

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)	
LICKING VALLEY RURAL ELECTRIC)	
COOPERATIVE CORPORTION FOR PASS-)	Case No. 2021-00113
THROUGH OF EAST KENTUCKY POWER)	
COOPERATIVE, INC.'S WHOLESALE RATE)	
ADJUSTMENT)	

LICKING VALLEY RURAL ELECTRIC COOPERATIVE
CORPORATION'S APPLICATION

Comes now Licking Valley Rural Electric Cooperative Corporation (“Licking Valley”), by counsel, pursuant to KRS 278.455(2), 807 KAR 5:007 and other applicable law, and does hereby request the Kentucky Public Service Commission (“Commission”) to grant it a pass-through of East Kentucky Power Cooperative Inc.’s (“EKPC”) wholesale rate adjustment, respectfully stating as follows:

1. Licking Valley is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279. Licking Valley is engaged in the business of distributing retail electric power to approximately 17,300 members in the Kentucky counties of Breathitt, Elliott, Lee, Magoffin, Menifee, Morgan, Rowan and Wolfe.

2. Pursuant to 807 KAR 5:001, Section 14(1) and 807 KAR 5:007, Sections 1(2) and Section 2(2), Licking Valley’s mailing address is 271 Main Street, P.O. Box 605, West Liberty, Kentucky 41472 and its electronic mail address is psc@lvrecc.com.

3. Pursuant to 807 KAR 5:001, Section 14(2), Licking Valley is a Kentucky corporation that was incorporated on June 22, 1940 and is currently in good standing to conduct business within the Commonwealth of Kentucky.

4. Pursuant to 807 KAR 5:007, Sections 1(3) and Section 2(2), Licking Valley is one of the sixteen owner-member cooperatives of EKPC. EKPC has filed an Application for a general adjustment of its existing wholesale rates to its owner-members, including Licking Valley.¹ In accordance with KRS 278.455, Licking Valley seeks to pass-through the increase in EKPC's wholesale rates to Licking Valley to Licking Valley's retail members.

5. Pursuant to 807 KAR 5:007 Section 2(1), attached as **Exhibit 1** to this Application are the proposed tariffs of Licking Valley incorporating the new rates and proposing an effective date of May 1, 2021, which is the same effective date proposed by EKPC in its rate case.

6. Pursuant to 807 KAR 5:007 Sections 1(4) and Section 2(2), attached as **Exhibit 2** to this Application is a comparison of the current and the proposed rates of Licking Valley.

7. Pursuant to 807 KAR 5:007 Sections 1(5)(a)-(b) and Section 2(2), attached as **Exhibit 3** to this Application is a billing analysis which shows the existing and proposed rates for each of Licking Valley's rate classes. Licking Valley further states that the effects of the increase in rates from its wholesale supplier, EKPC, are being passed through to its retail members through its retail tariffs on a proportional basis and that the rate design structure proposed for each retail rate schedule does not change the rate design currently in effect.

8. Pursuant to 807 KAR 5:007 Sections 1(6) and Section 2(2), a certification that a complete copy of this filing has been mailed to the Kentucky Attorney General's Office of Rate Intervention and an electronic copy was also sent to rateintervention@ag.ky.gov is attached as **Exhibit 4**.

¹ See *In the Matter of the Electronic Application of East Kentucky Power Cooperative, Inc. for a General Adjustment of Rates, Approval of Depreciation Study, Amortization of Certain Regulatory Assets and Other General Relief*, Application, Case No. 2021-00103 (filed April 1, 2021).

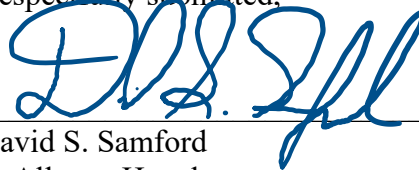
9. Pursuant to 807 KAR 5:007 Sections 1(7)(b) and (8) and Section 2(2), notice of the proposed rate changes has been given, not more than thirty (30) days prior to April 1, 2021, by publication in a newspaper of general circulation throughout Licking Valley's service territory. A copy of the notice is attached as **Exhibit 5** and contains all of the required information pursuant to 807 KAR 5:007, Section 3.

10. This application is supported by the Testimony of Mr. John Wolfram, which is attached as **Exhibit 6**.

WHEREFORE, on the basis of the foregoing, Licking Valley respectfully requests that the Commission accept this Application for filing and allow Licking Valley to pass-through to its retail members the increase in the wholesale rates granted to EKPC and for the effective date of Licking Valley's pass-through rates to be the same as the effective date of EKPC's rate increase.

Done this 1st day of April 2021.

Respectfully submitted,



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Cooperative Corporation*

Exhibit List

Document	Tab
Proposed Tariffs Incorporating the New Rates Proposed to be Effective on May 1, 2021	1
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Case No. 2021-00113
Application – Exhibit 1

Proposed Tariffs

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Twenty-Fourth Revised Sheet No. 1
Canceling P.S.C. KY NO.
Twenty-Third Revised Sheet No. 1

CLASSIFICATION OF SERVICE

SCHEDULE A – Residential, Farm, Small Community Hall
& Church Service

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan and Wolfe Counties, Kentucky).

AVAILABILITY OF SERVICE:

Available to members of the Cooperative for all residential and farm use, subject to its established rules and regulations. Available to members of the Cooperative for all community halls and churches with a transformer size of 25 KVA or less.

TYPE OF SERVICE:

Single-phase, 60 cycle 120/240 volts.

