

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF LICKING VALLEY)	
RURAL ELECTRIC COOPERATIVE CORPORATION FOR A)	
GENERAL ADJUSTMENT OF RATES PURSUANT TO)	CASE NO.
STREAMLINED PROCEDURE PILOT PROGRAM ESTABLISHED)	2020-00338
IN CASE NO. 2018-00407)	

**LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUESTS**

Filed: March 18, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)
LICKING VALLEY RURAL COOPERATIVE)
CORPORATION FOR A GENERAL) CASE NO.
ADJUSTMENT OF RATES PURSUANT TO) 2020-00338
STREAMLINED PROCEDURE PILOT)
PROGRAM ESTABLISHED IN)
CASE NO. 2018-00407)

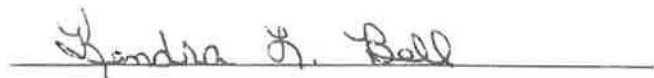
VERIFICATION OF KERRY HOWARD

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF MORGAN)

Kerry Howard, President and Chief Executive Officer of Licking Valley Rural Cooperative Corporation being duly sworn, states that he has supervised the preparation of certain responses to request 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.


Kerry Howard

The foregoing Verification was signed, acknowledged and sworn to before me this 11th day of March, 2021, by Kerry Howard.



Notary Commission Number: KYNP10587

Commission expiration: 07/16/2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

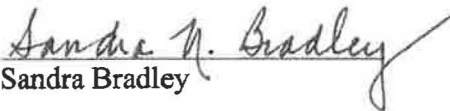
In the Matter of:

THE ELECTRONIC APPLICATION OF)
LICKING VALLEY RURAL COOPERATIVE)
CORPORATION FOR A GENERAL) CASE NO.
ADJUSTMENT OF RATES PURSUANT TO) 2020-00338
STREAMLINED PROCEDURE PILOT)
PROGRAM ESTABLISHED IN)
CASE NO. 2018-00407)


VERIFICATION OF SANDRA BRADLEY

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF MORGAN)

Sandra Bradley, Accountant of Licking Valley Rural Cooperative Corporation being duly sworn, states that she has supervised the preparation of certain responses to request 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.


Sandra Bradley

The foregoing Verification was signed, acknowledged and sworn to before me this ~~11th~~ day of March, 2021, by Sandra Bradley.


Notary Commission Number: KYNP10587
Commission expiration: 07/16/2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)
 LICKING VALLEY RURAL COOPERATIVE)
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VERIFICATION OF JOHN WOLFRAM

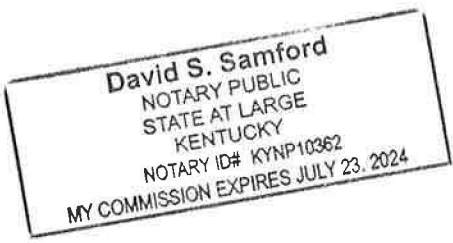
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF JEFFERSON)


John Wolfram, being duly sworn, states that he has supervised the preparation of certain responses to request 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

The foregoing Verification was signed, acknowledged and sworn to before me this 17th day of March, 2021, by John Wolfram.





 Notary Commission No. KYNP10362
 Commission expiration: 7-23-24

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

1. Refer to the Application, the Direct Testimony of John Wolfram, page 24, lines 1-2. The cost of service study (COSS) estimates a fixed monthly charge of \$19.07. Many rural electric cooperative COSS's estimate fixed monthly charges in excess of \$30.00. Provide an explanation as to why Licking Valley RECC's COSS estimates a fixed monthly charge that is significantly lower than most electric cooperatives.

Response:

In the COSS, the fixed monthly charge consists of costs related to some plant O&M, services, meters, meter reading, billing, customer service and load management, all divided by the number of customers over which these costs are spread. Several factors affect the determination of this per-unit charge.

The total cost itself is significantly impacted by the split of distribution-related costs between demand-related and customer-related classifications. This split is determined using either the zero-intercept method or the minimum system method, as I described in my direct testimony. The data used in both methods is provided in the cooperative's asset listing or plant records. For most cooperatives, the zero-intercept method provides reasonable and consistent results for the customer-related portion of cooperative costs for overhead conductor, underground conductor, and transformers.

