

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MEADE COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR)	CASE NO.
A GENERAL ADJUSTMENT OF RATES AND A)	2013-00033
FLOW-THROUGH OF BIG RIVERS ELECTRIC)	
CORPORATION'S RATE INCREASE)	

ORDER

On February 13, 2013, Meade County Rural Electric Cooperative Corporation ("Meade County") tendered for filing an application requesting approval to increase its rates for retail electric service by \$963,098 and to pass through a proposed wholesale power increase of \$7,706,538 from Big Rivers Electric Corporation ("Big Rivers").¹ Meade County's most recent base rate increase was granted in 2011.² A review of the application revealed that it did not meet the minimum filing requirements set forth in 807 KAR 5:001, Sections 8(4)(b)4, 14(2), 16(4)(a) and 16(4)(e); therefore, a notice of filing deficiencies was issued. On February 25, 2013, Meade County filed information to cure the deficiencies, and the application was accepted as filed on February 25, 2013.

KRS 278.180(1) requires 30 days' notice of a change in rates. As a result of the filing deficiencies, Meade County proposed that its revised rates become effective

¹ Meade County's wholesale supplier, Big Rivers, requested an increase in base rates in Case No. 2012-00535, *Application of Big Rivers Electric Corporation for an Adjustment of Rates* (Ky. PSC Oct. 29, 2013). Due to a revision in the amount of the requested wholesale increase filed by Big Rivers on June 24, 2013 in the rebuttal testimony of John Wolfram in that case, subsequent to the hearing in this case, Meade County filed a revised wholesale increase amount of \$7,181,338 and a revised distribution increase of \$961,765.

² Case No. 2010-00222, *Application of Meade County Rural Electric Cooperative Corporation to Adjust Rates* (Ky. PSC Mar. 28, 2011).

March 28, 2013, a date more than 30 days from the date it cured its deficiencies. Finding that an investigation would be necessary to determine the reasonableness of Meade County's proposed increase, the Commission suspended the rates for five months, up to and including August 27, 2013, pursuant to KRS 278.190(2).

On August 19, 2013, Meade County notified the Commission of its intent to place into effect, subject to refund, for service rendered on and after August 20, 2013, the rates necessary to recover the proposed increase in its wholesale power costs from Big Rivers. In response, the Commission issued an Order on August 20, 2013, directing Meade County to maintain its records in such manner as will allow it, the Commission, or any customer to determine the amounts to be refunded, and to whom due, in the event a refund is ordered upon a final resolution of this matter.

BACKGROUND

Meade County is a consumer-owned rural electric cooperative organized pursuant to KRS Chapter 279. It is engaged in the sale of electric energy to approximately 28,600 member customers in Breckinridge, Grayson, Hardin, Hancock, Meade, and Ohio counties. It is one of three member distribution cooperatives that own and receive wholesale power from Big Rivers.

On March 15, 2013, a procedural order was issued that provided for discovery, intervenor testimony, and rebuttal testimony. There are no intervenors in this matter. The Commission held a public hearing on the proposed rate adjustment on July 16, 2013. No members of the public attended the hearing and the Commission received no written comments on the proposed increase. The information requested by the

Commission at the public hearing was filed by Meade County on July 24, 2013, and the case now stands submitted for a decision.

TEST PERIOD

Meade County proposed the 12-month period ending November 30, 2012 as the test period to determine the reasonableness of its proposed rates. The Commission finds the use of this test period to be reasonable. In using a historic test period, the Commission has given full consideration to appropriate known and measurable changes.

VALUATION

Rate Base

Meade County proposed a net investment rate base of \$77,351,813 based on test-year-end plant in service and construction work in progress, the 13-month average balances for materials and supplies and prepayments, plus a cash working capital allowance, minus the adjusted accumulated depreciation balance and the test-year-end level of customer advances for construction.³

The Commission concurs with Meade County's proposed rate base with the exception that working capital has been adjusted to reflect the pro forma adjustments to operation and maintenance expenses found reasonable herein. With this adjustment, Meade County's net investment rate base for ratemaking purposes is as follows:

Utility Plant in Service	\$ 104,055,571
Construction in Progress	<u>1,175,799</u>
Total Utility Plant	\$ 105,231,370

³ Application, Exhibit K, page 2 of 7.

