

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
THE ELECTRONIC APPLICATION OF MEADE COUNTY RURAL ELECTRIC
COOPERATIVE CORPORATION FOR A GENERAL ADJUSTMENT OF
RATES PURSUANT TO STREAMLINED PROCEDURE PILOT PROGRAM
ESTABLISHED IN CASE NO. 2018-00407
CASE NO. 2020-00131

Response to the Attorney General's First Set of Data Requests

July 21, 2020

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

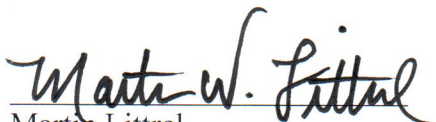
In the Matter of:

| | | |
|------------------------------------|---|---------------------|
| THE ELECTRONIC APPLICATION OF |) | |
| MEADE COUNTY RURAL ELECTRIC |) | |
| COOPERATIVE CORPORATION |) | |
| FOR A GENERAL ADJUSTMENT OF |) | Case No. 2020-00131 |
| RATES PURSUANT TO STREAMLINED |) | |
| PROCEDURE PILOT PROGRAM |) | |
| ESTABLISHED IN CASE NO. 2018-00407 |) | |

VERIFICATION OF MARTIN LITTREL

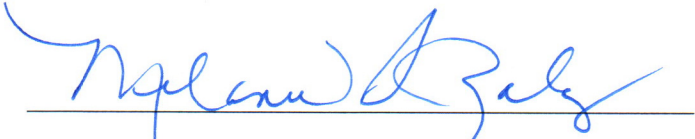
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF MEADE)

Martin Littrel, being duly sworn, states that he has supervised the preparation of certain responses to Requests for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.


 Martin Littrel

The foregoing Verification was signed, acknowledged and sworn to before me this 14th day of July, 2020, by Martin Littrel.




 Notary Commission No. KY NP 2303
 Commission expiration: 3-18-2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

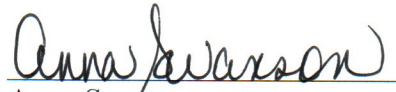
In the Matter of:

| | | |
|------------------------------------|---|---------------------|
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| MEADE COUNTY RURAL ELECTRIC |) | |
| COOPERATIVE CORPORATION |) | |
| FOR A GENERAL ADJUSTMENT OF |) | Case No. 2020-00131 |
| RATES PURSUANT TO STREAMLINED |) | |
| PROCEDURE PILOT PROGRAM |) | |
| ESTABLISHED IN CASE NO. 2018-00407 |) | |

VERIFICATION OF ANNA SWANSON


| | |
|--------------------------|---|
| COMMONWEALTH OF KENTUCKY |) |
| |) |
| COUNTY OF MEADE |) |

Anna Swanson, being duly sworn, states that she has supervised the preparation of certain responses to Requests for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.


Anna Swanson

The foregoing Verification was signed, acknowledged and sworn to before me this 14th day of July, 2020, by Anna Swanson.




Notary Commission No. KY NP 2303
Commission expiration: 3-18-2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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 MEADE COUNTY RURAL ELECTRIC)
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 FOR A GENERAL ADJUSTMENT OF) Case No. 2020-00131
 RATES PURSUANT TO STREAMLINED)
 PROCEDURE PILOT PROGRAM)
 ESTABLISHED IN CASE NO. 2018-00407)

VERIFICATION OF JOHN WOLFRAM

COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF MEADE)

John Wolfram, being duly sworn, states that he has supervised the preparation of certain responses to Requests for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

John Wolfram

John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 14th day of July, 2020, by John Wolfram.

Melanie S. Raley

Notary Commission No. KYNP2303

Commission expiration: 3-18-2024



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1 **Item 1)** *Please explain why Meade proposes to raise base rates for residential customers*

2 *only.*

3

4 **Response)** The cost of service study indicates that Residential is the only rate class with a
5 negative rate of return on rate base, and thus negative overall margins, for the adjusted test
6 period. It is also the only rate class with a rate of return on rate base lower than the overall
7 system rate of return on rate base, which means it is the only rate class being subsidized, and that
8 all other rate classes are providing a subsidy to Residential. See Exhibit JW-3, Page 1 of 2.

9

10 **Witness)** John Wolfram

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1 **Item 2)** *Martin Littrel states in his testimony at page 11 that Meade has, “pursu[ed]*
2 *historically low interest rates when advantageous with its lenders.” Please provide a list of any*
3 *and all refinancing that Meade has undertaken since the last rate case along with any associated*
4 *case numbers.*

5

6 **Response)** Meade County has always attempted to take advantage of lower interest rates
7 when available by actively communicating with representatives from Cooperative Finance
8 Corporation (“CFC”) and the Rural Utility Service (“RUS”) on a routine basis. In these
9 discussions, we have requested our lenders perform periodic reviews of our loan portfolio to see
10 if we can lower our borrowing cost, but unfortunately, market conditions have not always been
11 cost beneficial to refinance our entire debt. However, we continue to evaluate repricing and/or
12 refinancing opportunities to benefit financially from more favorable interest rates. Recently,
13 Meade County has attained lower interest rates by repricing several short-term variable rate
14 maturities at longer repayment timelines to avoid interest rate volatility in the future. By
15 proactively executing these low interest long-term fixed loans it has safeguarded the Cooperative
16 by minimizing our refinancing risk that was associated with short-term variable rate financing by
17 avoiding a rise in interest rates and by creating a more stable funding option. In addition, Meade
18 County’s overall borrowing cost has been reduced through these ongoing efforts as our blended

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1 cost of debt in 2019 was 2.93 compared to 3.25 in 2013, thus lowering our cost of capital and

2 reducing financial risk associated with the short-term market.