MONTHLY RATE:

Customer charge per delivery point	\$14.49	(I)
Energy charge per KWH	.093563	(I)

DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the event the current monthly bill is not paid by the Tenth (10th) of the following month from the date of the bill, the gross rates shall apply.

SPECIAL RULES:

Limited to individual motors up to ten horsepower (10 H.P.).

FUEL ADJUSTMENT CLAUSE:

“All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for the line losses will not exceed ten percent (10%) and is based on twelve month moving average of such losses. This Fuel Adjustment Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.”

Date of Issue: April 1, 2021

Date Effective: May 1, 2021

Issued By:


SIGNATURE OF OFFICER

Title:

GENERAL MANAGER/CEO

ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 2021-00113
DATED _____

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Twenty-Fourth Revised Sheet No. 2
Canceling P.S.C. KY NO.
Twenty-Third Revised Sheet No. 2

CLASSIFICATION OF SERVICE

SCHEDULE B – Commercial and Small Power Service

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan, and Wolfe Counties, Kentucky).

AVAILABILITY OF SERVICE:

Available to commercial consumer, small schools, small industrial consumer, and three-phase farm consumers for all uses including lighting, appliances, cooking, heating, and motors of 25 KVA or less, all subject to established rules and regulations of the Cooperative covering this service.

TYPE OF SERVICE:

Single-phase and three-phase where available, 60 cycle 120/240 volts.

MONTHLY RATE:

Customer charge per delivery point	\$29.76	(I)
Energy charge per KWH	.081616	(I)

MINIMUM MONTHLY ENERGY CHARGES:

For consumers requiring more than 10 KVA of transformer capacity, the minimum monthly charge shall be increased at the rate of 75 cents (75¢) for each additional KVA or fraction thereof required.

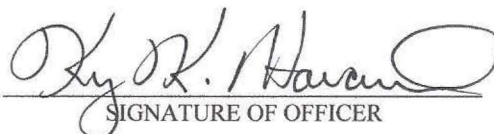
DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the event the current monthly bills are not paid by the Tenth (10th) of the following month from the date of the bill, the gross rates shall apply.

Date of Issue: April 1, 2021

Date Effective: May 1, 2021

Issued By:


SIGNATURE OF OFFICER

Title: GENERAL MANAGER/CEO

ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 2021-00113
DATED _____

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Twenty-Fourth Revised Sheet No. 3
Canceling P.S.C. KY NO.
Twenty-Third Revised Sheet No. 3

CLASSIFICATION OF SERVICE

SCHEDULE FOR LARGE POWER SERVICE – LP

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

Available to consumers located on or near the Cooperative's three-phase lines for all types of usage including churches and community halls in excess of 25 KVA subject to the established rules and regulations of seller.

MONTHLY RATE:

Customer charge per delivery point	\$74.06	(I)
Energy charge per KWH	.067008	(I)
A demand charge of \$7.62 per KW		(I)

DETERMINATION OF BILLING DEMAND:

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as following:

POWER FACTOR ADJUSTMENT:

The consumer agrees to maintain unity power factor as nearly as practicable. Power factor may be measured at any time. Should such measurements indicate that the power factor at the time of the maximum demand is less than 90%, the demand for billing purposes shall be the demand as indicated or recorded by the demand meter multiplied by 90%, and then divided by the actual power factor percent.

Date of Issue: April 1, 2021

Date Effective: May 1, 2021

Issued By:


SIGNATURE OF OFFICER

Title: GENERAL MANAGER/CEO

ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 2021-00113
DATED _____

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Twenty-Fourth Revised Sheet No. 4
Canceling P.S.C. KY NO.
Twenty-Third Revised Sheet No. 4

CLASSIFICATION OF SERVICE

SCHEDULE FOR LARGE POWER RATE - LPR

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

Available to all industrial users on or near the Cooperative's lines whose kilowatt demand shall exceed 300 KW for lighting, heating, and/or power. With the following exceptions: rock quarries, sawmills, mines and any other service of a fluctuating nature due to their poor load factor and temporary nature. This schedule and all of its conditions must be agreed and entered into before the initial connection.

CONDITIONS:

An "Agreement for Purchase of Power" shall be executed by the consumer for service under this schedule.

CHARACTER OF SERVICE:

The electric service furnished under this schedule will be 60 cycle, alternating current at available nominal voltage.

MONTHLY RATE:

Customer charge per delivery point	\$113.86	(I)
Energy charge per KWH	.058264	(I)
Demand charge of \$7.15 per KW		(I)

DETERMINATION OF BILLING DEMAND:

The billing demand shall be the maximum kilowatt demand established by the consumer for any period of fifteen (15) consecutive days.

Date of Issue: April 1, 2021

Date Effective: May 1, 2021

Issued By:


SIGNATURE OF OFFICER

Title:

GENERAL MANAGER/CEO

ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 2021-00113
DATED _____

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Twenty-Fifth Revised Sheet No. 5
Canceling P.S.C. KY NO.
Twenty-Fourth Revised Sheet No. 5

CLASSIFICATION OF SERVICE

SCHEDULE SL (Security Lights and/or Rural Lighting)

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin, Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

The Cooperative will furnish and install a mercury vapor type on a twenty-five (25) foot pole or an existing Cooperative owned pole at a location suitable to both parties. Location, however, shall be up to one hundred fifty (150) feet from an existing Cooperative owned secondary line.

