

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CLARK	)	
ENERGY COOPERATIVE, INC. FOR AN	)	CASE NO.
ALTERNATIVE RATE ADJUSTMENT PURSUANT	)	2025-00230
TO 807 KAR 5:078	)	

ORDER

On August 12, 2025, Clark Energy Cooperative, Inc. (Clark Energy) filed an application seeking an alternative rate adjustment pursuant to 807 KAR 5:078, with a proposed effective date of September 12, 2025.¹ By Order dated August 26, 2025,² the Commission accepted Clark Energy's application pursuant to 807 KAR 5:078 and established a procedural schedule for processing this case.³ By Order dated August 13, 2025, the Attorney General of the Commonwealth of Kentucky, through the Office of Rate Intervention (Attorney General), was granted intervention and is the only intervenor in the case.⁴

¹ Application (filed Aug. 12, 2025) at 2.

² Order (Ky. PSC Aug. 26, 2025).

³ Order (Ky. PSC Aug. 26, 2025).

⁴ Order (Ky. PSC Aug. 13, 2025).

Clark Energy responded to one request for information⁵ from Commission Staff and one request for information⁶ from the Attorney General. On October 2, 2025, both the Attorney General⁷ and Clark Energy⁸ filed comments on Clark Energy's application. The case stands ready for a decision.

LEGAL STANDARD

Commission regulation 807 KAR 5:078 provides a streamlined process for Kentucky electric cooperatives to request modest rate adjustments. The regulation allows for simplified filings and expedited review compared to normal rate case proceedings and is designed to help cooperatives manage necessary rate changes efficiently. Among other things, 807 KAR 5:078 limits any increase to a maximum of 5 percent over existing rates and a maximum Operating Times Interest Earned Ratio (OTIER) of 1.85. The cooperative must also meet other eligibility and filing conditions in the regulation (e.g., recent cost of service study and limited scope to revenue requirement/rate design/tariff changes). Additionally, if five or more years have elapsed since the cooperative's most recent general rate adjustment, the application must include a narrative explaining why a general rate case was not pursued.

BACKGROUND

Clark Energy is a nonprofit, member-owned rural electric cooperative corporation, organized under KRS Chapter 279. It is engaged in the distribution and sale of electric

⁵ Clark Energy's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Sept. 22, 2025).

⁶ Clark Energy's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed Sept. 22, 2025).

⁷ Attorney General's Comments (filed Oct. 2, 2025).

⁸ Clark Energy's Comments (filed Oct. 2, 2025).

energy to 28,400 customers in Bath, Bourbon, Clark, Estill, Fayette, Madison, Menifee, Montgomery, Morgan, Powell and Rowan counties, Kentucky.⁹ Clark Energy's last general rate adjustment was effective April 16, 2010, in Case No. 2009-00314¹⁰ and its last base rate adjustment was effective August 11, 2020, in Case No. 2020-00104¹¹ in a "streamlined procedure" adjustment filed pursuant to the pilot program established in Case No. 2018-00407.¹²

TEST PERIOD

Pursuant to the streamlined procedures established in Case No. 2018-00407, Clark Energy used a historical test year ending on December 31, 2024.¹³

CLARK ENERGY'S PROPOSAL

Clark Energy calculated its revenue deficiency as \$2,821,079, based on the maximum allowed five percent increase.¹⁴ Due to the rounding of actual per-unit rates in the tariff, Clark Energy requested approval to increase its annual revenues by \$2,820,550, or 4.87 percent¹⁵. Clark Energy based its request on an increase¹⁶ of 5 percent, which

⁹ Application at 1.

¹⁰ Case No. 2009-00314, *Application of Clark Energy Cooperative, Inc. for an Adjustment of Rates* (Ky. PSC Apr. 16, 2010).

¹¹ Case No. 2020-00104, *Electronic Application of Clark Energy Cooperative, Inc. for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Aug. 11, 2020).

¹² Case No. 2018-00407, *A Review of the Rate Case Procedure for Electric Distribution Cooperatives* (Ky. PSC Dec. 20, 2019).

¹³ Application at 3.

¹⁴ Application, the Direct Testimony of John Wolfram (Wolfram Direct Testimony) at 6.

¹⁵ Application, Wolfram Direct Testimony at 7.