ADD:		
Materials and Supplies	\$	1,312,918
Prepayments		188,816
Working Capital		<u>1,147,178</u>
Subtotal	\$	<u>2,648,912</u>
DEDUCT:		
Accumulated Depreciation	\$	29,948,432
Customer Advances for Construction		<u>579,170</u>
Subtotal	\$	<u>30,527,602</u>
NET INVESTMENT RATE BASE	\$	<u>77,352,680</u>

Capitalization and Capital Structure

The Commission finds that Meade County's capitalization at test-year-end for ratemaking purposes was \$84,394,260⁴ and consisted of \$28,472,383 in equity⁵ and \$55,921,877 in long-term debt. Using this capital structure, Meade County's year-end equity to total capitalization ratio was 34 percent.

REVENUES AND EXPENSES

Meade County proposed 16 adjustments to revenues and expenses to reflect current and expected operating conditions. The Commission finds that nine of the adjustments proposed by Meade County are reasonable and should be accepted. Those adjustments are shown in the following table:

⁴ *Id.* page 7 of 7.

⁵ Generation & Transmission Capital Credits ("G&T Capital Credits") are typically excluded by the Commission in calculating a distribution cooperative's equity and capital structure. At test-year-end, Meade County had a zero balance for G&T Capital Credits.

<u>Descriptions</u>	<u>Adjustments</u>
Payroll – Salaries	\$ 27,448
Payroll Taxes	\$ 121
Normalize Property Taxes	\$ 33,832
FAS 106 Expense	\$ 7,546
Retirement 401(k) Plan	\$ 34,950
Donations	\$ (13,442)
Professional Fees	\$ (3,840)
Purchase Power Cost	\$ 1,045,395
Normalize Revenues	\$ 776,489

The Commission has modified the remaining proposed adjustments and made further adjustments to the test-year revenues and expenses as discussed herein.

Depreciation

Meade County depreciates all distribution plants using a composite rate of 3.36 percent, which has been in effect since 1976. Meade County proposed an adjustment to increase test-year depreciation expense by \$100,567, from \$3,350,301 to \$3,450,868. The proposed adjustment was not supported by a depreciation study or change in depreciation rates, but was based entirely on increases in Meade County's utility plant in service over the course of the test year.

In response to a Commission Staff information request, Meade County provided a revised schedule that increased the pro forma depreciation expense adjustment to \$104,412, an increase of \$3,845.⁶ In its application, Meade County provided an incorrect amount for test-year actual depreciation expense for General Plant in the calculation of its proposed depreciation expense adjustment. In its response to the information request, Meade County indicated that the correct test-year depreciation

⁶ Response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 27.a.

expense for General Plant was \$574,254, instead of \$578,099 as indicated in its application.⁷

The Commission recognizes that Meade County's original depreciation adjustment was understated by \$3,845 due to using the incorrect amount for test-year actual depreciation expense for General Plant in the calculation of the proposed depreciation adjustment. After applying the revised test-year depreciation expense indicated above, we find that the test-year depreciation expense should be increased to \$104,412.

Interest on Long-Term Debt

Meade County proposed to increase test-year long-term debt interest expense by \$20,040. In response to a Commission Staff information request, Meade County updated its current long-term-debt interest expense to reflect the interest rates currently in effect.⁸ In its response, Meade County determined that incorrect interest rates for several loans were used to determine the proposed adjustment to interest expense. Based on this update, Meade County provided a revised schedule that reflected a decrease in pro forma interest expense of \$98,321. The Commission agrees with Meade County's revised adjustment for interest expense, and finds that the test-year interest expense should be decreased by \$98,321.⁹

⁷ Application, Exhibit 3.

⁸ Responses to Staff's Second Request, Item 29, and Commission Staff's Third Request for Information ("Staff's Third Request"), Item 13.

⁹ Meade County confirmed this was the correct adjustment in its response to the post-hearing data request, Item 5.

Directors' Expenses

During the test year, Meade County paid its seven directors fees and expenses totaling \$104,348. Meade County proposed adjustments to reduce this expense by excluding \$11,906 of certain expenses for ratemaking purposes. The Commission agrees with the exclusions identified by Meade County. In response to a Commission Staff information request, Meade County stated that \$1,250 of meeting fees were misclassified and should have been classified as per diem expenses.¹⁰ The Commission's longstanding practice has been to disallow per diem expenses for ratemaking purposes. Therefore, the Commission finds that the adjustment proposed by Meade County to reduce test-year directors' fees and expense should be increased by \$1,250. This results in a total reduction of \$13,156 to directors' fees and expenses.