3

4 **Witness)** Martin Littrel

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1 **Item 3)** *Please provide a list of the compensation and benefits received by all employees*
2 *(including executive employees) for each and every year since 2013. Please segregate the data*
3 *related to the value of benefits from pay received as salary. Please provide this data for current*
4 *and former employees employed during that the period. Please include the job title of each*
5 *employee.*

6 *a. Please calculate a rolling year-to-year percentage increase for each employee for salary*
7 *and benefits.*

8

9 **Response)** The information for this response is being filed under seal pursuant to a Motion
10 for Confidential Treatment. In the attached report, Compensation includes salary, bonuses, and
11 overtime which all may vary annually. The benefit amount includes items such as long term
12 disability, life insurance, accident, death, & dismemberment (AD&D), retirement plans, medical,
13 dental, and vision insurance.

14

15 **Witness)** Anna Swanson

THIS EXHIBIT IS BEING FILED
UNDER SEAL PURSUANT
TO A MOTION FOR
CONFIDENTIAL TREATMENT

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1 **Item 4)** *Please identify and discuss projected margins for the next three years should the*
2 *Commission deny the requested rate increase*

3

4 **Response)** Meade County does not formally project margins for future years. Meade County
5 based its proposed rates on a historical test year, with pro forma adjustments, consistent with the
6 applicable regulations and Commission standards. That being said, it does expect certain cost
7 increases in the upcoming years that, when coupled with revenue uncertainty related to the
8 COVID-19 pandemic, could adversely impact margins and will make the requested rate revisions
9 even more important for Meade County’s financial health. For a single example, Meade County
10 utilizes the services of qualified vegetation management specialists to inhibit and control the
11 growth of vegetation for our right-of-way stewardship. This tailored plan employs the use of
12 herbicide, mowing, and tree trimming to maintain the reliability and safety of our electric
13 distribution power line right-of-ways. Toward the end of 2019, the previous vegetation
14 management contract expired requiring Meade County to request bid proposals for a three-year
15 vegetation cycle to annually maintain nearly 500 miles of vegetation growth control through an
16 integrated plan. The lowest contract bid was presented by the previous vegetation management
17 company which included our standard cut cycle but at a substantially higher cost. To further
18 illustrate, the average cost of a four-man service crew in 2019 was \$125.20 per hour versus
19 \$140.87 per hour in 2020, which is a 12.5% increase over 2019. Vegetation management cost

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1 for trimming and chemical applications in 2019 were \$1,140,305/annually compared to a 2020
2 projected cost of \$1,861,888/annually or an increase of \$721,583. See below table:

| Projected Year | Projected Cost | Actual Cost for Year 2019 | Dollars Increase from Year 2019 | Percentage Increase from Year 2019 |
|-----------------------|-----------------------|--|--|---|
| 2020 | \$1,861,888 | \$1,140,305 | \$721,583 | 63.3% |
| 2021 | \$1,638,080 | \$1,140,305 | \$497,775 | 43.7% |
| 2022 | \$1,783,398 | \$1,140,305 | \$643,093 | 56.4% |

3
4 This evidence demonstrates the escalation in vegetation management practices since our
5 previous rate adjustment over seven years ago. Monitoring contractor costs are always a priority
6 to Meade County, but recent excessive rainfall totals have led to a faster vegetation growing
7 season increasing trimming and herbicidal control costs. To safely keep the electricity flowing to
8 the 30,000 members within our six-county service territory, Meade County understands the
9 importance of ensuring that our electric distribution system remains free and clear of vegetation
10 encroachments. Studies show that reducing vegetation management practices could harm
11 reliability targets by elevating service interruptions and outage durations, raising overhead costs
12 and overtime hours worked, and reducing safety to the members and public within our
13 cooperative service territory. This is not an isolated problem as many utilities are facing this
14 vegetation management challenge while balancing system reliability and quality customer
15 service. As the largest contracted expenses for our Cooperative, this upswing in vegetation

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1 management services for future years will only perpetuate the negative margins that Meade
2 County is already experiencing should the Commission deny the proposed revenue adjustment.

3 As of June 2020, Meade County maintains margins of negative \$182,320 year-to-date, an
4 Operating TIER-to-date of 1.00, and a Total TIER-to-date of 1.22. Declining financial
5 performance has resulted from unfavorable weather conditions, flat energy sales, inflationary
6 pressures, and an insufficient residential rate structure. This undesirable combination will only
7 continue to add risk to our financial performance in the coming years unless a modest adjustment
8 to the monthly residential customer charge is warranted. Based on our estimates, if a revenue
9 adjustment is not granted, our financial metrics will continue to erode putting at risk our ability
10 to uphold our required lender obligations. In summary, Meade County’s proposal to improve the
11 cost recovery on its residential class is fair, just, and reasonable to ensure that a well-maintained,
12 affordable, and resilient electric distribution system is provided to the members of the
13 Cooperative.