¹⁶ 807 KAR 5:078 Section 2(3).

does not exceed 1 percent per 12-month period since the last base rate adjustment,¹⁷ pursuant to 807 KAR 5:078 Section 2(3).¹⁸ Clark Energy requested an OTIER of 1.53.¹⁹

Pursuant to 807 KAR 5:078, Clark Energy filed a cost of service study (COSS) along with its application.²⁰ As noted above, Clark Energy proposed an increase in revenues totaling \$2,820,550, representing an approximate 5 percent increase.²¹ Clark Energy requested an increase to the Schedule R: Residential monthly facility charge from \$18.62 to \$33.00 to apportion part of the increase. Additionally, Clark Energy requested that the volumetric energy charge for Schedule R: Residential customers be decreased from \$0.010123 per kWh to \$0.09621 per kWh accounting for the remainder of the proposed increase. According to Clark Energy, residential customers with an average energy use of 1,042 kWh will see an increase of \$9.15 in their monthly bills as a result of its proposal.²² Adjustments to other customer classes were proposed, but Clark Energy stated that those would not lead to increases of the monthly bills of those average users.²³

Clark Energy explained that despite close management supervision to minimize cost-escalation, overall expenses in several aspects of Clark Energy's operations have

¹⁷ Clark Energy's last base rate adjustment was Case No. 2020-00104. The rates in that case became effective on Aug. 11, 2020.

¹⁸ Application at 3.

¹⁹ Clark Energy's Response to the Attorney General's First Request, Item 5; Clark Energy's Comments at 2.

²⁰ Application, Wolfram Direct Testimony, Exhibits JW-3, JW-4, JW-5, JW-6, JW-7, and JW-8 (COSS).

²¹ Application, Wolfram Direct Testimony, Table 5 at 24.

²² Application, Wolfram Direct Testimony, Table 5 at 24.

²³ Application, Wolfram Direct Testimony at 23-24.

increased.²⁴ As a result, Clark Energy's Board of Directors, in conjunction with its management, determined that an adjustment of retail rates was necessary in order to account for increases in virtually all areas of its business operations since its last rate case, improve Clark Energy's overall financial condition, and allow Clark Energy to continue to satisfy loan covenants.²⁵

INTERVENOR COMMENTS

The Attorney General submitted comments regarding Clark Energy's proposed rate adjustment.²⁶ The Attorney General requested that the Commission ensure the proposed revenue increase is just and reasonable.²⁷

The Attorney General raised the following concerns about specific items included in the revenue requirement:

- Executive Salaries: The Attorney General requested that the Commission review available compensation data to assess the fairness of these salaries.²⁸
- Non-Executive Wages and Benefits: The Attorney General requested that the Commission compare Clark Energy's proposed wages and benefits to similar cooperatives and review all data available to assess the fairness of these salaries.²⁹

²⁴ Application at 1.

²⁵ Application at 1-2.

²⁶ Attorney General's Comments.

²⁷ Attorney General's Comments at 3 and 4.

²⁸ Attorney General's Comments at 4.

²⁹ Attorney General's Comments at 4-5.

- Work performed by employees for subsidiary: The Attorney General also requested the Commission ensure that work performed by Clark Energy's employees for fleet maintenance of its subsidiary, Clark Propane Plus, is not funded by Clark Energy's ratepayers.

The Attorney General opposed Clark Energy's proposed 77.23 percent increase in the fixed Schedule R: Residential facility charge, arguing that such a substantial increase would significantly limit residential customers' ability to manage their electric bills.³⁰ Additionally, the Attorney General pointed out that the Commission has historically applied the principle of gradualism in ratemaking, which aims to mitigate the economic impact of rate changes on consumers.³¹ The Attorney General maintained that any increase to the Schedule R: Residential facility charge should be implemented gradually to prevent undue financial strain on consumers.³²

The Attorney General requested that the Commission approve Clark Energy's proposed revenue increase only after ensuring the necessary adjustments are made to protect ratepayers from unreasonable costs, and to limit the increase to the fixed customer charge.³³

CLARK ENERGY'S COMMENTS

Clark Energy submitted comments regarding its proposed rate adjustment.³⁴

³⁰ Attorney General's Comments at 5-6.

³¹ Attorney General's Comments at 6.

³² Attorney General's Comments at 6.

³³ Attorney General's Comments at 6.

³⁴ Clark Energy's Comments.