Miscellaneous Expenses

Meade County proposed to exclude \$10,171 in miscellaneous expenses for items the Commission normally has not included for ratemaking purposes. The Commission agrees with the exclusions identified by Meade County. The Commission has also identified three additional adjustments to miscellaneous expenses. One of the items that Meade County excluded was \$4,185 of expenses associated with the Washington, D.C. Youth Tour. However, it failed to include a \$900 credit related to the tour due to an oversight.¹¹ Meade County stated that the \$900 credit should also be removed for ratemaking purposes. The Commission agrees with Meade County and finds that removing the credit results in Meade County's test-year miscellaneous expenses being increased by \$900.

¹⁰ Response to Staff's Third Request, Item 15.b.

¹¹ Response to Staff's Second Request, Item 34.h.

Included in test-year miscellaneous expenses was \$4,115 for commuter cups given away as gifts to members attending Meade County's annual meeting. Past Commission practice has been to disallow expenses for annual meeting giveaways. Accordingly, we will remove \$4,115 from miscellaneous expenses for ratemaking purposes.

Miscellaneous expenses also included an expenditure of \$2,154 for shirts for Meade County employees to wear while working at the annual meeting. Meade County stated that shirts are provided for employees working at cooperative functions to better identify the employees to its members. The Commission believes that there are much less expensive alternatives for identifying cooperative employees (i.e., name tags or badges) than incurring an expenditure of this magnitude. The Commission is of the opinion that these funds should be expended in a manner that provides a greater benefit to the ratepayers. Accordingly, the Commission will remove \$2,154 from miscellaneous expenses.

Therefore, in addition to Meade County's proposed adjustment to decrease miscellaneous expenses by \$10,171, the Commission's further adjustments have a net impact of reducing miscellaneous expenses an additional \$5,369, resulting in a total decrease of \$15,540.

Rate Case Expense

Meade County proposed estimated rate case expenses of \$45,000 based on the level of costs incurred in other rate cases before the Commission. Meade County proposed that its estimated rate case expenses be amortized over a three-year period,

consistent with Commission treatment in previous rate cases. This resulted in an expense adjustment of \$15,000 for ratemaking purposes.¹²

The Commission's longstanding practice is to allow recovery of rate case expenses based on the utility's most recent actual costs, typically through the date of the hearing. Meade County's most recent actual expense through July 25, 2013, as reported in its response to the post-hearing data request, was \$51,399.¹³ The Commission finds that Meade County's allowable rate case expenses should be increased by \$6,399, from \$45,000 to \$51,399. Amortizing this amount over three years will result in an annual expense of \$17,133, which is \$2,133 more than the amount proposed and the amount that will be allowed for ratemaking purposes.

PSC Assessment

Meade County proposed an adjustment to its PSC Assessment of \$445 to reflect the effects of normalizing test-year revenues and purchased-power expense, and \$1,689 for the impact of its proposed revenue increase. The total of these two adjustments results in an increase in the PSC Assessment of \$2,134 for the test year. The Commission has determined that an adjustment to the PSC Assessment to reflect the normalization of revenue and purchased-power expense found reasonable herein is appropriate. Based on the 2013–2014 assessment rate, which had not been determined at the time Meade County filed its application, the adjustment results in a \$5,330 increase in the PSC Assessment for the test-year. The Commission has also determined that an adjustment to the PSC Assessment based on the revenue increase

¹² Application, Exhibit 12.

¹³ Response to Item 6 of the Post-Hearing Data Request.

being granted herein is appropriate. This calculation results in an increase in the PSC Assessment Fee of \$1,218. The total of the Commission's adjustments is \$6,548, which is \$4,414 more than Meade County's proposed adjustment to the test-year PSC Assessment Fee.

Self-Insured Workmen's Compensation Fund

During the test year, Meade County received a distribution of \$76,226 for its share of the assets from a self-insured workmen's compensation fund which was liquidated December 31, 2003.¹⁴ For ratemaking purposes, Meade County made an adjustment which excluded the full amount from income for the test year due to the age of the fund balance and Meade County's belief the distribution should be treated as a non-recurring item.¹⁵ The Commission agrees that the nature of the distribution to Meade County would qualify the transaction as a non-recurring item, but the distributed funds represent costs for workmen's compensation insurance expense that was built into the rates paid by customers in prior years. The Commission believes that it is reasonable that the ratepayers should now receive the benefit of the refund of costs borne by them in prior years. Accordingly, the Commission finds that the refund should be amortized over three years for ratemaking purposes. This results in removing \$50,817 or two-thirds of the total distribution from test-year income, and including the remaining \$25,409 in income to the benefit of the ratepayers.