14

15 **Witness)** Martin Littrel

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1 **Item 5)** *Please explain why the Commission should increase facility charges without*
2 *corresponding changes to energy charges, and thereby alter rate design, in a streamlined case.*
3 *In other words, should issues related to inter-class subsidization not be reserved for non-*
4 *streamlined rate cases?*

5

6 **Response)** Issues related to intra- or inter-class subsidization should not be reserved for
7 traditional rate cases. The Commission’s orders on streamlined rate cases do not prohibit the
8 consideration of these issues. Rather, the Commission’s orders implicitly encourage distribution
9 cooperatives to consider these issues, because the list of requirements for streamlined cases
10 includes the following condition: “The application is limited to seeking adjustments in revenue
11 requirements and rate design and does not include any request for a Certificate of Public
12 Convenience and Necessity (CPCN) or changes in the Distribution Cooperative’s tariff beyond
13 those necessary to reflect changes in rates”¹ This clearly indicates that the streamlined rate filing
14 procedure is appropriate for changes in rate design, without limited any proposed revisions to
15 rate design or linking any proposed increases to fixed charges with decreases in energy charges.
16 Furthermore, the Commission has already approved changes to rate design limited to an increase

¹ See *In the Matter of: A Review Of The Rate Case Procedure For Electric Distribution Cooperatives*, Case No. 2018-00407, Order dated December 20, 2019, Appendix A, Item 7, Page 1 of 8.

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1 in the fixed monthly charge for a single rate class in a streamlined rate filing for Jackson

2 Purchase Energy Corporation in June 2019.²

3 The Commission should approve the proposed increase to the Residential facility charge

4 because the current charge is significantly lower than the cost-based charge determined in the

5 cost of service study. See Wolfram Direct, pages 25-26. This is independent of any

6 consideration of energy charges and is consistent with both the letter and the spirit of the

7 streamlined rate case requirements established by the Commission.

8

9 **Witness)** John Wolfram

² See *In the Matter of: Electronic Application of Jackson Purchase Energy Corporation For A General Adjustment In Existing Rates*, Case No. 2019-00053, Order dated June 20, 2019.

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1 **Item 6)** *Confirm that Meade’s current minimum charge for Schedule 1 (Residential,*
2 *Farm and Non-Farm, Schools & Churches) customers is not less than \$0.572 per day.*
3 *a. Provide the amount by which Meade’s wholesale energy charge, and its demand charge*
4 *have increased since Big Rivers’ 2012 and 2013 wholesale rate increases. Provide this*
5 *figure in both dollars and cents, and as a percentage.*

6
7 **Response)** Meade County confirms that the current minimum charge for Schedule 1 is not
8 less than \$0.572 per day.

9 a.

| Wholesale Energy | | | |
|-------------------------|---------------|------------------------|----------------------------|
| Effective Date | Charge | Amount Variance | Percentage Variance |
| 11/1/2011 | \$0.0297360 | | |
| 1/1/2013 | \$0.0297360 | \$0.000000 | 0% |
| 8/20/2013 | \$0.0350000 | \$0.005264 | 18% |
| 2/1/2014 | \$0.0450000 | \$0.010000 | 29% |

| Wholesale Demand | | | |
|-------------------------|---------------|------------------------|----------------------------|
| Effective Date | Charge | Amount Variance | Percentage Variance |
| 11/1/2011 | \$9.500 | | |
| 1/1/2013 | \$9.697 | \$0.197 | 2% |
| 8/20/2013 | \$12.914 | \$3.217 | 33% |
| 2/1/2014 | \$13.805 | \$0.891 | 7% |

10

11 **Witness)** Anna Swanson & John Wolfram

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1 **Item 7)** *John Wolfram states in his testimony at page 19-20 that “the zero-intercept*
2 *method did not provide reasonable results for poles, so for this category, the minimum system*
3 *method was applied.” Please explain why the zero intercept method did not return reasonable*
4 *results for poles and why use of the minimum system method is appropriate.*

5

6 **Response)** When applied to poles, towers and fixtures in Account 364, the zero intercept
7 method yielded a negative zero intercept. See Exhibit JW-8, page 1 of 5. This is not meaningful
8 and indicates that the linear regression of data from the company records does not provide a
9 reasonable result. The use of the zero intercept method is the preferred method; however, when
10 the zero-intercept method produces anomalous results, such as in this case, then the minimum
11 system method is accepted and follows the guidelines set forth in the *NARUC Electric Utility*
12 *Cost Allocation Manual*. The Commission supports the NARUC guidelines and the use of the
13 minimum system in the absence of usable results in the zero-intercept method.³

14

15 **Witness)** John Wolfram

³ See *In the Matter of: Electronic Application Of Jackson Purchase Energy Corporation For A General Adjustment In Existing Rates*, Case No. 2019-00053, Order dated June 20, 2019, page 15.