Clark Energy stated that, since its last rate increase became effective in August 2020, it has been affected by unprecedented inflation in almost all areas of its business.³⁵ In addition to the rising costs of inflation, Clark Energy has seen large increases in interest expense due to rising interest rates.³⁶ An increase in storms has caused major damage to Clark Energy's system and affected the cooperative's margins.³⁷ While Clark Energy's growth rate has remained steady since 2020, it claimed the rising costs have not allowed revenues to keep up with the rising costs.³⁸ Clark Energy stated it has been able to offset many of these costs and delay a base rate increase through prudent management practices; however, Clark Energy alleged its financial metrics are below what is necessary to continue to provide safe and reliable service.³⁹

Clark Energy stated that it continues to focus on lowering or controlling expenses, despite the increasing inflationary pressures and rising costs, through methods including introducing a 401(k) style retirement plan instead of defined benefit plan, changing to a virtual format for its annual meeting, promoting paperless billing, and adopting a cloud based system for phones and computer systems.⁴⁰ However, even with these cost containment measures, Clark Energy stated it cannot continue to reduce its costs and still provide safe and reliable service.⁴¹

³⁵ Clark Energy's Comments at 3.

³⁶ Clark Energy's Comments at 3.

³⁷ Clark Energy's Comments at 3.

³⁸ Clark Energy's Comments at 3.

³⁹ Clark Energy's Comments at 3.

⁴⁰ Clark Energy's Comments at 3.

⁴¹ Clark Energy's Comments at 3.

Clark Energy stated that, despite several cost-saving initiatives since its last general rate increase, its financial metrics have generally deteriorated.⁴² In 2024, Clark Energy's OTIER was 0.44 and, through July 2025, it was 0.44.⁴³ Clark Energy argued that the requested OTIER in this rate application will allow Clark Energy to operate in a healthy manner and meet financial covenants in future years.⁴⁴

Clark Energy argued that the proposed increase to residential rates amounts to a gradual change that eliminates subsidization of residential rate class by the other rate classes, but it is also fair, just, and reasonable.⁴⁵ Clark Energy also explained that the request for the residential customer service charge of \$33 will allow Clark Energy to experience less volatility in its revenues and for its customers to experience less volatility in their monthly bills.⁴⁶ Clark Energy stated the evidence in this proceeding supports the fixed costs to serve Clark Energy's members is \$44.38.⁴⁷ Clark Energy argued that the COSS took into consideration the intricacies of Clark Energy's system and produced a just and reasonable cost required to service customers on that system.⁴⁸

Clark Energy stated it believes that its salary and benefits are reasonable and comparable to other cooperatives in the state.⁴⁹ Clark Energy further stated it believes

⁴² Clark Energy's Comments at 4.

⁴³ Clark Energy's Comments at 4.

⁴⁴ Clark Energy's Comments at 4.

⁴⁵ Clark Energy's Comments at 5.

⁴⁶ Clark Energy's Comments at 5-6.

⁴⁷ Clark Energy's Comments at 6.

⁴⁸ Clark Energy's Comments at 6.

⁴⁹ Clark Energy's Comments at 6.

its level of health insurance contributions, life insurance contributions, and salary are reasonable and should be accepted by the Commission in this proceeding.⁵⁰

Clark Energy explained the importance of its right-of-way expense; for which, it did not include an adjustment.⁵¹ Clark Energy also explained its reasoning for paying membership dues, volunteering, sponsoring, and charitable donations and noted that these items were excluded from the revenue requirement.⁵²

Clark Energy stated that, in this particular case, based on the adjusted test year under the OTIER cap, the revenue deficiency is \$2,820,550.⁵³ Clark Energy stated that, should the Commission choose to disallow any costs in Clark Energy's pro forma adjustments included within the test year, Clark Energy still seeks approval of the requested 1.53 OTIER, which will allow Clark Energy to maintain compliance with its loan covenants.⁵⁴

DISCUSSION

Revenue and Expense Adjustments

Clark Energy proposed 12 adjustments to normalize its test-year operating revenues and expenses in the streamlined application. The Commission finds that 10 out of the 12 adjustments originally proposed by Clark Energy are reasonable and should be accepted without change. The Commission's two changes to Clark Energy's proposed adjustments relate to Rate Case Expense and Year-End Customer Normalization as

⁵⁰ Clark Energy's Comments at 6-7.

⁵¹ Clark Energy's Comments at 7.

⁵² Clark Energy's Comments at 7.

⁵³ Clark Energy's Comments at 8.

⁵⁴ Clark Energy's Comments at 8.

explained in the following paragraphs. Shown below are the Commission approved adjustments.

