

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**THE ELECTRONIC APPLICATION OF)
SOUTH KENTUCKY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR PASS-)
THROUGH OF EAST KENTUCKY POWER)
COOPERATIVE, INC.'S WHOLESALE RATE)
ADJUSTMENT)**

Case No. 2021-00118

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**

DATED MAY 12, 2021

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2021-00118

PUBLIC SERVICE COMMISSION REQUEST DATED 5/12/21

South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) hereby submits responses to the First Request for Information of the Public Service Commission (“PSC”) in this case dated May 12, 2021. Each response with its associated supportive reference materials is individually bookmarked.

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SOUTH KENTUCKY RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR PASS-) Case No. 2021-00118
THROUGH OF EAST KENTUCKY POWER)
COOPERATIVE, INC.'S WHOLESALE RATE)
ADJUSTMENT)

CERTIFICATE

STATE OF KENTUCKY)

COUNTY OF PULASKI)

Comes now Michelle D. Herrman, after first being duly sworn, states that she has supervised the preparation of the responses of South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") to the Public Service Commission Staff's First Request for Information in the above-referenced case dated May 12, 2021, 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.

Michelle D. Herrman
Michelle D. Herrman

Subscribed and sworn before me on this 27 day of May 2021.

Bohlie Coggins
Notary ID: 609860
Expires: 10-21-2022

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

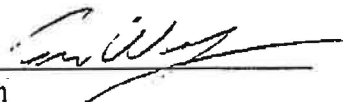
THE ELECTRONIC APPLICATION OF)
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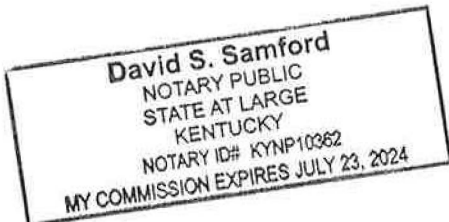
COUNTY OF JEFFERSON)


Comes now John Wolfram, after first being duly sworn, and states that he has supervised the preparation of the responses of South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") to the Public Service Commission Staff's First Request for Information in the above-referenced case dated May 12, 2021, 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

Subscribed and sworn before me on this 25th day of May 2021.





Notary ID: KYNP10362
Expires: 7/23/24

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2021-00118

RESPONSE TO INFORMATION REQUEST

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 5/12/21

REQUEST 1

RESPONSIBLE PARTY: Michelle D. Herrman

Request 1:

Refer to the Application of Case No. 2021-000103, the Direct Testimony of Isaac S. Scott, page 38, line 17. Mr. Scott states that there has not been any concerns raised by the owner-members concerning East Kentucky Power Cooperative's (EKPC) Demand Side Management (DSM) cost recovery approach.

- a. Confirm that South Kentucky RECC has not raised any concerns to date to EKPC.
- b. List any concerns that South Kentucky RECC has not expressed to EKPC but may have regarding EKPC's DSM cost recovery approach.

Response 1:

- a. This is correct, South Kentucky RECC has not raised any concerns to date to EKPC.
- b. South Kentucky RECC would express the same problematic concerns as raised in the Application of Case No. 2021-000103, the Direct Testimony of Isaac S. Scott, page 41, lines 13-23, Page 42, lines 1-23, and page 43, lines 1-2.

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RESPONSE TO INFORMATION REQUEST

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REQUEST 2

RESPONSIBLE PARTY: John Wolfram

Request 2. Refer to the Application, Exhibit 6, the Direct Testimony of John Wolfram (Wolfram Testimony), page 5, lines 1–4. Explain what “self-evidently unreasonable” implies.

Response 2. “Self-evidently unreasonable” means that a result from the application of the particular method does not make sense on its face. An example would be the case where the wholesale demand charge is increasing, but applying the *Kenergy* method results in a retail demand charge that is decreasing. It is not reasonable to pass through a wholesale increase in demand charges in such a way that the retail demand charge decreases; such a scenario demonstrates that the pass-through method is more complex than it first appears, and/or that the method has unintended consequences.

This kind of calculation anomaly does not often occur for two-part rates for which the proportions of cost recovery do not vary much over time, but it does frequently occur for three-part rates or any other rate with multiple blocks where the billing determinants in the various blocks do not maintain the same proportions over time. A large power rate with base demand and excess demand blocks may have no excess demand in the last rate order but have significant excess demand in the current test year, or vice versa. The requirement to maintain revenue proportionality

when the relative proportions of block billing determinants vary over time can create resulting per-unit charges that are unreasonable at face value. This is what is meant by “self-evidently unreasonable.”

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REQUEST 3

RESPONSIBLE PARTY: John Wolfram

Request 3. Refer to the Wolfram Testimony, page 5, lines 15–17, and page 6, lines 1–

2.

- a. Explain why South Kentucky RECC did not seek a deviation from the proportional flow through ratemaking guidelines ordered in Case No. 2020-00095.
- b. Explain the specific South Kentucky RECC circumstances that would necessitate such a deviation.
- c. Provide a list of active members, or billing determinants, for the last Commission approved rate Order and a list of 2019 active members, or billing determinants, by rate class in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 3.

a. The Applicant did not believe that a formal deviation request was necessary for several reasons. First, while I am not an attorney, it is my understanding that deviations are typically only sought for requested departures from Commission regulations, not Commission Orders. Second, while the *Kenergy* Order was effective from the date it was issued, it was not yet final and non-

appealable at the time the pass-through case was filed. Third, and most importantly, the Applicant sought to transparently and proactively address the effect of the *Kenergy* Order in my pre-filed testimony. As I stated in testimony, the methodology used in the *Kenergy* Order created several anomalous results for most of EKPC's members and, under the Hope Doctrine (*Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602 (1944)) to which the Commission has long ascribed, it is the outcome reached that is more important than the methodology employed in achieving the outcome. I sought to explain why the methodology in the *Kenergy* Order did not fit the particular circumstances of most Owner-Members and I am providing the materials upon which I relied in my analysis as part of the other responses to Commission Staff's First Requests for Information. Thus, for both technical and substantive reasons, a request for a deviation did not appear to be required. Should the Commission believe that a more formal request to deviate from the *Kenergy* Order method is required, the Applicant will be happy to supplement the record with a motion or brief as preferred – presumably following the conclusion of discovery or any hearing to be held in this matter.

- b. Please see the attachment provided via electronic upload in response to Item 4.
- c. Please see the attachment provided via electronic upload.

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REQUEST 4

RESPONSIBLE PARTY: John Wolfram

Request 4. Refer to the Wolfram Testimony, page 6, lines 3–21. Provide the analysis based upon the allocation method described in the 2020-00095 final Order in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 4. Please see the attachment provided via electronic upload.

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REQUEST 5

RESPONSIBLE PARTY: John Wolfram

Request 5. Refer to the Application, Exhibit 3. Provide in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 5. Please see the attachment provided via electronic upload.