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1 **Item 8)** *Please discuss Meade’s process for determining/checking customer usage.*

2

3 **Response)** Meade County utilizes the Landis+Gyr TS2 Power Line Carrier System which
4 provides meter usage and reading information within a two-day timeframe. Procedures for
5 posting readings for billing have been designed so that usage information is reviewed before bills
6 are calculated and posted to Meade County members’ accounts. A preliminary posting takes
7 place nearly ten days prior to the billing date to provide ample time for missed reads to be
8 obtained and to check for usage that appears out of tolerance. Tolerance ranges are determined
9 by a system logic comparing current usage to that of prior periods. If member usage is out of
10 tolerance or is not available through the posting from the AMI system, a field technician may
11 travel to the meter site to retrieve diagnostics or to perform a changeout. If variances in usage
12 cannot be proven accurate through trend analysis, through discussion with the customer, or by
13 any other evaluation, the meter would likely be pulled from the field and sent to a third-party
14 vendor for testing.

15

16 **Witness)** Anna Swanson

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1 **Item 9)** *Please discuss patronage capital as listed in the October 31, 2019 Balance Sheet,*
2 *listed as totaling \$33,967,436 in 2019.*

3 *a. Does Meade have any plans to distribute patronage capital to its members?*

4 *b. Has Meade considered using all or a portion of the patronage capital balance to offset*
5 *the requested rate increase? If not, why not?*

6
7 **Response)** Patronage capital as specified above is comprised of operating margin amounts
8 assigned to Meade County's members for years of service 1994 through 2018 and non-operating
9 margin amounts from all years that are not assigned to the membership. Operating margin
10 amounts from 2019 are also included but were not yet assigned to Meade County's membership
11 as of October 31, 2019.

12 a. At this time, Meade County has no plans to distribute patronage capital to its members. It
13 last refunded patronage to its membership through a general retirement of capital credits
14 in year 2016 for years of service 1992 thru 1993. Since Meade County's existing rates do
15 not align with its cost of providing service, margins have been more susceptible to
16 volatility. Due to increased uncertainty of financial performance, Meade County has not
17 done a general retirement of patronage to its membership since year 2016. Although
18 Meade County has been unable to provide a general retirement refund, it has continued to
19 issue estate patronage refunds each month totaling nearly \$285,000 for the year 2019.

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1 Fortunately, Meade County, in conjunction with Big Rivers, has also been able to provide
2 a credit mechanism to its members through the Member Rate Stability Mechanism for
3 nearly ten years. The amount of bill credit that has been refunded through this mechanism
4 to Meade County’s membership totals nearly \$43 million over the last decade. Meade
5 County also anticipates growth in the Member Rate Stability Mechanism which will help
6 to lower member bill amounts by offsetting an adjustment to the customer charge.

7 b. Meade County has considered using a portion of the patronage capital balance to offset
8 the requested rate increase; however, maintaining strong equity ratios is crucial to
9 meeting the requirements of its lenders. Retiring patronage or using the amounts to offset
10 rate increases would lead to decreases in equity ratios and could be detrimental to Meade
11 County’s financial performance and its ability to borrow funds.

12

13 **Witness)** Martin Littrel

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1 **Item 10)** *Please identify the total amounts spent by Meade annually since 2013 on*
2 *advertising Christmas gifts, advertising, economic development, lobbying, and donations.*

3

4 **Response)**

| Year | Christmas Gifts | Advertising | Economic Development | Lobbying | Donations |
|-------------|----------------------------|--------------------|---------------------------------|-----------------|------------------|
| 2013 | \$5,900 | \$18,100 | \$1,145 | \$205 | \$15,705 |
| 2014 | \$6,898 | \$19,545 | \$1,019 | \$408 | \$38,280 |
| 2015 | \$7,175 | \$10,741 | \$165 | \$1,692 | \$13,204 |
| 2016 | \$7,192 | \$12,331 | \$544 | \$0 | \$13,697 |
| 2017 | \$7,300 | \$6,234 | \$1,182 | \$234 | \$14,918 |
| 2018 | \$7,950 | \$4,693 | \$3,857 | \$453 | \$16,022 |
| 2019 | \$7,950 | \$4,026 | \$719 | \$1,449 | \$28,427 |

5

6 See Exhibit JW-2, Reference Schedule 1.08.

7 **Witness)** Anna Swanson

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1 **Item 11)** *Please discuss whether Meade funds a life insurance policy or policies for any of*
2 *its employees and/or their spouses. If so, please identify the employee and/or spouse and provide*
3 *the annual cost of that policy or those policies.*

4

5 **Response)** Meade County furnishes Group Term Life Insurance for each full-time employee
6 with a coverage amount equal to two times the employee’s annual base salary. The Cooperative
7 also furnishes each salary paid employee with spouse coverage equal to \$10,000. Please see
8 attached.

9 Also note that the life insurance expenses were adjusted pursuant to the requirement in
10 the Streamlined Rate Procedure requiring the removal of “Life insurance premiums for coverage
11 above the lesser of an employee’s annual salary or \$50,000.” See Exhibit JW-2, Reference
12 Schedule 1.10.