Adj. No.	Item	Revenue	Expense	Non-Operating Income	Net Margin
1	Fuel Adjustment Clause	(2,826,503)	(2,826,503)	-	-
2	Environmental Surcharge	(5,766,680)	(5,766,680)	-	-
3	Rate Case Expenses	-	11,444	-	(11,444)
4	Year-End Customer Normalization	217,093	119,922	-	97,172
5	GTCC	-	-	(268,537)	(268,537)
6	Non-Recurring Items	-	(77,500)	215,536	293,036
7	Depreciation Expense Normalization	-	120,319	-	(120,319)
8	Advertising & Donations	-	(198,428)	-	198,428
9	Directors Expense	-	(10,800)	-	10,800
10	Interest	-	328,722	-	(328,722)
11	Life Insurance Premiums	-	(31,743)	-	31,743
12	Wages	-	340,995	-	(340,995)
Total		(8,376,090)	(7,990,253)	(53,001)	(438,838)

Rate Case Expense - In its application, Clark Energy proposed a total Rate Case Expense of \$50,000 amortized over three years for \$16,667 per year.⁵⁵ In its Monthly Rate Case Expense Update, Clark Energy provided its actual total Rate Case Expense as of October 2, 2025, of \$34,331.⁵⁶ The actual total Rate Case Expense of \$34,331 amortized over three years is \$11,444 per year.⁵⁷

The Commission finds Clark Energy's actual Rate Case Expense of \$34,331 to be reasonable. That amount, amortized over three years, equates to \$11,444 per year, and the adjustment should be accepted because it accurately reflects the Rate Case Expense incurred in this case.

⁵⁵ Wolfram Direct Testimony, Exhibit JW-2 at 9.

⁵⁶ Monthly Rate Case Expense Update (filed Oct. 2, 2025).

⁵⁷ \$34,331 / 3 yrs = \$11,444.

Year-End Customer Normalization – Clark Energy proposed a \$205,043 increase to revenues and \$112,375 increase to expenses to adjust the test-year expenses and revenues to reflect the number of customers at the end of the test year.⁵⁸ This resulted in a decrease of \$92,667 in the revenue requirement.⁵⁹ Clark Energy calculated its average customer counts for its customer rate classifications as follows:

<u>Rate Classification</u>	<u>Average Customer Count</u>
Schedule R: Residential	25,694.53
Schedule C: General Power Service	2,031.92
Schedule E: Public Facilities	314.08
Schedule L: General Power Service	119.33

The Commission finds that the average customer count should be rounded to a whole number. The Commission has historically rounded year-end customer count in this adjustment calculation,⁶⁰ because it is not practical to assume any number of customers that is not a whole number, as the purpose of the adjustment is to apply the number of customers at test-year end to a full year of revenue, and fractional customers do not exist in practice. The Commission finds that the average customer counts for customer rate classifications should be rounded as follows:

<u>Rate Classification</u>	<u>Average Customer Count</u>
Schedule R: Residential	25,695.00
Schedule C: General Power Service	2,032.00
Schedule E: Public Facilities	314.00
Schedule L: General Power Service	119.00

⁵⁸ Wolfram Direct Testimony, Exhibit JW-2 at 8.

⁵⁹ Wolfram Direct Testimony, Exhibit JW-2 at 8.

⁶⁰ See Case No. 2025-00159 *Electronic Application of Meade County Rural Electric Cooperation for an Alternative Adjustment Pursuant to 807 KAR 5:078* (Ky. PSC Sept. 26, 2025) at 10.

Pro Forma Adjustments Summary

The 12 pro forma adjustments are found in Appendix A to this Order and summarized in the chart below. The effects of the approved adjustments on Clark Energy's net income result in utility operating margins of \$1,270,461 based upon a total revenue of \$52,246,843, a total cost of electric service of \$50,976,382, and resulting net margins of \$2,284,423. The resulting credit metrics are a 1.96 Times Interest Earned Ratio (TIER), a 1.53 OTIER, and a Debt Service Coverage Ratio (DSCR) of 1.62. The Commission finds that a revenue increase of \$2,820,550 is reasonable based on the maximum allowable 5 percent increase pursuant to 807 KAR 5:078 and the adjustments made above. The Commission's adjustments were not large enough to reduce the utility's calculated financial need to a level below that 5% cap which results in a lower than 1.85 OTIER.