When a pole is nonexistent, it will be furnished by the cooperative at the following rate for overhead service:

25 ft Wood Pole	\$3.17 per pole - per month	(I)
30 ft Wood Pole	\$3.66 per pole - per month	(I)

MONTHLY RATE:

Service for the unit will be unmetered and will be per light per month as follows:

175 Watt MV	@ \$10.60	(I)
100 Watt Metal Halide	@ \$10.73 (see note)	(I)
250 Watt Metal Halide	@ \$16.41 (see note)	(I)
400 Watt Metal Halide	@ \$22.54 (see note)	(I)
68 Watt LED	@ \$ 9.62	(I)
108 Watt LED	@ \$11.51	(I)
202 Watt LED	@ \$18.11	(I)

Note: Licking Valley Rural Electric Cooperative Corporation no longer installs new Metal Halide lights.

FUEL ADJUSTMENT CLAUSE:

"All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for the line losses will not exceed ten percent (10%) and is based on a twelve (12) month moving average of such losses. This Fuel Adjustment Clause is subject to all other applicable provisions as set out in 807 KAR 5:056."

Date of Issue: April 1, 2021

Date Effective: May 1, 2021

Issued By:


SIGNATURE OF OFFICER

Title:

GENERAL MANAGER/CEO

ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 2021-00113
DATED _____

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO. 034
Fourth Revised Sheet No. 32
Canceling P.S.C. KY NO.
Third Revised Sheet No. 32

PREPAY SERVICE

STANDARD RIDER:

Licking Valley Rural Electric's Prepay Service ("Prepay") is an optional rider to Rate Schedule A – Residential, Farm, Small Community Hall and Church Service as defined by the Cooperative.

AVAILABILITY:

All Rate Schedule A – Residential, Farm, Small Community Hall and Church Services, excluding accounts on Levelized/Fixed Budget, Automatic Bank Draft, Net Metering, and accounts greater than 200 Amp Service within the territory served by Licking Valley Rural Electric Cooperative Corporation.

All Rate Schedule B – Commercial and Small Power Service, excluding account on Levelized/Fixed Budget, Automatic Bank Draft, Net Metering, and accounts greater than 200 Amp Service.

Monthly Rate:

Rate Schedule A:

Consumer Facility Charge	\$14.49	(I)
Energy Charge per kWh:	\$.093563	(I)
Prepay Service Fee:	\$ 3.60	

Rate Schedule B:

Consumer Facility Chare	\$29.76	(I)
Energy Charge per kWh:	\$.081616	(I)
Prepay Service Fee:	\$ 3.60	

TERMS & CONDITIONS:

Members who qualify as defined above in "Availability may choose to voluntarily enroll their electric account(s) in the Prepay service and are subject to the following:

1. Each member electing Prepay will be subject to all other applicable rules and regulations which apply to members using the residential tariff or Commercial and Small Power Service, without the Prepay rider.

Date of Issue: April 1, 2021

Date Effective: May 1, 2021

Issued By:


SIGNATURE OF OFFICER

Title: GENERAL MANAGER/CEO

ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY IN CASE NO. 2021-00113
DATED _____

Case No. 2021-00113
Application – Exhibit 2

Existing & Proposed
Rate Comparison

LICKING VALLEY RECC
Present & Proposed Rates

Rate	Item	Present	Proposed
A	<u>Schedule A - Residential, Farm, Hall & Church Service</u>		
	Customer Charge	\$ 14.00	\$ 14.49
	Energy Charge per kWh	\$ 0.090392	\$ 0.093563
B	<u>Schedule B - Commercial and Small Power Service</u>		
	Customer Charge	\$ 28.75	\$ 29.76
	Energy Charge per kWh	\$ 0.07885	\$ 0.081616
LP	<u>Large Power Service</u>		
	Customer Charge	\$ 71.55	\$ 74.06
	Energy Charge per kWh	\$ 0.064737	\$ 0.067008
	Demand Charge per kW	\$ 7.36	\$ 7.62
LPR	<u>Large Power Rate</u>		
	Customer Charge	\$ 110.00	\$ 113.86
	Energy Charge per kWh	\$ 0.056289	\$ 0.058264
	Demand Charge per kW	\$ 6.91	\$ 7.15
SL	<u>Lighting</u>		
	25ft Wood Pole	\$ 3.06	\$ 3.17
	30ft Wood Pole	\$ 3.54	\$ 3.66
	175 Watt MV	\$ 10.24	\$ 10.60
	100 Watt Metal Halide	\$ 10.37	\$ 10.73
	250 Watt Metal Halide	\$ 15.85	\$ 16.41
	400 Watt Metal Halide	\$ 21.78	\$ 22.54
	68 Watt LED	\$ 9.29	\$ 9.62
	108 Watt LED	\$ 11.12	\$ 11.51
	202 Watt LED	\$ 17.50	\$ 18.11