For Licking Valley RECC, two relatively unique factors exist. First, the zero-intercept method did not produce reasonable linear regression solutions for overhead or underground conductor, resulting in the use of the minimum system method for each. Second, for overhead conductor the minimum system method produces a particularly low classification of these costs as

customer-related. This second factor is driven by the fact that Licking Valley RECC owns one specific type of overhead conductor (8 ACWC) in quantities and cost that yield a particularly low cost per-unit – nearly 30 times lower than the average cost per unit of all overhead conductor – which the minimum system method then uses as the cost for *all* conductor needed to serve the theoretical ‘minimum’ customer. (See Exhibit JW-8, page 2 of 5, in the section for Account 365. The value here is actually 0.005 but only displays to two decimal points or 0.00.) Using this data classified 91 percent of the overhead costs as demand-related and only 9 percent of the overhead costs as customer-related. This demonstrates the relative simplicity and limitation of this determination of a ‘minimum system’ cost in this instance.

This approach is both less mathematically rigorous and inferior to the use of the zero-intercept method, as noted in the *NARUC Electric Utility Cost Allocation Manual*, but is used since the data in the zero intercept linear regression did not produce mathematically sound results. It is not unreasonable, but it is unusual.

Other factors may also affect the per-customer cost, including the density of customers (*e.g.* members-per-mile), the age (and thus cost) of conductor and transformers, the extent to which facilities have been upgraded during storm restorations, and other drivers.

For these reasons that are unique to Licking Valley RECC, the residential fixed monthly charge for Licking Valley RECC in the COSS is relatively low compared to those in other electric cooperative COSS.

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

2. Refer to Licking Valley RECC's response to Staff's First Request for Information (Staff's First Request), Item 22. Provide a break out of the total late fees between residential and nonresidential fees.

Response:

Below are the total late fees separated by residential and non-residential customers:

Residential customers-----\$206,750.60
Non-residential customers--\$11,847.31

TOTAL-----\$218,597.91

The total amount of late fees above differs by \$6.58 from the original total amount of \$218,604.49 provided in Licking Valley's response to PSC-DR-01-22. This slight difference is likely due to a prior year's adjustment.

Witnesses: Kerry Howard and Sandy Bradley

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

3. Refer to Licking Valley RECC's response to Staff's First Request, Item 23. Provide support for the inclusion of a field serviceman and service truck for a remote reconnection fee given that Licking Valley RECC fully deployed an Advanced Metering Infrastructure (AMI) in June 2020. Provide an update to the reconnection fee and after-hours reconnection fee if necessary.

Response:

In 2019 Licking Valley's AMI system was not yet fully deployed and there were still prior generation meters in the field. Beyond that, there are occasions when an AMI meter simply will not connect remotely, or it has malfunctioned, requiring a field serviceman and truck to repair or replace the meter. In 2019 there were 22 occasions where a serviceman and truck were dispatched after-hours to make a necessary repair or replacement. Licking Valley does not believe that an update to either the reconnection of after-hours reconnection fees is necessary.

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

4. Refer to Licking Valley RECC's response to Staff's First Request, Item 26. Regarding the Prepay Service Fee Charge support, explain why there is a field service representative charge given that Licking Valley RECC has a fully deployed AMI system.

Response:

Please refer to Licking Valley's response to Item 3 above.

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

5. Refer to Licking Valley REC's response to the Attorney General's First Request for Information, Item 8e. Provide a detailed explanation of the duties of the four meter readers, including if the employee's job tasks changed or were expanded after the installation of the AMI meters.

Response:

A detailed explanation of the duties of Licking Valley's four meter readers is provided below:

Meter Department Supervisor

Producing and checking reports within the department
Overseeing the meter testing process
Over-the-air programming of meters and equipment
Installation and checking meter installations
Customer correspondence regarding meter complaints

Metering Technician

Testing and repairing meters
Installing and checking new meter installations
Filing reports to the Public Service Commission
Assisting in the everyday course of the meter department

Field Metering technician

Troubleshooting non logging meters
Changing meters in the field
Testing current rated meter installations

Meter Reader

Annual meter reading as required by the Public Service Commission

Witness: Sandy Bradley and John Wolfram

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

6. Provide a justification of the current pole attachment rates.
 - a. Provide a calculation of CATV pole attachment rates using the formula prescribed in Administrative Case 251-42 and the 2019 annual report of Licking Valley RECC.
 - b. Explain whether there is subsidization in the pole attachment rates and the other rate classes.

Response:

- a. Please see attached. Licking Valley has consistently and strictly adhered to the 1982 CATV rate formula prescribed in Administrative Case 251-422. However, as shown in the attached CATV Worksheet Licking Valley's composite per-unit costs have increased dramatically between 1982 and 2019.
- b. Licking Valley RECC does not know whether the pole attachment rates create or rely on any subsidies from the other cooperative rate classes. The COSS determines the degree of subsidization between the rate classes, but like lighting charges, prepay metering program fees, large and small cogeneration rates, and other possible charges included in distribution cooperative tariffs, the CATV data is not included in the COSS. This is consistent with the conventional approach used by electric cooperatives in rate filings with the Commission.