¹⁴ Response to post-hearing data request, Item 1.

¹⁵ Testimony of Burns Mercer at the public hearing held on July 16, 2013, at 10:10:47.

Pro Forma Adjustments Summary

The effect of the pro forma adjustments on Meade County's net income is as follows:

	<u>Actual Test Period</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Period</u>
Operating Revenues	\$36,508,791	\$ 776,489	\$37,285,280
Operating Expenses	<u>33,082,194</u>	<u>1,235,462</u>	<u>34,317,656</u>
Net Operating Income	3,426,597	(458,973)	2,967,624
Interest on Long-Term Debt	2,133,389	(98,321)	2,035,068
Interest Expense-Other	11,758	- 0-	11,758
Other (Deductions)/Income	<u>482,788</u>	<u>(50,817)</u>	<u>431,971</u>
NET INCOME	<u>\$ 1,764,238</u>	<u>(\$ 411,469)</u>	<u>\$ 1,352,769</u>

REVENUE REQUIREMENTS

The rate of return earned on Meade County's net-investment rate base established for the test year was 5.03 percent.¹⁶ Meade County's requested rates would result in a Times Interest Earned Ratio ("TIER") of 2.00X, excluding G&T Capital Credits, and a rate of return of 5.57 percent on its adjusted rate base of \$77,351,813.¹⁷ Meade County proposes an increase in revenues of \$963,098¹⁸ to achieve the 2.00X TIER, excluding G&T Capital Credits.

Meade County's actual TIER excluding G&T Capital Credits for the test period was 1.83X.¹⁹ For the calendar years 2010 and 2011, Meade County's TIER excluding G&T Capital Credits was 2.05X and 2.09X, respectively.²⁰ After taking into

¹⁶ Application, Exhibit K at 1.

¹⁷ *Id.*

¹⁸ Application, Testimony of Jack Gaines, at.8.

¹⁹ Application, Exhibit K at 6.

²⁰ *Id.*

consideration the allowable pro forma adjustments, without an increase in revenues, Meade County would have an adjusted test-year TIER of 1.66X excluding G&T Capital Credits.

The Commission finds that the use of a 2.00X TIER is reasonable for Meade County. In order to achieve the 2.00X TIER, Meade County would need an increase in annual revenues of \$683,517.

Based upon the pro forma adjustments found reasonable, the Commission has determined that an increase in Meade County's revenues of \$683,517 would result in a TIER of 2.00X. This additional revenue should produce net income of \$2,035,068 and, based on the net investment rate base of \$77,352,680 found reasonable herein, should result in a rate of return on rate base of 5.26 percent.

REVENUE ALLOCATION AND RATE DESIGN

Cost of Service

Meade County filed a fully allocated cost-of-service study ("COSS") for the purpose of determining the cost to serve each customer class and the amount of revenue to be allocated to each customer class. The COSS indicates that, at present rates, the Residential class is providing a rate of return that is less than the system-average rate of return and Meade County's two lighting classes are providing negative rates of return. The Commission has reviewed Meade County's COSS and finds it to be acceptable for use as a guide in allocating the revenue increase granted herein.

Meade County proposes to allocate the wholesale increase to each rate class and within each rate class on a proportional basis. To allocate the distribution portion of the increase ("the distribution increase"), Meade proposes to increase rates to the two

lighting classes and to add \$2.51 to the customer charge of the remaining classes. For most of the Meade County's rate classes, the customer charge is stated as a daily rate.²¹ Stated as a daily rate, the proposed increase would be 8.3 cents per day. For the lighting classes, Schedules 5 and 6, Meade County proposes an increase of 6.83 percent and 9.99 percent, respectively. Based on the results of the COSS, Meade County states that the proposed increases move the rate-of-return ratios of each rate class closer to the system average.