13 **Witness)** Anna Swanson

Group Term Life Insurance

| Employee Number | Annual Cost | Spouse Cost |
|--------------------|----------------|----------------|
| 1 | \$ 196.32 | |
| 2 | \$ 413.40 | \$ 27.60 |
| 3 | \$ 434.28 | \$ 18.00 |
| 4 | \$ 413.40 | \$ 51.60 |
| 5 | \$ 275.64 | |
| 6 | \$ 304.80 | |
| 7 | \$ 334.08 | \$ 79.20 |
| 8 | \$ 325.68 | \$ 51.60 |
| 9 | \$ 292.32 | |
| 10 | \$ 413.40 | \$ 27.60 |
| 11 | \$ 693.24 | \$ 79.20 |
| 12 | \$ 455.16 | \$ 79.20 |
| 13 | \$ 246.36 | |
| 14 | \$ 325.68 | |
| 15 | \$ 238.08 | |
| 16 | \$ 254.76 | |
| 17 | \$ 200.40 | |
| 18 | \$ 329.88 | \$ 18.00 |
| 19 | \$ 325.68 | |
| 20 | \$ 263.04 | \$ 12.00 |
| 21 | \$ 476.04 | \$ 12.00 |
| 22 | \$ 296.52 | |
| 23 | \$ 317.40 | |
| 24 | \$ 325.68 | |
| 25 | \$ 304.80 | |
| 26 | \$ 505.32 | \$ 12.00 |
| 27 | \$ 254.76 | |
| 28 | \$ 317.40 | |
| 29 | \$ 187.92 | |
| 30 | \$ 246.36 | |
| 31 | \$ 196.32 | |
| 32 | \$ 309.00 | |
| 33 | \$ 296.52 | |
| 34 | \$ 304.80 | |
| 35 | \$ 296.52 | \$ 18.00 |
| 36 | \$ 271.44 | |
| 37 | \$ 304.80 | |
| 38 | \$ 296.52 | |
| 39 | \$ 296.52 | |
| 40 | \$ 171.24 | |
| 41 | \$ 384.24 | \$ 9.60 |
| 42 | \$ 246.36 | |

Group Term Life Insurance

| Employee Number | Annual Cost | Spouse Cost |
|----------------------------|------------------------|------------------------|
| 43 | \$ 229.68 | |
| 44 | \$ 229.68 | |
| 45 | \$ 196.32 | |
| 46 | \$ 200.40 | |
| 47 | \$ 192.12 | |
| 48 | \$ 192.12 | |
| 49 | \$ 304.80 | |
| 50 | \$ 217.20 | |
| 51 | \$ 196.32 | |
| 52 | \$ 171.24 | |
| 53 | \$ 187.92 | |
| 54 | \$ 797.64 | \$ 18.00 |
| 55 | \$ 146.16 | |
| 56 | \$ 421.80 | \$ 18.00 |
| 57 | \$ 200.40 | |
| 58 | \$ 82.81 | |
| 59 | \$ 183.72 | |
| 60 | \$ 213.00 | |
| 61 | \$ 146.16 | |
| 62 | \$ 154.56 | |
| 63 | \$ 141.96 | |
| 64 | \$ 162.84 | |
| 65 | \$ 229.68 | |
| 66 | \$ 154.56 | |
| 67 | \$ 141.96 | |
| 68 | \$ 135.70 | |
| 69 | \$ 11.83 | |
| | \$ 18,984.66 | \$ 531.60 |

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1 **Item 12)** *Please discuss whether automobiles are purchased or leased for the personal use*
2 *of any employees of Meade. If so please identify the employee and identify the annual amount*
3 *cost of that automobile or those automobiles and any associated insurance policy or policies.*

4

5 **Response)** Meade County has purchased two vehicles for company purposes that are
6 occasionally used for personal reasons. Meade County's vehicle insurance is covered under an
7 all risk blanket policy through Federated Rural Electric Insurance Exchange. Insurance expense
8 is not allocated to individual vehicles. Please see attached.

9

10 **Witness)** Anna Swanson

**2019 Personal Use Vehicles
Lease Valuation Method**

| Position | Total Miles | Personal Miles | Personal Use Percentage | Lease Value | Taxable Income | Fuel Cost @ 5.5 cents/miles | Total Taxable Dollars |
|---|-------------------|------------------------------|-------------------------|-------------|----------------|-----------------------------|---|
| <i>VP Engineering & Operations</i> | 7,790 | 1,867 | 23.96% | \$ 3,350.00 | \$ 802.80 | \$ 102.67 | \$ 905.47 |
| <i>VP Member Services & Marketing</i> | 14,301 | 609 | 4.26% | \$ 7,250.00 | \$ 308.74 | \$ 33.50 | \$ 342.23 |
| | | | | | | | \$ 1,247.70 Expense to Meade for Personal Use |
| | Fair Market Value | Lease Value (from Publ 15-B) | | | | | |
| | 11,425 | 3,350 | | | | | |
| | 26,175 | 7,250 | | | | | |

| | Fuel | Depreciation | Overhead | Maintenance | |
|---|-------------|--------------|-------------|-------------|---|
| <i>VP Engineering & Operations</i> | \$ 1,279.73 | \$ - | \$ 284.86 | \$ 1,261.36 | |
| <i>VP Member Services & Marketing</i> | \$ 2,154.69 | \$ 9,019.08 | \$ 1,367.41 | \$ 1,473.41 | |
| | \$ 3,434.42 | \$ 9,019.08 | \$ 1,652.27 | \$ 2,734.77 | \$ 16,840.54 Expense to Meade for Company Use |

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1 **Item 13)** *Please discuss whether Meade provides a supplemental executive retirement plan*
2 *to any of its employees or former employees.*