Case No. 2021-00113
Application – Exhibit 3

Billing Analysis for
Each Rate Class

LICKING VALLEY RECC
Billing Analysis for Pass-Through Rate Increase

Total Revenue Increase Allocated by East Kentucky Power Cooperative: \$899,919

#	Item	Code	Present Revenue	Present Share	Allocation Revenue	Allocation Share	Allocated Increase	Proposed Revenue	Proposed Share	Base Rate Increase	Base %	Total %	Rounding	
1	<u>Base Rates</u>													
2	Schedule A - Residential, Farm, Hall & Church Service	A	\$ 19,573,123	76.31%	\$ 19,573,123	76.31%	\$ 686,687	\$ 20,259,542	76.30%	\$ 686,418	3.51%	3.27%	\$ (269)	
3	Schedule B - Commercial and Small Power Service	B	\$ 1,082,581	4.22%	\$ 1,082,581	4.22%	\$ 37,980	\$ 1,120,572	4.22%	\$ 37,991	3.51%	3.46%	\$ 11	
4	Large Power Service	LP	\$ 3,194,294	12.45%	\$ 3,194,294	12.45%	\$ 112,066	\$ 3,306,581	12.45%	\$ 112,287	3.52%	3.29%	\$ 221	
5	Large Power Rate	LPR	\$ 783,009	3.05%	\$ 783,009	3.05%	\$ 27,470	\$ 810,428	3.05%	\$ 27,419	3.50%	3.46%	\$ (52)	
6	Lighting	SL	\$ 1,018,009	3.97%	\$ 1,018,009	3.97%	\$ 35,715	\$ 1,053,875	3.97%	\$ 35,866	3.52%	3.52%	\$ 151	
7	SubTotal Base Rates		\$ 25,651,016	100.00%	\$ 25,651,016	100.00%	\$ 899,919	\$ 26,550,998	100.00%	\$ 899,982	3.51%		\$ 63	
8	<hr/>													
9	TOTAL Base Rates		\$ 25,651,016	100.00%	\$ 25,651,016	100.00%	\$ 899,919	\$ 26,550,998	100.00%	\$ 899,982	3.51%		\$ 63	
10	<hr/>													
11	<u>Riders</u>													
12	FAC		\$ (617,531)				\$ (617,531)							
13	ES		\$ 2,306,975				\$ 2,306,975							
14	Misc Adj		\$ (31,469)				\$ (31,469)							
15	Other		\$ -				\$ -							
16	Total Riders		\$ 1,657,976				\$ 1,657,976							
17	<hr/>													
18	Total Revenue		\$ 27,308,992				\$ 28,208,974			\$ 899,982		3.30%		
19	Target Revenue									\$ 899,919				
20	Rate Rounding Variance									\$ 63				
21	Rate Rounding Variance										0.01%			

LICKING VALLEY RECC
Billing Analysis for Pass-Through Rate Increase

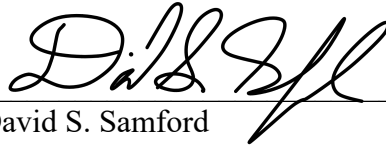
#	Classification	Code	Billing Component	Billing Units	Present Rate	Present Revenue	Target Share	Target Revenue	Proposed Rate	Proposed Revenue	Increase \$	%	Proposed Share	Share Variance	Rate Variance
51	Lighting	SL													
52			25ft Wood Pole	1,611	3.06	\$ 4,930	0.48%		3.17	\$ 5,107	\$ 177	3.59%	0.48%	0.00%	
53			30ft Wood Pole	383	3.54	\$ 1,356	0.13%		3.66	\$ 1,402	\$ 46	3.39%	0.13%	0.00%	
54			175 Watt MV	55,094	10.24	\$ 564,163	55.42%		10.60	\$ 583,996	\$ 19,834	3.52%	55.41%	0.00%	
55			100 Watt Metal Halide	9,853	10.37	\$ 102,176	10.04%		10.73	\$ 105,723	\$ 3,547	3.47%	10.03%	-0.01%	
56			250 Watt Metal Halide	462	15.85	\$ 7,323	0.72%		16.41	\$ 7,581	\$ 259	3.53%	0.72%	0.00%	
57			400 Watt Metal Halide	408	21.78	\$ 8,886	0.87%		22.54	\$ 9,196	\$ 310	3.49%	0.87%	0.00%	
58			68 Watt LED	35,425	9.29	\$ 329,098	32.33%		9.62	\$ 340,789	\$ 11,690	3.55%	32.34%	0.01%	
59			108 Watt LED	7	11.12	\$ 78	0.01%		11.51	\$ 81	\$ 3	3.51%	0.01%	0.00%	
60			202 Watt LED	-	17.50	\$ -	0.00%		18.11	\$ -	\$ -	0.00%	0.00%	0.00%	
61			Total Base Rates			\$ 1,018,009	100.00%	\$ 1,053,724		\$ 1,053,875	\$ 35,866	3.52%	100.00%	0.00%	\$ 150.90
62			FAC			\$ -				\$ -	\$ -	-			
63			ES			\$ -				\$ -	\$ -	-			
64			Misc Adj			\$ -				\$ -	\$ -	-			
65			Other			\$ -				\$ -	\$ -	-			
66			Total Riders			\$ -				\$ -	\$ -	-			
67			TOTAL REVENUE			\$ 1,018,009				\$ 1,053,875	\$ 35,866	3.52%			
68															
69															
70															
71	TOTALS		Total Base Rates			\$ 25,651,016				\$ 26,550,998	\$ 899,982	3.51%			
72			FAC			\$ (617,531)				\$ (617,531)	\$ -				
73			ES			\$ 2,306,975				\$ 2,306,975	\$ -				
74			Misc Adj			\$ (31,469)				\$ (31,469)	\$ -				
75			Other			\$ -				\$ -	\$ -				
76			Total Riders			\$ 1,657,976				\$ 1,657,976	\$ -				
77			TOTAL REVENUE			\$ 27,308,992				\$ 28,208,974	\$ 899,982	3.30%			
78															
79			Rate Rounding Variance								\$ 63				

Case No. 2021-00113
Application – Exhibit 4

Certificate of Service to
The Attorney General

Exhibit 4
Statement of Service to the Attorney General

Pursuant to 807 KAR 5:007, Sections 1(6) and Section 2(2), the undersigned does hereby certify that a complete copy of this filing has been mailed to the Kentucky Attorney General's Office of Rate Intervention and an electronic copy was also sent to rateintervention@ag.ky.gov on this 1st day of April 2021.