Revenue Allocation

The distribution increase of \$683,517 approved in this Order equates to an increase in base rate revenue of 1.6 percent on top of the wholesale increase. This is approximately 71 percent of the distribution increase Meade County requested in its application. As discussed above, Meade County's proposed increases to the various rate classes were based on its COSS results and a desire to move the rate of return ratios closer to the system average. The Commission has reviewed Meade County's allocation proposal and finds it to be reasonable, except that the Commission finds that no distribution increase should be allocated to the Schedule 3²² and Schedule 4 rate classes, which, at present rates, are providing rates of return that are significantly greater than the system average rate of return. The \$683,517 distribution increase will

²¹ Meade County's current tariff expresses the customer charges as both a monthly rate and a daily rate. With the exception of Schedule 4, Large Power Service Time of Day, Meade County proposes to express the customer charge only as a daily rate prospectively.

²² Reference to Schedule 3, Three Phase Power, does not include Schedule 3A, Three Phase Power, Optional Time of Day. Schedule 3A will receive a small increase for the distribution portion of the approved increase.

be allocated in proportion to that proposed by Meade County, except that Schedule 3 and Schedule 4 will receive no distribution increase.

Rate Design

Meade County’s COSS shows that the current customer charges for the classes receiving a distribution increase are insufficient to recover the customer-related costs of serving each class. Based on the results of the COSS, the Commission accepts Meade County’s proposal that its customer charges be increased for the distribution increase. This allocation results in a customer charge of \$15.35 for the Residential class.²³ The following table shows the current customer charges, as well as the amounts justified by the revised COSS²⁴ and the customer charges being approved in Appendix B to this Order.²⁵

Customer Charge Comparison			
Customer Class	Tariffed	COSS	Approved
Residential & Home	\$ 11.77	\$ 24.17	\$ 15.35
Commercial	\$ 17.52	\$ 24.17	\$ 21.96
3 Phase Time of Day	\$ 60.40	\$ 101.78	\$ 71.30

The Commission issued an Order today in Case No. 2012-00535²⁶ authorizing a \$54,227,241 million annualized increase in Big Rivers’ wholesale rates effective for service rendered on and after August 20, 2013. Using the test-year information and the proportional allocation methodology contained in its application, Meade County will pass

²³ The \$15.35 monthly charge equates to a daily rate of \$.509.

²⁴ These amounts reflect revised amounts included in the COSS filed by Meade County in response to a post-hearing information request.

²⁵ The approved customer charges include the effect of the wholesale and distribution increase on the customer charges.

²⁶ Case No. 2012-00535, Application of Big Rivers Electric Corporation for an Adjustment of Rates (Ky. PSC Oct. 29, 2013).

through to its customers an increase in its wholesale power costs of \$5,835,188 annually.

The Commission has reviewed the approach proposed by Meade County to pass through the increase in the wholesale rates of Big Rivers and to allocate such increase to its retail rates on a proportional basis that will result in no change in the current rate design. Based upon this review, the Commission finds that Meade County's approach is reasonable and should be approved. The rates set forth in Appendix B to this Order will produce an additional \$683,517 in annual base rate distribution revenues and will also allow Meade County to pass through to its customers the increase in Big River's wholesale power costs of \$5,835,188.

With the wholesale and distribution increases approved in this Order, the average Residential customer using 1,040 kWh will see a monthly increase of \$15.42 or 17.09 percent.²⁷

OTHER ISSUES

Energy Efficiency and Demand-Side Management ("DSM")

At the time Meade County filed its last rate case,²⁸ it did not offer any Demand-Side Management ("DSM") or energy-efficiency programs, but stated it was in the process of developing DSM programs with Big Rivers and its consultant. In this proceeding, Meade County stated that it now offers its customers ten DSM programs in

²⁷ This percentage increase reflects the increase in base rates only and does not include the effect of the various other charges or credits that are applied to customers' bills.

²⁸ Case No. 2010-00222, Application of Meade County Rural Electric Cooperative Corporation to Adjust Rates (Ky. PSC Mar. 28, 2011).

conjunction with programs offered by Big Rivers.²⁹ Meade County also stated that it has no plans at this time to establish or develop DSM programs independent of Big Rivers.

The Commission continues to believe that conservation, energy efficiency and DSM, generally, will become increasingly important as more constraints are likely to be placed upon utilities whose main source of supply is coal-based generation. As we have previously stated, the Governor's energy plan, *Intelligent Energy Choices for Kentucky's Future, November 2008*, calls for an increase in DSM by 2025. In addition, the Commission has stated its support for cost-effective DSM programs in response to several recommendations included in *Electric Utility Regulation and Energy Policy in Kentucky*, the report the Commission submitted in July 2008 to the Kentucky General Assembly pursuant to Section 50 of the 2007 Energy Act.