	<u>Clark Energy</u>	<u>Final</u>
Revenues		
Fuel Adjustment Clause	(2,826,503)	(2,826,503)
Environmental Surcharge	(5,766,680)	(5,766,680)
Year-End Customers	205,043	217,093
Total	<u>(8,388,140)</u>	<u>(8,376,090)</u>
Operating Expenses		
Fuel Adjustment Clause	(2,826,503)	(2,826,503)
Environmental Surcharge	(5,766,680)	(5,766,680)
Rate Case Expenses	16,667	11,444
Year-End Customers	112,375	119,922
Non-Recurring Items	(77,500)	(77,500)
Depreciation Expense	120,319	120,319
Advertising & Donations	(198,428)	(198,428)
Directors Expense	(10,800)	(10,800)
Interest	328,722	328,722
Life Insurance Premiums	(31,743)	(31,743)
Wages	340,995	340,995
Total	<u>(7,992,576)</u>	<u>(7,990,253)</u>
Operating Margins Impact	<u>(395,564)</u>	<u>(385,837)</u>
Generation and Transmission Capital Credits	<u>(268,537)</u>	<u>(268,537)</u>
Non-Recurring Items	<u>215,536</u>	<u>215,536</u>
Net Margins Impact	<u><u>(448,565)</u></u>	<u><u>(438,838)</u></u>

Cost of Service Study (COSS)

Clark Energy filed a fully allocated COSS based on the 12 Coincident Peak (12 CP) methodology, mirroring the cost allocation basis used in the applicable EKPC wholesale tariff.⁶¹ The Attorney General did not comment on the COSS. With the 12 CP methodology, Clark Energy explained that power supply and transmission costs are allocated on the basis of the demand for each rate class at the time of EKPC's system peak for each of the 12 months, and customer-related costs are allocated based on the

⁶¹ Application, Wolfram Direct Testimony at 18.

average number of customers served in each rate class during the test year.⁶² Distribution demand-related costs are allocated based on the relative demand levels of each class by the maximum class demands for primary and secondary voltage and by the sum of individual customer demands for secondary voltage.⁶³

The zero-intercept method was used for the distribution costs to classify customer-related costs of the overhead conductor, underground conductor, and line transformers.⁶⁴ The COSS determined Clark Energy's overall rate of return (ROR) on the rate base and used it to determine the relative rates of return that Clark Energy earns from each rate class. Having reviewed Clark Energy's COSS, the Commission finds Clark Energy's proposal to use the 12 CP method as a guide to determine its revenue allocation to be reasonable and the COSS should be accepted.

Revenue Allocation and Rate Design

Based on the results of the COSS, there is an indication that the current rates illustrate a certain degree of subsidization between the rate classes, and, at current rates, Schedule R: Residential provides less revenue relative to its cost to serve. The proposed revenue allocation with the ROR is illustrated below:⁶⁵

Rate Class	Revenue Increase	Return on Rate Base	Return After Rate Revision
Schedule R: Residential	\$2,820,550	(1.10%)	1.90%
Schedule D: Residential Time-of-Use	\$0	136.97%	136.97%

⁶² Application, Wolfram Direct Testimony at 18-19.

⁶³ Application, Wolfram Direct Testimony at 18.

⁶⁴ Application, Wolfram Direct Testimony at 16-17.

⁶⁵ Application, Wolfram Direct Testimony, Exhibits JW-3 at 1 and JW-9 at 1.

Schedule C: General Power Service	\$0	6.62%	6.62%
Schedule E: Public Facilities	\$0	1.48%	1.48%
Schedule L: General Power Service	\$0	55.92%	55.92%
Schedule P: General Power Service	\$0	31.87%	31.87%
Schedule B-1: Large Industrial Rate	\$0	63.43%	63.43%
Schedule O: LED Outdoor Lighting Facilities	\$0	8.86%	8.86%
Total	\$2,820,550	1.36%	3.91%

The Commission notes that the excessive subsidy Schedule D: Residential Time-of-Use class is contributing to the overall inequity, as shown by the 136.97 percent ROR. Clark Energy stated Schedule D: Residential Time-of-Use class is very small, containing one active customer, and that the class only contributes 0.1 percent of overall revenue.⁶⁶ Ingesting this, the Commission has concerns about the classification of the sole Schedule D: Residential Time-of-Use customer due to the usage characteristics resembling those of a commercial user.⁶⁷ Regardless, a class displaying such a high ROR, produces revenues that exceed its cost of service, and therefore, play into rates that are not fair, just, nor reasonable. Additionally, for similar reasons, the Commission is concerned with the level of subsidization the General Power Service (schedules L and P), and Schedule B-1: Large Industrial Rate classes provide, as shown in the table above. The Commission

⁶⁶ Clark Energy's Response to Staff's First Request, Item 3.

