-	-	-
Non-Operating Margins - Other	1,499	-	1,499	1,499
G&T Capital Credits	-	-	-	-
Other Capital Credits	119,913	-	119,913	119,913
Net Margins	(1,239,694)	(297,213)	(1,536,908)	2,456,589
Cash Receipts from Lenders	72,254		72,254	72,254
OTIER	0.33		0.23	1.85
TIER	0.48		0.37	2.00
TIER excluding GTCC	0.48		0.37	2.00
Target TIER	2.00		2.00	2.00
Margins at Target TIER	2,368,870		2,456,589	2,456,589
Revenue Requirement	99,419,644		85,902,138	85,902,138
Revenue Deficiency	3,608,564		3,993,497	-
		Target ($) >	3,993,497	
		Increase ($) >		3,993,497
		Increase (%) >		4.90%

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00085 DATED FEB 28 2025

The following rates and charges are prescribed for the customers served by Jackson Purchase Energy Corporation. All other rates and charges not specifically mention herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Residential

Customer Charge	$26.00 per month
Energy Charge	$0.118662 per kWh

Small Commercial Single-Phase

Customer Charge	$31.00 per month
Energy Charge	$0.114926 per kWh

Small Commercial Three Phase

Customer Charge	$42.27 per month
Energy Charge	$0.112266 per kWh

Commercial and Industrial Demand <3,000 kW

Customer Charge	$58.42 per month
Demand Charge	$9.18 per kWh
Energy Charge 1st 200	$ 0.063377 per kWh
Energy Charge 2nd 200	$0.053088 per kWh
Energy Charge 3rd 200	$0.047860 per kWh
Energy Charge over 600	$0.042786 per kWh

Large Commercial Existing

Customer Charge	$424.97 per month
Energy Charge	$0.040071 per kWh
Demand Charge 1st 3,000	$48,914.06
Demand Charge over 3,000	$16.31 per kWh

Lighting

100W HPS	$11.32 per light
250W HPS	$15.72 per light
250W HPS Flood	$16.50 per light
1,000W Metal – Flood	$41.34 per light
LED 6,000-9,000 Lumens	$11.54 per light
LED 9,300 – 15,000 Lumens	$14.10 per light
LED Flood 14,000 – 23,000 Lumens	$19.90 per light
175W Metal	$19.15 per light
150W Metal	$18.56 per light
400W Metal	$27.91 per light
175 MV	$11.78 per light
400 MV	$18.23 per light

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