David S. Samford

*Counsel for Licking Valley Rural Electric
Cooperative Corporation*

Case No. 2021-00113
Application – Exhibit 5

Customer Notice

NOTICE

In accordance with the requirements of the Public Service Commission (“Commission”) as set forth in 807 KAR 5:001, Section 17 and 807 KAR 5:007, Section 3, of the Rules and Regulations of the Commission, notice is hereby given to the member consumers of Licking Valley Rural Electric Cooperative Corporation (“Licking Valley”) of a proposed rate adjustment. Licking Valley intends to propose an adjustment of its existing rates to reflect the wholesale rate adjustment of its wholesale supplier, East Kentucky Power Cooperative, Inc., pursuant to KRS 278.455(2), by filing an application with the Commission on April 1, 2021, in Case No. 2021-00113. The application will request that the proposed rates become effective May 1, 2021. The present and proposed rates for each customer classification to which the proposed rates will apply are set forth below:

Rate	Item	Present	Proposed
A	<u>Schedule A - Residential, Farm, Small Community Hall & Church Service</u>		
	Customer Charge	\$ 14.00	\$ 14.49
	Energy Charge per kWh	\$ 0.090392	\$ 0.093563
B	<u>Schedule B - Commercial and Small Power Service</u>		
	Customer Charge	\$ 28.75	\$ 29.76
	Energy Charge per kWh	\$ 0.07885	\$ 0.081616
LP	<u>Large Power Service</u>		
	Customer Charge	\$ 71.55	\$ 74.06
	Energy Charge per kWh	\$ 0.064737	\$ 0.067008
	Demand Charge per kW	\$ 7.36	\$ 7.62
LPR	<u>Large Power Rate</u>		
	Customer Charge	\$ 110.00	\$ 113.86
	Energy Charge per kWh	\$ 0.056289	\$ 0.058264
	Demand Charge per kW	\$ 6.91	\$ 7.15
SL	<u>Lighting</u>		
	25ft Wood Pole	\$ 3.06	\$ 3.17
	30ft Wood Pole	\$ 3.54	\$ 3.66
	175 Watt MV	\$ 10.24	\$ 10.60
	100 Watt Metal Halide	\$ 10.37	\$ 10.73
	250 Watt Metal Halide	\$ 15.85	\$ 16.41
	400 Watt Metal Halide	\$ 21.78	\$ 22.54
	68 Watt LED	\$ 9.29	\$ 9.62
	108 Watt LED	\$ 11.12	\$ 11.51
	202 Watt LED	\$ 17.50	\$ 18.11

The effect of the change requested, in both dollar amounts and as a percentage, for each customer classification to which the proposed rates will apply is set forth below:

Rate Class		Increase	
		Dollars	Percent
A	Schedule A - Residential, Farm, Small Community Hall & Church Service	\$ 686,418	3.27%
B	Schedule B - Commercial and Small Power Service	\$ 37,991	3.46%
LP	Large Power Service	\$ 112,287	3.29%
LPR	Large Power Rate	\$ 27,419	3.46%

SL	Lighting		\$ 35,866	3.52%
Total			\$899,982	3.30%

The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply is set forth below:

Rate Class		Average	Increase	
		Usage (kWh)	Dollars	Percent
A	Schedule A - Residential, Farm, Small Community Hall & Church Service	969	\$ 3.56	3.27%
B	Schedule B - Commercial and Small Power Service	961	\$ 3.67	3.46%
LP	Large Power Service	12,055	\$ 42.23	3.29%
LPR	Large Power Rate	453	\$ 559.57	3.46%
SL	Lighting	NA	NA	3.52%

A person may examine the application and any related documents Licking Valley has filed with the PSC at the utility's principal office, located at:

Licking Valley Rural Electric Cooperative Corporation
271 Main Street
West Liberty, Kentucky 41472
(606) 743-3179
<https://lvrecc.com>

A person may also examine the application: (i) at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m.; or (ii) through the Commission's website at <http://psc.ky.gov>. Comments regarding the application may be submitted to the Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

The rates contained in this notice are the rates proposed by Licking Valley, but the Commission may order rates to be charged that differ from the proposed rates contained in this notice. A person may submit a timely written request for intervention to the Commission at Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the application.

Case No. 2021-00113
Application – Exhibit 6

Testimony of John Wolfram
Catalyst Consulting, LLC

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

DIRECT TESTIMONY

OF

**JOHN WOLFRAM
PRINCIPAL OF CATALYST CONSULTING, LLC**

ON BEHALF OF

**BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION
BLUE GRASS ENERGY COOPERATIVE CORPORATION
CLARK ENERGY COOPERATIVE, INC.
CUMBERLAND VALLEY ELECTRIC INC.
FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION
FLEMING-MASON ENERGY COOPERATIVE, INC.
GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION
INTER-COUNTY ENERGY COOPERATIVE CORPORATION
JACKSON ENERGY COOPERATIVE CORPORATION
LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
OWEN ELECTRIC COOPERATIVE INC.
SALT RIVER ELECTRIC COOPERATIVE CORPORATION
SHELBY ENERGY COOPERATIVE INC.
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION**

FILED: April 1, 2021

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**DIRECT TESTIMONY
OF
JOHN WOLFRAM**

5 **I. INTRODUCTION**

6 **Q. Please state your name, business address and occupation.**

7 A. My name is John Wolfram. I am the Principal of Catalyst Consulting LLC. My business
8 address is 3308 Haddon Road, Louisville, Kentucky 40241.

