

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF JACKSON)	CASE NO.
PURCHASE ENERGY CORPORATION FOR A)	2019-00053
GENERAL ADJUSTMENT IN EXISTING RATES)	

ATTORNEY GENERAL’S INITIAL COMMENTS

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and hereby tenders his initial comments to the Kentucky Public Service Commission (“Commission”) in the above-styled proceeding regarding the proposed use of the streamlined rate procedure.

Jackson Purchase Energy Corporation (“JPEC”) states in its application that it “has met all of the prerequisites for use of the Commission’s Streamlined Procedure Pilot Program and requests that the Commission so find and administer all aspects of the case under the procedures articulated in the Orders of December 11, 2018, and March 26, 2019, in Case No. 2018-00407.”¹ The Attorney General recommends, however, that the Commission instead evaluate JPEC’s application under the guise of a traditional base rate case filing.

JPEC has not been awarded a general base rate increase in eleven (11) years, with the last being in 2008 through Case No. 2007-00116.² Since then, JPEC has passed through various rate adjustments from its wholesale energy supplier, Big Rivers, but notes that rates charged to JPEC

¹ Application, *Electronic Application Of Jackson Purchase Energy Corporation For A General Adjustment In Existing Rates*, Case No. 2019-00053, at 4 (Ky. Commission March 29, 2019).

² Application, Direct Testimony of Greg Grissom, at 4.

residential customers have not changed since February 1, 2014.³ In this case, although JPEC proposes only a 2% increase to its annual revenues,⁴ that increase is predicated solely on a 35% increase to the customer charge for the residential class.⁵ The residential class accounts for 85% of JPEC's overall customer base.⁶

Further, while JPEC has prospectively made certain pro forma adjustments to its operations for the test year in accordance with both current Commission practice and the procedure laid out in Case No. 2018-00407,⁷ there are still issues regarding expenses that would be better addressed in a full rate case filing. One such example is JPEC's decision not to make an adjustment to its operating expenses to reflect healthcare insurance premiums adjusted for employee contributions based on the national average for coverage type consistent with the Commission's recent orders.⁸ Another is that of the wages and salaries presented in Schedule 1.12, and only briefly discussed in testimony.⁹

Testimony in the application suggested that the absence of a defined maximum time period in the orders establishing the streamlined rate procedure indicate that the Commission does not necessarily believe that "the length of time between rate cases was important to whether the streamlined procedure could be employed."¹⁰ However, the absence of any defined maximum time period does not mean that the elapsed time since the last rate case is not a factor to be considered by the Commission. The orders in Case No. 2018-00407 simply give the Commission discretion

³ *Id.*

⁴ Application, at 2.

⁵ Application, Exhibit 4.

⁶ Application, Direct Testimony of Jeffrey R. Williams, at 6.

⁷ Application, Direct Testimony of John Wolfram, at 9–10.

⁸ *Id.* at 15–16; Exhibit 35.

⁹ Application, Direct Testimony of Jeffrey R. Williams, at 9–10.

¹⁰ Application, Direct Testimony of Greg Grissom, at 8–9.

on a case-by-case basis to examine each filing under the streamlined rate procedure and make a determination as to whether it should be accepted or rejected as a streamlined application. The ability to reject filings as streamlined goes to the need to separate those cases which require heightened scrutiny from those which do not. Cases which may warrant a more thorough review would certainly include those filed by utilities which have not requested an increase in a number of years—a factor that the Commission can and should consider. Based on the Attorney General’s experience and understanding, he does not believe that the newly instituted streamlined rate procedure is necessarily the best option for a utility that has not requested an increase for eleven years.

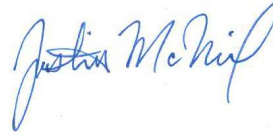
Testimony also stated that since JPEC has not made a rate increase request for eleven years, and since JPEC faces no “impending financial-metric defaults”—while cost-drivers have substantially increased—that these facts “should provide the Commission all of the comfort it needs that Jackson Purchase is an efficiently-run company.”¹¹ However, neither the Attorney General nor the Commission can take these facts at face value when so many ratepayers stand to be affected by the proposed rate increase.

For the reasons stated above, especially the length of time since JPEC was last granted a base rate increase, and the concentration of the increase on the fixed charge of the residential customers, the Attorney General recommends that the Commission reject the application for filing under the streamlined rate procedure and instead require a full rate case be filed to ensure a more thorough review.

¹¹ *Id.*

Respectfully submitted,

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