⁶⁷ Application, Wolfram Direct Testimony, Exhibit JW-6 at 3-6.

finds that Clark Energy should file for a general adjustment of rates within three years after the date of this Order to address and aid in decreasing the level of subsidization these classes provide.

Clark Energy's COSS supports a Schedule R: Residential facility charge of \$44.38 and an energy charge of \$0.08660 per kWh.⁶⁸ However, Clark Energy proposed to increase the facility charge from \$18.62 to \$33.00, an approximate 77.23 percent increase.⁶⁹ Clark Energy stated that the proposed facility charge would place the charge approximately 75 percent of what it should be to recover actual fixed costs incurred by providing service.⁷⁰ Clark Energy proposed to reduce the energy charge from \$0.10123 per kWh to \$0.09621 per kWh to be more consistent with cost-based rates.⁷¹

Clark Energy also proposed a revenue neutral rate revisions to its General Power Service (Schedules C, L and P), Schedule E: Public Facilities, and Schedule B-1: Large Industrial Rate classes.⁷²

In regard to the General Power Service rate schedules, Clark Energy proposed to increase the Schedule C facility charge from \$26.20 to \$40.58 and decrease the energy charge from \$0.10976 per kWh to \$0.10009 per kWh.⁷³ Clark Energy proposed to

⁶⁸ Application, Wolfram Direct Testimony, Exhibit JW-3 at 2.

⁶⁹ Application, Wolfram Direct Testimony at 23.

⁷⁰ Application, Wolfram Direct Testimony at 23.

⁷¹ Application, Wolfram Direct Testimony at 23.

⁷² Application, Wolfram Direct Testimony at 23-24.

⁷³ Application, Wolfram Direct Testimony, Exhibit JW-9 at 1.

increase the demand charge from \$6.69 per kW and \$6.42 per kW to \$7.75 per kW for Schedules L and P, respectively, with a corresponding decrease to the energy charges.⁷⁴

Additionally, Clark Energy proposed to increase the Schedule E: Public Facilities facility charge from \$18.62 to \$33.00 and decrease the energy charge from \$0.11030 per kWh to \$0.09545 per kWh.⁷⁵ Clark Energy proposed to increase the Schedule B-1: Large Industrial Rate's contract and excess demand charges from \$7.41 per kW and \$10.32 per kW to \$9.25 per kW and \$10.75 per kW.⁷⁶ In turn, Clark Energy proposed to decrease the energy charge from \$0.062436 per kWh to \$0.059780 per kWh.⁷⁷

The Attorney General raised concerns regarding the approximate 77.23 percent increase in the Schedule R: Residential facility charge.⁷⁸ The Attorney General stated that, by raising the facility charge as opposed to the energy charge, energy conservation would be disincentivized.⁷⁹ Additionally, the Attorney General stated that by increasing the facility charge for Schedule R: Residential, customers are given less control of their bill.⁸⁰ The Attorney General requested that the Commission continue to rely upon the principle of gradualism when awarding an increase to the Schedule R: Residential facility charge.⁸¹

⁷⁴ Application, Wolfram Direct Testimony, Exhibit JW-9 at 1.

⁷⁵ Application, Wolfram Direct Testimony, Exhibit JW-9 at 1.

⁷⁶ Application, Wolfram Direct Testimony, Exhibit JW-9 at 1.

⁷⁷ Application, Wolfram Direct Testimony, Exhibit JW-9 at 1.

⁷⁸ Attorney General Comments at 5.

⁷⁹ Attorney General Comments at 5.

⁸⁰ Attorney General Comments at 5.

⁸¹ Attorney General Comments at 6.

