

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to review and make recommendations on
3 specific issues that affect Taylor County Rural Electric Cooperative
4 Corporation's ("Taylor County RECC" or "Company") requested increase in
5 rates.

6 **Q. Please summarize your testimony.**

7 A. Based on my recommended adjustments, the Commission should authorize an
8 increase of no more than \$3.14108 million.¹ Below is a table summarizing my
9 adjustments.

Amount of Increase Requested by TC RECC \$ 6.377

Recommended Adjustments to TC RECC's Calculated Revenue Requirement:	Adjustment	
	Amount	Schedule
Other Revenues	\$ (0.110)	1.16
ROW Expense	\$ (2.317)	1.05
Employee Awards	\$ (0.011)	1.17
Director Expenses	\$ (0.120)	1.09
Health Care Costs	\$ (0.230)	1.12
Depreciation Expense	\$ (0.135)	1.04
Meter Testing Expense	\$ (0.090)	1.18
Legal Expense	\$ (0.022)	1.19
Non-recurring GPS Project cost	\$ (0.025)	1.20
401(k) Expense	\$ (0.184)	1.11
	\$ (0.150)	
Rate Case Expense	<u>\$ (0.027)</u>	1.13
Total Recommended Adjustments to TC RECC's Requested Increase	\$ (3.270)	
	\$ (3.236)	
	\$ 3.141	
10 Recommended Maximum Base Rate Increase for TC RECC	<u>\$ 3.108</u>	

11 It should be noted that silence on any issues should not be interpreted as
12 acceptance of the Company's proposals.

¹ My calculations are based on a TIER of 1.91. Although the Company's schedules have a column reflecting a TIER of 2.00, the Company's actual request was based on an OTIER of 1.85. My use of a TIER of 1.91 as an equivalent for the Company's OTIER of 1.85 is based on Taylor County RECC's response to the Attorney General's First Request for Information ("Attorney General's First Request"), Item 17(c).

1 Importantly, the Company admits that spending for this expense has been
2 reduced intentionally in prior years.⁸ The Company acknowledges that prior to
3 the test year, the Company was not completing its circuit trimming plan.⁹
4 Instead, ROW was “only trimmed on an as-needed basis.”¹⁰ As ROW spending
5 has been reduced in multiple prior years the Company may make similar cuts
6 in future years.

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8 The size of the ROW expense increase must also be noted. The Company’s
9 request of \$4,330,556¹¹ per year is significantly more than the Company has
10 spent in any prior year on this expense. The chart below illustrates this extreme
11 increase.¹²

12

ROW EXPENSE INCLUDING CAPITALIZED AMOUNTS	
2012	\$649,411
2013	\$631,755
2014	\$723,393
2015	\$629,948
2016	\$743,578
2017	\$751,166
2018	\$821,423
2019	\$844,426
2020	\$852,331
2021	\$1,196,793
2022	\$1,426,755
2023 ytd	\$2,301,511
Adj Test Year	\$4,330,556

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⁸ Direct Testimony of Jeffrey R. Williams Testimony (“Williams Testimony”), at 5.

⁹ *Id.* at 8.

¹⁰ *Id.* at 9.

¹¹ Wolfram Testimony, Exhibit JW-2, Schedule 1.05.

¹² Taylor County RECC’s response to the Attorney General’s First Request, Item 126; Taylor County RECC’s response to the Attorney General’s Second Request, Items [50 and 51](#).

1 **Q. Has the Company provided sufficient support for this requested**
2 **increase?**

3 A. No. The Company admitted that it had no studies to support its request and its
4 assertions were unsupported. It is the Company's obligation to support its
5 request and for this expense that has not been done.

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7 **Q. What is your recommended adjustment?**

8 A. I recommend the disallowance of the entire increase to 401(k) expense related
9 to the change in contribution percentage, a decrease of \$150,10483,588 as
10 shown on Excel Spreadsheet, Exhibit JD-1, Schedule 1.11.

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12 **K. Rate Case Expense**

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14 **Q. Please describe the Company's proposed adjustment for rate case**
15 **expense.**

16 A. The Company is proposing to amortize \$160,000 of rate case expenses over
17 three years, or \$53,333 annually.⁴²

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19 **Q. Do you agree with this approach?**

20 A. No. While I am aware the Commission has previously approved three-year
21 amortizations of rate case expense, it is important to note that the Company will
22 collect \$53,333 each year until rates are reset. The Company's last general rate
23 case was filed on August 30, 2012, and the one before that was filed on May

⁴² Wolfram Testimony, Exhibit JW-2, Schedule 1.13.