The Commission recognizes Meade County's efforts regarding DSM program offerings but believes that it is appropriate to continue to encourage Meade County and all other electric providers to expand their efforts to offer cost-effective DSM and other energy-efficiency programs.

Tariff Issues

Big Rivers requested and received a change to its Co-generation/Small Power Production Sales – Over 100 kW tariff. Meade County's Schedule 8, Small Power Production and Co-generation 100 kW or Less, and Schedule 10, Small Power and Co-generation Over 100 kW, are currently based on rates included in Big Rivers' tariff. However, Meade County did not request a change to its Schedule 8 and Schedule 10 tariffs in this case. The Commission finds that as a result in the changes made to Big

²⁹ Response to the Staff's Second Request, Item 36.

Rivers' Co-generation/Small Power Production Sales tariff, it is appropriate to make changes to Meade County's Schedule 8 and Schedule 10 tariffs. Those changes are reflected in the appendices to this Order.

Depreciation Study

Meade County has never performed a depreciation study, but states that it plans to conduct a study upon completion of a copper wire-replacement project that is currently in progress.³⁰ Meade County states it expects the wire-replacement project to be completed by December 31, 2015. In Case No. 2010-00222,³¹ the Commission required Meade County to conduct a depreciation study within five years or by its next rate case, whichever occurred first. Upon rehearing, the requirement to conduct a study by its next rate case was removed, since the expected completion date of the six-year wire replacement project would be outside of the five-year time frame, and potentially would require more than one study to comply with the Order. Meade County had completed one year of the project at the time the Order was issued in Case No. 2010-00222. Because of the importance that the Commission places on having periodic depreciation studies performed, we find that Meade County should have a depreciation study performed upon completion of the wire-replacement project and submit the results of the study to the Commission within 12 months of the study's completion, or with the filing of its first general rate case subsequent to the completion of the study, whichever occurs first.

³⁰ Response to Staff's Second Request, Item 28.d.

³¹ Case No. 2010-00222, *Application of Meade County Rural Electric Cooperative Corporation to Adjust Rates* (Ky. PSC Mar. 28, 2011).

Implementation of Rates Subject to Refund

As previously stated, Meade County placed into effect, subject to refund, for service rendered on and after August 20, 2013, the rates necessary to recover the proposed increase in its wholesale power costs from Big Rivers. Because Meade County did not place into effect, subject to refund, rates necessary to recover its proposed distribution increase, the Commission will now approve two sets of rates for Meade County. One set of rates will include only the pass-through of the wholesale increase being granted to Big Rivers in Case No. 2012-00535 and will be effective from August 20, 2013 through October 28, 2013. The second set of rates will include the pass-through of the wholesale increase granted to Big Rivers and the distribution increase granted to Meade County and will be effective on and after the date of this Order.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The rates set forth in Appendix A to this Order are fair, just, and reasonable rates for Meade County to charge for service rendered from August 20, 2013 through October 28, 2013.
2. The rates set forth in Appendix B to this Order are fair, just, and reasonable rates for Meade County to charge for service rendered on and after the date of this Order.
3. The rate of return and TIER granted herein are fair, just, and reasonable and will provide for Meade County's financial obligations.

4. The rates proposed by Meade County would produce revenue in excess of that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Meade County are denied.

2. The rates in Appendix A to this Order are approved for service rendered by Meade County from August 20, 2013 through October 28, 2013.

3. The rates in Appendix B to this Order are approved for service rendered by Meade County on and after the date of this Order.

4. Within 20 days of the date of this Order, Meade County shall file with this Commission, using the Commission's Electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved in Appendix A to this Order reflecting an effective period of August 20, 2013 through October 28, 2013, and Appendix B to this Order reflecting an effective date of October 29, 2013, and that they were authorized by this Order.

5. Within 60 days of the date of this Order, Meade County shall refund to its customers with interest all amounts collected for service rendered from August 20, 2013 through October 28, 2013 that are in excess of the rates set forth in Appendix A to this Order.