9 **Q. On whose behalf are you testifying?**

10 A. I am testifying on behalf of each of the sixteen Owner-Members of East Kentucky Power
11 Cooperative, Inc. ("EKPC").

12 **Q. Please summarize your education and professional experience.**

13 A. I received a Bachelor of Science degree in Electrical Engineering from the University of
14 Notre Dame in 1990 and a Master of Science degree in Electrical Engineering from Drexel
15 University in 1997. I founded Catalyst Consulting LLC in June 2012. From March 2010
16 through May 2012, I was a Senior Consultant with The Prime Group, LLC. I have
17 developed cost of service studies or rates for numerous electric and gas utilities, including
18 electric distribution cooperatives, generation, and transmission cooperatives, municipal
19 utilities, and investor-owned utilities. I have performed economic analyses, rate
20 mechanism reviews, ISO/RTO membership evaluations, and wholesale formula rate
21 reviews. I have also been employed by the parent companies of Louisville Gas and Electric
22 Company ("LG&E") and Kentucky Utilities Company ("KU"), by the PJM
23 Interconnection, and by the Cincinnati Gas & Electric Company.

24 **Q. Have you previously testified before the Kentucky Public Service Commission**
25 **("Commission")?**

1 A. Yes. To date I have testified in over thirty different regulatory proceedings before this
2 Commission, most recently in Case No. 2021-00066.¹

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. The purpose of my testimony is to support the proposed rates of the Owner-Members of
5 EKPC, reflecting the flow through of the effects of the increase in wholesale rates proposed
6 by EKPC in Case No. 2021-00103,² pursuant to KRS 278.455.

7 **Q. Are you sponsoring any Exhibits?**

8 A. Yes. I have prepared the following exhibits to the Application in this docket:

- 9 • Exhibit 2: Comparison of Current and Proposed Rates
10 • Exhibit 3: Billing Analysis

11

12 **II. PASS THROUGH OF WHOLESALE RATE INCREASE**

13 **Q. What does KRS 278.455(2) permit for the pass-through of wholesale rate increases?**

14 A. KRS 278.455(2) specifies that

15 “Notwithstanding any other statute, **any revenue increase authorized by**
16 **the Public Service Commission** or any revenue decrease authorized in
17 subsection (1) of this section **that is to flow through the effects of an**
18 **increase or decrease in wholesale rates may, at the distribution**
19 **cooperative's discretion, be allocated to each class and within each tariff**
20 **on a proportional basis that will result in no change in the rate design**
21 **currently in effect....”** (emphasis added)

22

23

¹ See *In the Matter of: The Electronic Application of Kenergy Corp. For A General Adjustment Of Rates Pursuant To Streamlined Procedure Pilot Program Established In Case No. 2018-00407*, Order, Case No. 2021-00066 (Ky. P.S.C. March 11, 2021).

² See *In The Matter Of: Electronic Application Of East Kentucky Power Cooperative, Inc. For A General Adjustment Of Rates, Approval Of Depreciation Study, Amortization Of Certain Regulatory Assets, And Other General Relief*, Case No. 2021-00103 (filed April 1, 2021).

1 **Q. Did EKPC provide you with the relevant data regarding its proposed wholesale**
2 **increase?**

3 A. Yes. EKPC provided me with a summary of the proposed increase in dollars by
4 distribution cooperative and by wholesale rate class, including the total proposed revenue
5 increase in dollars for each distribution cooperative.

6 **Q. Please generally describe the approach you used to determine the proposed rates for**
7 **each distribution cooperative.**

8 A. For each distribution cooperative, I first collected 2019 billing information for each rate
9 class in the cooperative's Commission-approved tariffs, to correspond with the 2019 test
10 period used by EKPC in Case No. 2021-00103. I calculated the billings for each rate class
11 and for each base rate billing component within the respective classes (*e.g.*, customer
12 charge, energy charge, demand charge). I also compiled annual amounts for rate riders,
13 billing adjustments, and other non-base-rate billing items by class. I then determined
14 "present" rates and revenues by accounting for a limited number of adjustments that I
15 describe below. Then I allocated the EKPC revenue increase proportionately, first to each
16 rate class, and then to the individual base rate billing components of each class. I
17 determined the proposed per-unit charges such that the rate class revenue allocation shares
18 and the billing component allocation shares were maintained. In other words, I allocated
19 the increase first to the rate classes and then to the billing components on a proportionate
20 basis, resulting in no change in the rate design currently in effect.

21 **Q. How did you adjust 2019 amounts to determine the "present" amounts?**

1 A. I adjusted 2019 data on an extremely limited basis. Because the Commission approved a
2 Fuel Adjustment Clause (“FAC”) roll-in effective February 1, 2020,³ it was necessary to
3 adjust 2019 amounts to reflect the revised base energy charges and FAC charges. I adjusted
4 2019 amounts to account for the FAC roll-in for all Owner-Members. Also, there were a
5 small number of large commercial or industrial retail members that either switched rates
6 or revised their contract demand amounts since 2019; I adjusted the billing determinants
7 for these end-users to ensure that the rate calculations would result in no change in the
8 retail rate design currently in effect. These types of adjustments are reflected where
9 applicable in the “Present Rates” and “Present Revenues” in Exhibit 3 and are needed to
10 ensure that the full effects of the wholesale rate increase are flowed through
11 proportionately. Other than the FAC roll-in and limited number of rate switching/contract
12 demand changes, I did not make any other adjustments to the test year data.