3

4 **Response)** Currently, Meade County has no Chief Executive Officer, employees or retirees
5 participating in a Supplement Executive Retirement Plan, except one individual. Based on
6 Internal Revenue Code (“IRS”) requirements, Meade County excluded the Vice President of
7 Engineering and Operations in 2014 from participating in the defined benefit plan, also known as
8 the Retirement Security Plan (“the R & S plan”) sponsored by National Rural Electric
9 Cooperative Association (“NRECA”). To provide some background, Meade County is required
10 to perform annual tests to meet specific IRS nondiscrimination requirements. To ensure the
11 Cooperative’s R & S plan satisfies this requirement, the individual was required to be removed
12 from the R & S plan to avoid discriminating in favor of a highly compensated employee. To
13 reimburse this employee for no longer being allowed to participate in the R & S plan, Meade
14 County provided the maximum annual contribution to a 457(b) plan to escape harming his
15 retirement balance. Outside of this single employee, Meade County has no other individuals or
16 retirees enrolled in a Supplemental Executive Retirement Plan.

17

18 **Witness)** Martin Littrel

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1 **Item 14)** *State to what extent, if any, Meade utilizes weather normalization for its base*
2 *rates.*

3

4 **Response)** Meade County does not incorporate weather normalization for its base rates.

5

6 **Witness)** John Wolfram

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1 **Item 15)** *Provide a copy of Meade's anti-nepotism policy.*

2

3 **Response)** Please see attached.

4

5 **Witness)** Anna Swanson

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

POLICY NO. 108

SUBJECT: Nepotism

Effective Date: September 22, 1994

Revised: August 21, 2013

I. PURPOSE

To set forth a policy with regard to the employment of close relatives and individuals involved in dating relationships.

II. POLICY

The employment of relatives and individuals involved in dating relationships in the organization may cause serious conflicts and problems with favoritism and employee morale. In addition to claims of partiality in treatment at work, personal conflicts from outside the work environment can be carried over into day-to-day working relationships.

- A. No person will be considered for employment that is a close relative to a current director, employee, Cooperative attorney, consultant or accountant of the Cooperative.
- B. Close Relatives Defined: For purposes of this policy, "close relative" means spouse, parents, stepparents, children, by blood, adoption or step relationship; half, step or full brothers and sisters, by blood, aunt, uncle, niece or nephew, by blood of the employee; grandparents or grandchildren, by blood of the Cooperative employee or Cooperative attorney, consultant or accountant of the Cooperative; and any other person who is by blood, adoption or otherwise kin to and a member of the household of a director or MCRECC employee. A "member of household" is defined as "living in the home of" on any basis other than as a casual, occasional visitor.
- C. Cohabitation Restriction: Persons who cohabit, but are not married, are considered "close relatives" for purposes of this policy and, therefore, subject to all restrictions, limitations and prohibitions hereof the same as if they were married.
- D. A "dating relationship" is defined as a relationship that may be reasonably expected to lead to the formation of a consensual "romantic" or sexual

relationship. This policy applies to all employees without regard to the gender (sex), gender identity or sexual orientation of the individuals involved.

- E. If employees become a "close relative" via marriage, cohabitation, or otherwise, or a dating relationship is established during employment, it is the responsibility and obligation of the employees involved to disclose the existence of the relationship to management. The individuals involved shall make the determination as to which one will resign. In the event that the employees are not able to decide, the employee with the least continuous service with the Cooperative shall resign within thirty calendar days of the disclosure. The President/CEO can extend the forced resignation date from thirty days after notification to up to six months after notification if the resigning employee is needed for training purposes.

III. RESPONSIBILITY

- A. The Board of Directors are responsible for any change in or revision of this policy.
- B. The President/CEO shall be responsible for the administration of this policy.

Approved:



Robert Rhodes, Chairman

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1 **Item 16)** *Has the Company provided any type of new benefits to employees, officers, or*
2 *directors in the past four years? If so, provide a complete description, the monetary value(s)*
3 *thereof, and the sums included in rates.*

4

5 **Response)** Meade County implemented a vision coverage for its employees during January
6 2017. The Cooperative pays 50% of all premium coverage, and the employee pays the remaining
7 50%. The test year expense for vision coverage was \$2,721. See Exhibit JW-2, Reference
8 Schedule 1.12.

9

10 **Witness)** Anna Swanson

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1 **Item 17)** *Do any of Meade’s directors, and/or their spouses, have life insurance coverage*
2 *funded by Meade? If so: a) Provide the amount that Meade pays for that premium; and b) State*
3 *whether any portion of this amount is included for purposes of ratemaking.*

4

5 **Response)** Meade County furnishes its Board of Directors with Accident, Death, &
6 Dismemberment (AD&D) coverage, but they are not provided with Group Term Life Insurance.
7 No spouse coverage is provided.

8 a. The annual premium for the director AD&D insurance policy is \$155.76.

9 b. The amount of the annual premium was excluded for purposes of ratemaking. Please see
10 application John Wolfram Testimony Exhibit 9 Reference Schedule 1.09 JW-2 page 14.