Clark Energy stated that the reduction to the proposed energy charge will offset the increase to the Schedule R: Residential facility charge.⁸² Additionally, Clark Energy stated that a higher facility charge, instead of a higher energy charge, provides a more stable bill impact for consumers.⁸³ Furthermore, the proposed Residential rates eliminate subsidization of the Residential class by the other rate classes.⁸⁴

The Commission gives substantial weight to the evidence from the COSS that indicates Schedule R: Residential is contributing to the rate of return less than the Clark Energy's cost to serve that customer class. The Commission also recognizes that, for an electric distribution cooperative, there is merit in providing a means to guard against revenue erosion. However, the Commission agrees with the Attorney General that a 77.23 percent increase to the Schedule R: Residential facility charge, while decreasing the energy charge, could give Clark Energy customers less control over their monthly bill by disincentivizing energy conservation. 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 \$2,820,550, the Commission finds the proposed allocation of revenue to the classes of service is reasonable. 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

⁸² Clark Energy Comments at 5.

⁸³ Clark Energy Comments at 5.

⁸⁴ Clark Energy Comments at 5.

providing utility service.⁸⁵ However, the Commission has also found it reasonable to embrace the principle of gradualism in ratemaking, which mitigates the financial impact of rate increases on customers while providing reasonable rates.⁸⁶ Therefore, the rate design of the classes with proposed revisions needs to be addressed.

In regard to Schedule R: Residential, the Commission finds that the proposed facility charge of \$33 is not reasonable. The Commission finds that the facility charge should increase from \$18.62 to \$27.77, or 49 percent, as to align closer to cost-based rates but still allow for a more gradual rate increase. By increasing the facility charge by \$9.15, Clark Energy is able to recover an additional \$2,821,256 in fixed revenue.⁸⁷ Additionally, the energy charge will remain at its current charge of \$0.10123 per kWh as to incentivize the same level of energy conservation. For a Schedule R: Residential customer with an average monthly usage of 1,042 kWh,⁸⁸ the average bill increases by \$9.15, or 6.70 percent, from \$124.13 to \$133.28. The changes in the rate design reflect a \$2,821,256, or 6.70 percent revenue increase for Schedule R: Residential.

The proposed revenue neutral rate revisions made to Schedule E: Public Facilities class must be adjusted to correspond with the revisions approved for Schedule R: Residential. In Case Number 2020-00104, the Commission approved a facility charge

⁸⁵ See Case No. 2024-00324, *Electronic Application for An Alternative Rate Adjustment for Jackson Energy Cooperative Pursuant to 807 KAR 5:078* (Ky. PSC Mar. 11, 2025), final Order at 14-15.

⁸⁶ See Case No. 2023-00147, *Electronic Application of Taylor County Rural Electric Cooperative Corporation for A General Adjustment of Rates* (Ky. PSC Apr. 5, 2024), final Order at 23.

⁸⁷ Additional fixed revenue is calculated by the following equation: (Billing Units x Approved Facility Charge) - (Billing Units x Current Facility Charge).

⁸⁸ Application, Wolfram Direct Testimony, Table 5 at 24.

for Schedule E: Public Facilities that mirrors that of Schedule R: Residential.⁸⁹ Therefore, the facility charge will increase from \$18.62 to \$27.77, with the energy charge decreasing from \$0.1103 per kWh to \$0.10088 per kWh. Although not entirely revenue-neutral, the adjustments to the Schedule E: Public Facilities rate result in an increase of \$107 in class revenue, which will not materially impact a Schedule E: Public Facilities customer's bill.

Additionally, the proposed revenue neutral rate revisions made to Schedule C: General Power Service needs to be addressed. In order to maintain the current rate differential between Schedule R: Residential and Schedule C: General Power Service, the Schedule C: General Power Service facility charge will increase from \$26.20 to \$35.35, with a slight decrease in the energy charge from \$0.10976 per kWh to \$0.10360 per kWh. Although not entirely revenue-neutral, the adjustments to the Schedule C: General Power Service rate result in a decrease of \$268 in class revenue, will not impact a Schedule C: General Power Service customer's bill.

The proposed revenue neutral rate revisions to Schedule L: General Power Service, Schedule P: General Power Service, and Schedule B-1: Large Industrial Rate are found to be reasonable and are reflected in Appendix B to this Order.

SUMMARY

As set forth above, following review of the case record, the Commission finds that the maximum five percent increase in revenue, or \$2,820,550 with rate rounding, to be reasonable. To achieve this increase and reduce rate class subsidization, the Commission finds it reasonable to increase the Residential Service customer charge from

⁸⁹ See Case No. 2020-00104, *Electronic Application of Clark Energy Cooperative, Inc. for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Aug. 11, 2020), final Order at 13-14.