13 **Q. Did you consider the recent Commission Order in Case No. 2020-00095⁴ (the**
14 **“Kenergy Order”) in which the Commission clarified “proportional” for the purposes**
15 **of the pass-through calculations?**

16 A. Yes. As I understand it, in simple terms the *Kenergy* Order states that a distribution
17 cooperative should base its “proportions” in the pass-through calculation upon the most
18 recent Commission approved revenue allocation and billing component revenue allocation
19 from the cooperative’s last rate order. Here, my approach was to first attempt to determine

³ See *In The Matter Of Electronic Examination Of The Application Of The Fuel Adjustment Clause Of East Kentucky Power Cooperative, Inc. From November 1, 2016 Through October 31, 2018*, Order, Case No. 2019-00003 (Ky. P.S.C. Dec. 26, 2019); *In The Matter Of: Electronic Examination Of The Application Of The Fuel Adjustment Clause Of East Kentucky Power Cooperative, Inc. Cooperatives From November 1, 2016 Through October 31, 2018*, Order, Case No. 2019-00008 (Ky. P.S.C. Dec. 26, 2019; Order, Case No. 2019-00008 (Ky. P.S.C. Jan. 22, 2020).

⁴ *In the Matter of: Electronic Application of Kenergy Corp. for a Declaratory Order*, Order, Case No. 2020-00095 (Ky. P.S.C. March 11, 2021).

1 the proposed rates based on the allocations from the last rate order. If those results proved
2 to be self-evidently unreasonable, I then determined the proposed rates based on the present
3 test year allocations, consistent with the method approved in the pass-through filings for
4 EKPC's last two rate cases.⁵

5 **Q. Did the *Kenergy* Order method produce reasonable results for the EKPC distribution**
6 **cooperatives?**

7 A. It did for Clark Energy and Cumberland Valley Electric because these utilities relied upon
8 a 2019 test year in their last filings.⁶ In other words for these utilities, the *Kenergy* Order
9 method and the present test year allocation method are identical. For the other cooperatives
10 that I analyzed using the *Kenergy* Order method,⁷ the analysis did not produce reasonable
11 rates for all rate classes. Thus, for those utilities I used the present test year allocations
12 instead of the last rate order allocations to develop proposed rates.

13 **Q. Please describe how the *Kenergy* Order method provided unreasonable results for**
14 **certain rate classes of the Owner-Members.**

15 A. Relying on the last rate order to allocate the total increase to the rate classes seems
16 reasonable in theory, but has limitations based on how the customer mix within the rate
17 classifications has changed over time. For some cooperatives, the list of rate classes with

⁵ See *In The Matter Of Application Of East Kentucky Power Cooperative, Inc. For General Adjustment Of Electric Rates*, Order, Case No. 2010-00167 (Ky. P.S.C. Jan. 14, 2011); *In The Matter Of Application For General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.*, Order, Case No. 2006-00472 (Ky. P.S.C. Dec. 5, 2011).

⁶ The same result is anticipated for Licking Valley RECC, who expects an order imminently in its streamlined rate filing currently before the Commission in Case No. 2020-00338, *In the Matter Of: Electronic Application of Licking Valley Rural Electric Cooperative Corporation For A General Adjustment Of Rates Pursuant To Streamlined Procedure Pilot Program Established In Case No. 2018-00407*. Licking Valley anticipates providing updated schedules in this docket following that order.

⁷ The other cooperatives include all but Licking Valley RECC (see previous footnote) and Salt River Electric Cooperative, whose last rate order in Case No. 92-560 is dated September 28, 1993. I did not compute proposed rates using the *Kenergy* Order method for these two utilities.

1 active members differed from the last rate order and the present test year. The *Kenergy*
2 Order does not specify how to address this kind of variance.

3 More importantly, relying on the last rate order to allocate the class revenue to the
4 individual billing components was more problematic. For certain two-part rate classes like
5 residential, the percentage split between customer charge revenue and energy charge
6 revenue does not typically fluctuate much over time between rate cases, so for those classes
7 the results were mostly reasonable. However, for rate classes with more than two parts –
8 for example, a large customer class with four parts (customer charge, energy charge,
9 contract demand charge, and excess demand charge) – it was more common for the
10 percentage shares across the components to vary significantly between the last rate order
11 method and the present test year method. For example, there might be zero excess demand
12 kW (and thus revenue) in the present test year, but 25 percent excess demand revenue in
13 the last rate order. The converse could also be true. In either event, holding the last rate
14 order component percentages fixed and applying them to 2019 billing units often resulted
15 in skewed charges on a per-unit basis. For most cooperatives, applying the last rate order
16 component percentages yielded declines in the excess demand charge which would have
17 resulted in a significant change to the rate design currently in effect (where the excess
18 demand charge currently exceeds the contract demand charge). This appears to run afoul
19 of the proportionality standard in KRS 278.455(2) and would result in a rate design change.
20 It could also violate the ratemaking principle of gradualism. In situations like this, the
21 cooperative elected to use the present test year allocations in full to develop proposed rates.

1 **Q. Did any cooperative use a hybrid approach where it employed the last rate order**
2 ***Kenergy* Order method for some of its rate classes and the traditional test year method**
3 **for other rate classes?**

4 A. No. Each cooperative used one method or the other. No cooperative opted to determine
5 some rates from the *Kenergy* Order method and other rates from the present test year
6 allocation method. Only one method was used consistently for determining all proposed
7 rates for any particular Owner-Member.