11

12 **Witness)** Anna Swanson

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1 **Item 18)** *Provide the total amount of all annual bonuses of any type or sort Meade has*
2 *granted during the test year and the two preceding years, in terms of actual dollar amounts for*
3 *each position, including bonuses to officers and directors.*

4

5 **Response)** The information for this response is being filed under seal pursuant to a Motion
6 for Confidential Treatment. Note that in recent years, Meade County has further enhanced its
7 commitment to safety by joining with other statewide and national member cooperatives to
8 pledge a safety commitment to zero electrical contacts. To lower our statewide insurance group
9 plan costs, in addition to encouraging and reinforcing safe work habits, the Cooperative has
10 provided performance incentives to employees for earning specific and measured safety
11 objectives. Currently, Meade County has worked over 282,274 continuous hours without a lost
12 time injury, which is an incredible feat considering the unfavorable weather conditions and
13 remote field locations that our employees travel and work to restore and maintain our distribution
14 infrastructure. As a result of working safely for over two consecutive years, Meade County has
15 been approved for a Governors Safety and Health Award in June of 2020, which marks the
16 Cooperative’s second Governors Safety and Health Award since 2015.

17 To attain this significant achievement, an organization must work over 250,000 hours
18 without a lost time accident, which has bestowed Meade County with this prominent statewide
19 award. Apart from reducing risks, injuries, and fatalities; safe work practices reduce Meade

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1 County’s worker compensation insurance premiums and operating costs, thus helping hold down
2 the cost of service to all our members. From a financial standpoint, Meade County’s improved
3 safety record has lowered insurance premium costs by \$66,388 annually when comparing 2015
4 insurance premium expenses to 2019 premium costs. By reducing the Cooperative’s worker
5 compensation claims it has resulted in a 23% reduction in total insurance premium costs during
6 this five-year timespan. For this reason, allowing reasonable safety initiatives through the form
7 of gift cards for achieving safety targets are merited in our efforts to provide safe, reliable, and
8 affordable electric service. These costs are included in the “Safety Incentive Plan Gift Cards”
9 column.

10

11 **Witness)** Anna Swanson

THIS EXHIBIT IS BEING FILED
UNDER SEAL PURSUANT
TO A MOTION FOR
CONFIDENTIAL TREATMENT

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1 **Item 19)** *Reference the application generally. Provide copies of all studies that Meade has*
2 *conducted addressing the impact that the proposed rate design will have on the elderly, low*
3 *income, fixed income and home bound segments of its ratepayer base. Provide detailed*
4 *information for each specified group.*

5

6 **Response)** Meade County did not conduct a formal analysis of the impact its proposed rate
7 design may have on the elderly, low income, fixed income and home bound segments of its
8 ratepayer base because Meade County does not categorize its members according to the specified
9 classifications. The impact of the proposed rate revision on these member segments will depend
10 on the usage of the individual members in those segments. See Exhibit JW-9.

11 Meade County believes that the proposed rate design reflects an equitable apportionment
12 of the fixed costs necessarily incurred to serve each customer; moreover, Meade County asserts
13 that all customers (including the selected populations identified by the Attorney General) will
14 benefit from a rate design rooted in cost-of-service principles that minimizes monthly bill
15 volatility and concurrently allows the Cooperative to operate under a more predictable and
16 accurate budget.

17 Of course, Meade County recognizes that any increase in residential rates is likely to
18 affect low and fixed-income customers somewhat more significantly than those customers of
19 average or above-average means, primarily because customers in the former categories must

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1 spend a proportionally-greater amount of their incomes on power expenses compared to
2 customers in the latter categories. In light of this fact, Meade County remains committed to
3 ensuring all its customers have access to affordable electric service, and often works with
4 customers (through LIHEAP, primarily) whose circumstances present unique needs. However,
5 based on reasonable consideration of available information and data, Meade County believes the
6 rate design it has proposed in this case does not exacerbate the impact of a residential rate
7 increase on low- and fixed-income customers. To the contrary, Meade County believes that an
8 increase to its fixed customer charge, rather than a significant increase in its volumetric energy
9 charge, is generally more advantageous to its low- and fixed-income customers at this time.

10 Support for Meade County's conclusion in this regard is relatively straightforward. The
11 Cooperative's customers receiving assistance generally consume more energy than other
12 residential customers. Because a rate design that more heavily favors recovery of costs through
13 volumetric charges (rather than fixed charges) necessarily means that higher energy users bear a
14 proportionally-greater burden of any increase than lower energy users, Meade County's low-
15 income customers would generally experience relatively higher monthly bills than if Meade
16 County's proposed rates were approved as filed. Moreover, it warrants repeating that monthly bill
17 volatility increases the more a customer's bill is based on consumption, which can be particularly
18 difficult for low- and fixed-income customers.

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1 The primary contention often raised in opposition to a proposed residential rate
2 adjustment allocated substantially to an increased fixed customer charge is that it diminishes a
3 low- or fixed income customer's ability to minimize costs through conservation and energy
4 efficiency. Initially, it is important to note the inherent problem with this argument from the
5 perspective of the cooperative's ongoing financial health. Essentially, it presumes at the outset
6 that customers will change their consumption patterns following a rate increase, which means the
7 new rates (designed and dependent on a certain amount of expected consumption) will not yield
8 revenues sufficient to maintain adequate margins. This predicament aside, the argument also
9 presupposes that low- and fixed-income customers are readily capable of avoiding costs by using
10 less energy, which in many cases they are not.