6. Meade County shall pay interest on the refunded amounts at the average of the Three-Month Commercial Paper Rate as reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release on the date of this Order. Refunds shall be based on each customer's usage while the proposed rates were in effect and shall be

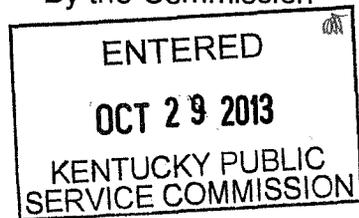
made as a one-time credit to the bills of current customers and by check to customers who have discontinued service since August 20, 2013.

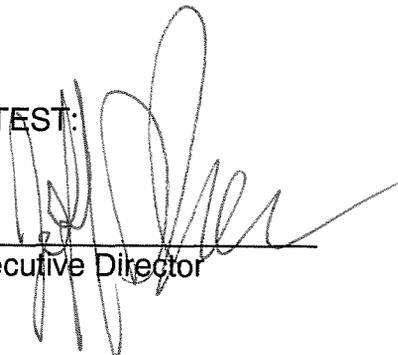
7. Within 75 days of the date of this Order, Meade County shall submit a written report to the Commission in which it describes its efforts to refund all monies collected in excess of the rates that are set forth in Appendix A to this Order.

8. Meade County shall have a depreciation study performed upon completion of the wire-replacement project and shall submit the results of the study to the Commission within 12 months of its completion, or with the filing of Meade County's first general rate case subsequent to the completion of the study, whichever occurs first.

9. Any documents filed pursuant to ordering paragraphs 7 and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00033 DATED **OCT 29 2013**

The following rates and charges are prescribed for the customers in the area served by Meade County Rural Electric Cooperative Corporation from August 20, 2013 through October 28, 2013. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE 1 RESIDENTIAL, FARM, NON-FARM, SCHOOLS AND CHURCHES

Customer Charge per Day	\$.449
Energy Charge per kWh	\$.086858

SCHEDULE 2 COMMERCIAL RATE

Customer Charge per Day	\$.667
Energy Charge per kWh	\$.092655

SCHEDULE 3 THREE PHASE POWER SERVICE, 0 KVA AND GREATER

Customer Charge per Day, 0 - 100 KVA	\$	1.588
Customer Charge per Day, 101 - 1,000 KVA	\$	2.773
Customer Charge per Day, Over 1,000 KVA	\$	3.958
Energy Charge per kWh	\$.058514
Demand Charge per kW	\$	9.78

SCHEDULE 3A
THREE PHASE POWER SERVICE, 0 KVA - 999 KVA
OPTIONAL TIME-OF-DAY RATE

Customer Charge per Day	\$ 2.290
Energy Charge per kWh	\$.058514
Demand Charge per kW	\$ 9.78

SCHEDULE 4
LARGE POWER SERVICE, 1,000 KVA AND LARGER (TOD)

Customer Charge per Month (If Equipment Provided by Meade)	\$ 716.75
Customer Charge per Month (If Equipment Provided by Customer)	\$ 126.49
Energy Charge per kWh:	
First 300 kWh per kW	\$.053853
All Remaining kWh	\$.046362
Demand Charge per kW	\$ 9.34

SCHEDULE 5
OUTDOOR LIGHTING SERVICE

Monthly Rates:	
175 Watt Unmetered	\$ 9.26
175 Watt Metered	\$ 4.04
400 Watt Unmetered	\$ 13.90
400 Watt Metered	\$ 4.04
Pole Rental	\$.48

SCHEDULE 6
STREET LIGHTING SERVICE – COMMUNITY, MUNICIPALITIES, TOWNS

Monthly Rates:	
175 Watt	\$ 8.25
400 Watt	\$ 12.99

SCHEDULE 8
SMALL POWER PRODUCTION OR COGENERATION (100 kW OR LESS)

Base payment per kWh	\$.0350
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SCHEDULE 10
SMALL POWER PRODUCTION OR COGENERATION (OVER 100 kW)
CUSTOMER BUYS POWER FROM MEADE COUNTY

The Charges for On-peak Maintenance Service shall be the greater of:

- | | |
|---|----------|
| (1) Per kW of Scheduled Maintenance Demand per Week | \$ 3.01 |
| Plus per kWh of Maintenance Energy | \$.0350 |

OR

- | | |
|-----------------------------|------|
| (2) Percent of Market Price | 110% |
|-----------------------------|------|

The Charges for Off-peak Maintenance Service shall be:

- | | |
|---|---------|
| Per kW of Scheduled Maintenance Demand per Week | \$ 3.01 |
|---|---------|

Excess Demand:

- | | |
|---|------|
| To Import from a 3 rd Party:
Percent of Actual Cost | 110% |
|---|------|

Not Imported, the greater of:

- | | |
|---|-----------|
| (1) Charge per kW times the highest Excess Demand | \$ 12.914 |
|---|-----------|

OR

- | | |
|---|------|
| (2) Percent of Highest Price received during an Off-System
Sales Transaction times the sum of Excess Demands | 110% |
|---|------|

SCHEDULE 24
RENEWABLE RESOURCE ENERGY SERVICE TARIFF RIDER

Non-Direct Served Customers:

- | | |
|-----------------|-----------|
| Premium per kWh | \$.02119 |
|-----------------|-----------|

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00033 DATED **OCT 29 2013**

The following rates and charges are prescribed for the customers in the area served by Meade County Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE 1
RESIDENTIAL, FARM, NON-FARM, SCHOOLS AND CHURCHES

Customer Charge per Day	\$.509
Energy Charge per kWh	\$.086858

SCHEDULE 2
COMMERCIAL RATE

Customer Charge per Day	\$.726
Energy Charge per kWh	\$.092655

SCHEDULE 3
THREE PHASE POWER SERVICE, 0 KVA AND GREATER

Customer Charge per Day, 0 - 100 KVA	\$ 1.588
Customer Charge per Day, 101 - 1,000 KVA	\$ 2.773
Customer Charge per Day, Over 1,000 KVA	\$ 3.958
Energy Charge per kWh	\$.058514
Demand Charge per kW	\$ 9.78

SCHEDULE 3A
THREE PHASE POWER SERVICE, 0 KVA - 999 KVA
OPTIONAL TIME-OF-DAY RATE

Customer Charge per Day	\$ 2.349
Energy Charge per kWh	\$.058514
Demand Charge per kW	\$ 9.78

SCHEDULE 4
LARGE POWER SERVICE, 1,000 KVA AND LARGER (TOD)

Customer Charge per Month (If Equipment Provided by Meade)	\$ 716.75
Customer Charge per Month (If Equipment Provided by Customer)	\$ 126.49
Energy Charge per kWh:	
First 300 kWh per kW	\$.053853
All Remaining kWh	\$.046362
Demand Charge per kW	\$ 9.34

SCHEDULE 5
OUTDOOR LIGHTING SERVICE

Monthly Rates:	
175 Watt Unmetered	\$ 9.72
175 Watt Metered	\$ 4.24
400 Watt Unmetered	\$ 14.60
400 Watt Metered	\$ 4.24
Pole Rental	\$.50

SCHEDULE 6
STREET LIGHTING SERVICE – COMMUNITY, MUNICIPALITIES, TOWNS

Monthly Rates:	
175 Watt	\$ 8.88
400 Watt	\$ 13.98

SCHEDULE 8
SMALL POWER PRODUCTION OR COGENERATION (100 kW OR LESS)

Base payment per kWh	\$.0350
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SCHEDULE 10
SMALL POWER PRODUCTION OR COGENERATION (OVER 100 kW)
CUSTOMER BUYS POWER FROM MEADE COUNTY

The Charges for On-peak Maintenance Service shall be the greater of:

(1) Per kW of Scheduled Maintenance Demand per Week	\$ 3.01
Plus per kWh of Maintenance Energy	\$.0350

OR

(2) Percent of Market Price 110%

The Charges for Off-peak Maintenance Service shall be:

Per kW of Scheduled Maintenance Demand per Week \$ 3.01

Excess Demand:

To Import from a 3rd Party:
Percent of Actual Cost

110%

Not Imported, the greater of:

(1) Charge per kW times the highest Excess Demand

\$ 12.914

OR

(2) Percent of Highest Price received during an Off-System
Sales Transaction times the sum of Excess Demands

110%

SCHEDULE 24
RENEWABLE RESOURCE ENERGY SERVICE TARIFF RIDER

Non-Direct Served Customers:
Premium per kWh

\$.02119

Honorable Thomas C Brite
Attorney At Law
Brite & Hopkins, PLLC
83 Ballpark Road
P.O. Box 309
Hardinsburg, KENTUCKY 40143

Karen Brown
VP Finance & Accounting
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489

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