8 **Q. Is it reasonable to use present test year allocations in instances where the *Kenergy***
9 **Order method produced unreasonable results?**

10 A. Yes. In 1944, in *Federal Power Commission v. Hope Natural Gas Co.*, the Supreme Court
11 held that, in setting maximum rates, the utility commission would not be "bound to the use
12 of any single formula or combination of formulae in determining rates." Rather, it would
13 be the "result reached, not the method employed" that would be controlling.⁸ I am not an
14 attorney, but it is my understanding that Kentucky law fully embraces the *Hope* Doctrine.
15 The approach here was to use the *Kenergy* Order method to the fullest practical extent; in
16 the cases where the *Kenergy* Order method did not produce reasonable rates, the use of the
17 present test year allocations did so, consistent with previous Commission orders in pass-
18 through rate cases. For this reason, the determination of proposed rates based on the
19 present test year allocations should be accepted as it has been in the past, specifically in
20 Case Nos. 2010-00167 and 2008-00409.

⁸ *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602 (1944).

1 **Q. The *Kenergy* Order states that any revenue distortions could be addressed through**
2 **subsequent rate filings by a distribution cooperative. If the last rate order approach**
3 **is strictly applied, what is likely to happen?**

4 A. The overall revenue impact of the rate pass-through is consistent regardless of whether the
5 *Kenergy* Order last rate order method or the present test year approach is applied. Either
6 way, the distribution cooperative should be able to successfully absorb and pass through
7 any increase in its wholesale power expense to its end-use retail members, even if the pass-
8 through introduces some revenue distortions within a particular rate class. The bigger
9 problem under the *Kenergy* Order method is that some end-use retail customer classes will
10 immediately see very significant changes in their monthly bills. This skewing effect
11 between retail customer classes will likely force most of EKPC's distribution cooperatives
12 to file near-simultaneous rate cases shortly after EKPC's wholesale rates take effect. Since
13 the goal behind the enactment of KRS 278.455 was to avoid the need for each distribution
14 cooperative to file a rate case following an increase in wholesale rates, the *Kenergy* Order
15 approach could work at somewhat cross-purposes to the policy embodied in the statute.

16 **Q. Did you treat any retail rate classes differently than the others in the pass-through**
17 **calculation?**

18 A. For the most part, I made no distinction between retail rate classes taking service under
19 EKPC's different wholesale rate classes (Rate B, Rate C, Rate E, etc.), consistent with
20 previous Commission orders and Owner-Member pass-through rate filings. However, I
21 did separately calculate proposed rates for retail members served under EKPC Rate G -
22 Special Electric Contract Rate, as well as for those served under EKPC's other large special
23 contracts. These are listed separately in Exhibit 2. These classes are given separate

1 consideration by EKPC, so I determined the retail rate increases associated with these
2 classes using the specific data provided to me for these classes by EKPC. This is consistent
3 with the treatment afforded these particular classes in EKPC’s last rate case in Case No.
4 2010-00167,⁹ which was based on KRS 278.455(3):

5 “Any increase or decrease as provided for in subsections (1) and (2) of this
6 section shall not apply to special contracts under which the rates are subject
7 to change or adjustment only as stipulated in the contract.”
8

9 **Q. How did you determine proposed rates for any rate classes under which no retail**
10 **members took service in 2019 (“vacant rate classes”)?**

11 A. For vacant rate classes, I first checked to see if the per-unit charges were identical to any
12 per-unit charges of other, non-vacant rate classes; if so, I set the proposed vacant rate class
13 per-unit charge equivalently. Otherwise, I increased the vacant rate class per-unit charges
14 by the same percentage as the overall base rate increase for the utility. There is no revenue
15 impact associated with these changes, but the changes are necessary for the flow through
16 of the effects of the proposed EKPC rate increase to result in no change to the retail rate
17 design currently in effect, particularly on an inter-class basis. (For example, increasing
18 other per-unit rates without also increasing the vacant rate class rates will skew the current
19 retail rates relative to one another and could inappropriately provide incentives for rate
20 switching at the retail level.)

21

22 **III. CONCLUSION**

23 **Q. What is your recommendation to the Commission in this case?**

⁹ *In The Matter Of Application Of East Kentucky Power Cooperative, Inc. For General Adjustment Of Electric Rates, Order, Case No. 2010-00167 (Ky. P.S.C. Jan. 14, 2011).*

1 A. In this docket, the proposed rates are allocated to each retail class and within each retail
2 tariff on a proportional basis, and result in no change in the retail rate design currently in
3 effect. The proposed rates are fair, just, and reasonable, and are also consistent with KRS
4 278.455 and prior Commission precedent, specifically Case Nos. 2010-00167 and 2008-
5 00409. The proposed rates should be approved.

6 **Q. Does this conclude your testimony?**


7 A. Yes, it does.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

VERIFICATION OF JOHN WOLFRAM

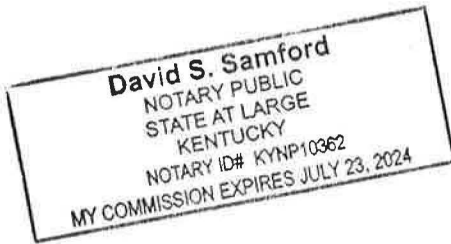
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)


John Wolfram, being duly sworn, states that he has supervised the preparation of his Direct Testimony in this 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 31st day of March, 2021, by John Wolfram.





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