\$18.62 to \$27.77 with no change in the residential energy charge.⁹⁰ The increase will result in credit metrics of 1.96 TIER, a 1.53 OTIER, and a debt service coverage ratio of 1.62.

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the rates proposed by Clark Energy should be denied. The rates set forth in Appendix B to this Order are approved pursuant to 807 KAR 5:078 for Clark Energy to charge for service rendered on and after the date of this Order and should be approved.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Clark Energy are denied.
2. The rates set forth in Appendix B to this Order are approved for services rendered by Clark Energy on and after the date of service of this Order.
3. Within 20 days of the date of service of this Order, Clark Energy shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and reflecting its effective data and that it was authorized by this Order.
4. Clark Energy shall file a general rate case application pursuant to 807 KAR 5:001 Section 16 within three years from the date of this Order, or, in the alternative, file a formal motion with a detailed analysis of its rates and state the reasons why no modifications are necessary.
5. This case is closed and removed from the Commission's docket.

⁹⁰ The Commission made other rate design adjustments noted earlier in the Order.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:

 
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00230 DATED OCT 24 2025

Description	Actual Test Year	Pro Forma Adjustments	Pro Forma Test Yr	Proposed Rates
<u>Operating Revenues</u>				
Total Sales of Electric Energy	56,421,579	(8,376,090)	48,045,489	50,866,569
Other Electric Revenue	1,380,275	-	1,380,275	1,380,275
Total Operating Revenue	57,801,854	(8,376,090)	49,425,764	52,246,844
<u>Operating Expenses:</u>				
Purchased Power	39,166,969	(8,473,261)	30,693,708	30,693,708
Distribution Operations	2,353,738	-	2,353,738	2,353,738
Distribution Maintenance	4,847,953	-	4,847,953	4,847,953
Customer Accounts	1,533,365	-	1,533,365	1,533,365
Customer Service	319,402	-	319,402	319,402
Sales Expense	9,218	-	9,218	9,218
A&G	1,924,438	33,968	1,958,406	1,958,406
Total O&M Expense	50,155,083	(8,439,293)	41,715,790	41,715,790
Depreciation	6,305,895	120,319	6,426,214	6,426,214
Taxes - Other	54,082	-	54,082	54,082
Interest on LTD	2,057,808	328,722	2,386,530	2,386,530
Interest - Other	348,806	-	348,806	348,806
Other Deductions	44,961	-	44,961	44,961
Total Cost of Electric Service	58,966,635	(7,990,253)	50,976,382	50,976,382
Utility Operating Margins	(1,164,781)	(385,837)	(1,550,618)	1,270,462
Non-Operating Margins - Interest	66,346	29,884	96,230	96,230
Income(Loss) from Equity Investments	290,776	-	290,776	290,776
Non-Operating Margins - Other	251,755	185,652	437,407	437,407
G&T Capital Credits	268,537	(268,537)	-	-
Other Capital Credits	189,549	-	189,549	189,549
Net Margins	(97,818)	(438,838)	(536,656)	2,284,424
Cash Receipts from Lenders	-	-	-	-
OTIER	0.43		0.35	1.53
TIER	0.95		0.78	1.96
TIER excluding GTCC	0.82		0.78	1.96
Target OTIER	1.85		1.85	
Margins at Target OTIER	2,816,100		3,042,512	
Revenue Requirement	61,782,735		54,018,894	
Revenue Deficiency (Excess)	2,913,918		3,579,168	
Target Increase \$				\$ 2,821,080
Actual Increase \$				\$ 2,820,550
Increase %				5.00%

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00230 DATED OCT 24 2025

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

	<u>Schedule R: Residential</u>	
Facility Charge		\$27.77
Energy Charge		\$0.10123 Per kWh
	<u>Schedule C: General Power Service</u>	
Facility Charge		\$35.35
Energy Charge		\$0.10360 Per kWh
	<u>Schedule E: Public Facilities</u>	
Facility Charge		\$27.77
Energy Charge		\$0.10088 Per kWh
	<u>Schedule L: General Power Service</u>	
Demand Charge		\$7.75 Per kW
Energy Charge		\$0.07743 Per kWh
	<u>Schedule P: General Power Service</u>	
Demand Charge		\$7.75 Per kW
Energy Charge		\$0.06643 Per kWh
	<u>Schedule B-1: Large Industrial Rate</u>	
Demand Charge (Contract)		9.25 Per kW
Demand Charge (Excess)		10.75 Per kW
Energy Charge		\$0.05978 Per kWh

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