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December 22, 2021

VIA ELECTRONIC FILING

Linda Bridwell, P.E.
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: *In the Matter of: Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of a Depreciation Study, and other General Relief—Case No. 2021-00407*

Dear Ms. Bridwell:

On December 21, 2021 Commission Staff issued a letter providing a single technical deficiency (“Deficiency Letter”) in the referenced rate case Application filed on December 14, 2021, by South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”). The Deficiency Letter noted the following:

(1) 807 KAR 5:001 Section 16(4)(i): Reconciliation of rate base and capital used to determine revenue requirements.

- **Reconciliation was not provided, only calculation of rate base.**

The Deficiency Letter further requested that South Kentucky submit the information necessary to cure the deficiency within ten days of the date of the letter, or by December 31, 2021.

South Kentucky respectfully asserts that the stated deficiency is incorrect and the Deficiency Letter should be vacated by Commission Staff for the following reasons: South Kentucky's Application Exhibit 15 correlates to the regulation requirement which is the subject of the Deficiency Letter. It is evident in Exhibit 15, and throughout the entirety of South Kentucky's Application, that the revenue requirements for the rate case are based upon achieving a Times Interest Earned Ratio ("TIER") of 2.00X. Exhibit 15 provided several references to the testimony and exhibits of South Kentucky's Cost of Service expert, William Steven Seelye, that revenue requirements were based on achieving a certain level of TIER, not rate base and/or capital. This methodology is almost universally employed by Kentucky's electric distribution cooperatives in determining revenue requirements for the setting of fair, just and reasonable rates. Indeed, the Commission has historically accepted this methodology in distribution cooperative rate cases for many years.¹ Therefore, because of this widely accepted methodology, and the fact that rate base and capital were not used to determine revenue requirements, South Kentucky believes the noted Commission Staff deficiency is incorrect.

However, in the alternative, should Commission Staff disagree with South Kentucky's assertion that issuance of the deficiency was incorrect, please find attached reconciliation of rate base and capital which South Kentucky has prepared and intends to file in response to Request 11 of Commission Staff's First Request for Information to South Kentucky, issued on November 29, 2021. South Kentucky believes this information is sufficient to cure the deficiency contained in the Deficiency Letter.

¹ For example, please refer to PSC Case No. 2021-00358, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief*. Jackson Purchase's application was filed on October 15, 2021, and is currently in process at the Commission. Application Exhibit 15 to that case also makes it clear that Jackson Purchase's revenue requirements were determined on the basis of achieving a TIER of 2.00, and no formal reconciliation of rate base and capital was provided nor deemed necessary. Commission Staff did not issue a deficiency letter in that case. This case is no different.

For the reasons stated herein, South Kentucky respectfully requests Commission Staff to vacate the December 21, 2021 Deficiency Letter, and in its place issue a No Deficiency letter so that: (1) distribution cooperatives who file future general rate cases based on revenue requirements sufficient to achieve a certain level of TIER may rely upon consistent interpretations by Commission Staff of 807 KAR 5:001 Section 16(4)(i); and, (2) South Kentucky's Application will be deemed filed as of December 14, 2021, instead of some later date when Commission Staff determines the alleged deficiency was cured.

Thank you for your kind and expeditious consideration of this matter. Please do not hesitate to contact me should you have further questions or desire additional information.

Sincerely Yours,

Mark David Goss

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Electronic Enclosures

Cc: Hon. Angela Goad