11 Furthermore, because the great majority of all residential customer bills consist of
12 charges based on usage (even after increasing the customer charge to move closer to cost-of
13 service), there continues to be opportunity to reduce costs through conservation and similar
14 measures if the customer has the desire and means to implement the same. For these reasons, low
15 and fixed-income customers in Meade County's service territory would generally not benefit
16 from a rate design that continues to rely disproportionately upon volumetric charges for the
17 recovery of both fixed and variable costs.

18 When designing its rates, Meade County's overarching goal was to institute fair, just and
19 reasonable rates considering both the constituencies of the discreet classes of the cooperative and

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1 the membership as a whole. Meade County believes the rates it has proposed satisfy these
2 objectives and requests their approval.

3 Per the response to the Commission’s First Data Request Item 12, the average monthly
4 energy usage of residential members receiving benefits from LIHEAP is 1,350 kWh. The last
5 page of Exhibit JW-9, “Monthly Base Rate Increase by KWH,” shows that the average
6 residential customer using between 1,300 kWh and 1,400 kWh per month will experience a base
7 rate increase of between 2.6 and 2.7 percent. This amount is slightly lower than the overall
8 average residential base rate increase of 3.1 percent.

9

10 **Witness)** Martin Littrel & John Wolfram

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1 **Item 20)** *Provide the Company's current DSC, and the DSC level it is required to maintain*

2 *by any applicable covenant.*

3

4 **Response)** Meade County's DSC level, as of June 30, 2020, is 1.51. RUS requires a DSC of

5 1.25.

6

7 **Witness)** Anna Swanson

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1 **Item 21)** *Has Meade conducted any studies to compare the Company's salary, benefits,*
2 *raises and bonuses per employee with the standard salary, benefits, raises and bonuses of the*
3 *workforce in the counties that it services? If so, provide copies of all such studies. If not, explain*
4 *why a study has not been performed.*

5

6 **Response)** Refer to response to Commission Staff's Request Item No. 4.

7

8 **Witness)** Martin Littrel

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1 **Item 22)** *Does Meade employ the relatives of:*

2 *a. Any Meade Board Member;*

3 *b. Any Meade Officer;*

4 *c. Any Meade Consultant; and/or*

5 *d. Any other Meade Employee?*

6 *If so, provide specific details.*

7

8 **Response)** Meade County does not employ any relatives of any of the above.

9

10 **Witness)** Anna Swanson

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1 **Item 23)** *State for how long Meade has made pre-paid service available to willing*
2 *customers.*

3 *a. Provide the amount of monthly electrical consumption for the average pre-paid*
4 *residential customer, and the amount of consumption for non-pre-pay residential*
5 *customers.*

6 *b. Explain why the pre-paid service fee of \$0.32 was not increased.*

7

8 **Response)** Meade County pre-pay tariffs were approved on April 15, 2015. During the
9 testing phase of the pre-pay program, Meade County discovered that it could not effectively rely
10 on meter communications due to the age of its AMI system, and interruption of service to its
11 members became a significant concern. Meade County made the decision to postpone the
12 advertisement of the pre-pay program until a new AMI system could be deployed. Meade
13 County is currently in the pilot phase of its new AMI system and is further testing the pre-pay
14 functionality of its meters and software. Meade County does not currently have members
15 enrolled in the pre-pay program.

16 a. The amount of monthly electrical consumption for the average pre-pay residential
17 customer is not applicable at this time. The average monthly amount of consumption for
18 non-pre-pay residential customers as of December 31, 2019 was 1,211 kWh.

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- 1 b. The pre-pay service fee of \$0.32 was not revised because Meade County does not
2 currently have members enrolled in the pre-pay program. Without enrollment in the
3 program, Meade County could not provide numerical data to be included in the Cost of
4 Service Study and could not justifiably revise the pre-pay service fee.

5

6 **Witness)** Anna Swanson

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1 **Item 24)** *Reference Exhibit AS-2, Meade County Audited Financial Statement dated Oct.*
2 *31, 2019, “Recent Accounting Pronouncements,” p. 9, regarding FASB ASU 2014-09,*
3 *“Revenue From Contracts With Customers.” Explain what effect this standard will have on*
4 *Meade’s TIER, OTIER and DSC if applicable.*

5

6 **Response)** The above listed standard should not have any effect on Meade County’s TIER,
7 OTIER, and DSC.

8

9 **Witness)** Anna Swanson

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1 **Item 25)** *Reference Wolfram Schedule 1.09. Identify the costs for the 2019 NRECA*
2 *Annual Conference that are included in rates. Identify also Meade’s designated director*
3 *representative for the NRECA Annual Conference, and the total sum of that director’s expenses*
4 *that are included in rates.*

5

6 **Response)** The costs for the 2019 NRECA Annual Conference and education seminar that
7 are included in rates include conference fees, travel, lodging, and meal expenses that total \$4,257
8 for two Meade County employees. No Meade County Board of Director expenses are included in
9 rates that are associated with the NRECA Annual Conference and education seminar.

10 Meade County’s designated voting delegates for the NRECA Annual Meeting, CFC
11 Annual Meeting, and NRTC Annual Meeting that are held in conjunction with the NRECA
12 Annual Conference is Meade County Board Chairman, Robert Rhodes, Meade County Board
13 Vice-Chairman, Dr. James Sills, and Meade County Board Member, Paul Edd Butler, and Meade
14 County President & CEO, Martin Littrel.

15

16 **Witness)** Anna Swanson