**LICKING VALLEY RECC
CATV POLE ATTACHMENTS
PSC ADMIN CASE NO. 251-42
Updated March 18, 2021**

CARRYING COST

	<u>12/31/1982</u>		<u>12/31/2019</u>	
1. Operation and Maintenance Expense Line No. 53, Page 14	\$ 504,615		\$ 4,349,325	
2. Consumer Accounts Expense Line No. 8, Page 15	\$ 181,433		\$ 818,498	
3. Customer Service and Informational Expense Line No. 14, Page 15	\$ 28,285		\$ 28,218	
Administrative & General Expense Line No. 35, Page 13	\$ 475,944		\$ 1,189,629	
Depreciation Expense Line No. 28, Page 13	\$ 373,189		\$ 2,597,183	
Taxes Other Than Income Taxes Line No. 30, Page 13	\$ 116,888		\$ 37,061	
Subtotal	<u>\$ 1,680,354</u>		<u>\$ 9,019,914</u>	
Divided by Line 2, Page 1 (Utility Plant) Cost of Money"	\$13,711,311	12.26%	\$78,646,193	11.47%
Rate of Return on investment allowed in the last General Rate Case		<u>8.48%</u>		<u>2.39%</u>
Annual Carrying Charges		<u>20.74%</u>		<u>13.86%</u>

Notes

- A. Rate of Return is from Case No. 2016-00174, Order dated March 1, 2017, rate of return on rate base, page 14.
B. References to page/line from Annual Financial filings are from original formula and may not correspond exactly to 2019 financial filing references.

LICKING VALLEY RECC
CATV POLE ATTACHMENTS
PSC ADMIN CASE NO. 251-42
Updated March 18, 2021

POLE ATTACHMENT COSTS

		<i>Using 1982 Data</i>				<i>Using 2019 Data</i>				
A	1. Two Party Pole Costs									
		<u>Size</u>	<u>Qty</u>	<u>Cost</u>	<u>Weighted Avg Cost</u>	<u>Qty</u>	<u>Cost</u>	<u>Weighted Avg Cost</u>		
		35'	12,282	\$ 750,525.61		8,848	\$ 2,381,839.23			
		40'	4,684	\$ 541,672.85		13,090	\$ 7,235,911.56			
			16,966	\$ 1,292,198.46	\$ 76.16	21,938	\$ 9,617,750.79	\$ 438.41		
		2. Three Party Pole Costs								
		<u>Size</u>	<u>Qty</u>	<u>Cost</u>	<u>Weighted Avg Cost</u>	<u>Qty</u>	<u>Cost</u>	<u>Weighted Avg Cost</u>		
		40'	4,684	\$ 541,672.85		13,090	\$ 7,235,911.56			
		45'	2,014	\$ 344,972.68		4,840	\$ 3,130,691.83			
			6,698	\$ 886,645.53	\$132.37	17,930	\$ 10,366,603.39	\$578.17		
	3. Average Cost of Anchors				\$17.80	37,602	\$ 4,328,632.28	\$115.12		
B	1. Pole Charge									
		a. Two Party		0.1224	\$1.93		0.1224	\$7.44		
		b. Three Party		0.0759	\$2.08		0.0759	\$6.08		
		2. Anchor Charge								
		a. Two Party		0.50	\$1.85		0.50	\$7.98		
		b. Three Party		0.33	\$1.22		0.33	\$5.26		
		3. Grounding Attachment Charge								
		a. Two Party	\$	12.50	\$0.3172	\$	12.50	\$0.2120		
		b. Three Party	\$	12.50	\$0.1967	\$	12.50	\$0.1315		

Licking Valley Rural Electric Cooperative Corporation
Case No. 2020-00338
Commission Staff's Second Data Requests

7. Provide an updated Excel Spreadsheet name LVRECC_Rev_Req_xlsx with the inclusion of the adjustments calculated in response to Commission Staff's First request for information nos. 12, 13, 14, 15, 16, 17, 18, and 19.

Response:

The requested Excel Spreadsheet is being uploaded into the Commission's electronic filing system as part of this filing and no paper copy is being provided. The adjustments noted in the cited responses collectively reduced the Licking Valley *pro forma* annual expense by \$55,332. However, this does not alter Licking Valley's overall proposed increase, which is capped at 2.25 percent of test year revenue. Pursuant to the streamlined rate pilot requirements, the cap of 2.25 percent is based on 0.75 percent per year times three since the last rate order was dated March 1, 2017 (or now just over three years ago).