COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF FLEMING-MASON ENERGY COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES AND OTHER GENERAL RELIEF	**))))**	**Case No. 2023-00223**

FLEMING-MASON ENERGY COOPERATIVE, INC.'S MEMORANDUM IN SUPPORT OF ITS APPLICATION FOR GENERAL ADJUSTMENT OF RATES

Comes now Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason" or "Cooperative"), by counsel, pursuant to the January 31, 2024 Order of the Kentucky Public Service Commission ("Commission") setting forth a briefing schedule in the above-styled docket, and does hereby tender its Memorandum in Support of the Application for General Adjustment of Rates ("Application") filed August 28, 2023[1], and addressing issues raised during discovery in this matter, respectfully stating as follows:

I. INTRODUCTION

Fleming-Mason has been able to avoid a general rate increase for fifteen years. However, Fleming-Mason can no longer withstand the increasing costs in almost every portion of its operations, and increased interest rates. Fleming-Mason's financial condition has declined to the point that a rate increase is required. It is necessitated by substantial increases in general operating

[1] Fleming-Mason Energy tendered its application on August 4, 2023. By letters dated August 10, 2023, and August 21, 2023, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on August 28, 2023.

expenses. Thanks in part to aggressive cost control measures, diligent management and board oversight, and favorable federal policies including the Rural Utilities Service's ("RUS") Cushion of Credit program, Fleming-Mason has been able to delay increases to retail base rates since 2008.[2] However, increased expenses has resulted in a degradation of Fleming-Mason's financial condition and currently jeopardizes its ability to maintain loan covenants with its lenders, specifically RUS. In order to prevent a further untenable financial situation, the Cooperative's Board of Directors, in conjunction with its management, determined that a general adjustment of retail rates was necessary in order to account for increased cost of doing business, improve its overall financial condition, and satisfy current and future loan covenants. Considering revisions acknowledged during discovery in this case, Fleming-Mason's request now seeks approval to increase its annual revenues by $1,941,487 or 1.8%, to achieve an Operating Times Interest Earned Ratio ("OTIER") of 1.85. Fleming-Mason bases its proposed rates on a twelve-month historical test period ending December 31, 2022. Included in this approval request is an increase of the monthly residential customer charge from $15.57 to $19.50. These rates are based on the results of a comprehensive cost of service study ("COSS") performed by Mr. John Wolfram, Principal, Catalyst Consulting LLC. They are appropriately adjusted for known and measurable changes consistent with Commission regulations and precedent.

Through extensive discovery, each of Fleming-Mason's assertions and claims have been examined and stringently tested by Commission Staff ("Staff") and the Kentucky Attorney General's Office of Rate Intervention ("AG"). As is normal in any contested full rate case, there is some disagreement over the merits and amounts of individual pro forma adjustments; there are

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[2] Fleming-Mason's last application for rate adjustment was in 2012, but this was a revenue neutral request. See *In the Matter of: Application Of Fleming-Mason Energy Cooperative, Inc. For An Order Authorizing A Change In Rate Design For Its Residential Rate Classes And The Offering Of Several Optional Rate Designs For The Residential Rate Classes*, Case No. 2012-00369.

also numerous uncontested issues. In the end Fleming-Mason believes that its COSS and the methodologies employed for calculation of its requested pro forma adjustments are accurate and reliable and provide the basis for a Commission decision granting all of its request as set forth in the Cooperative's rebuttal testimony in this case.

II. BACKGROUND

On August 4, 2023 Fleming-Mason tendered its Application with the Commission, pursuant to KRS 278.180, KRS 278.190 and other applicable law, for an adjustment of its retail rates. On August 11, 2023, the Commission issued a deficiency letter. On August 17, 2023, Fleming-Mason Energy filed a response to the deficiency letter. A second deficiency letter was issued on August 21, 2023, which addressed two deficiencies not cured. Fleming-Mason Energy filed a response to the second deficiency letter and the Application was accepted for filing as of August 28, 2023. A Motion for Intervention was filed by the AG which was granted by Commission Order on August 28, 2023. Fleming-Mason responded to four separate sets of data requests from Staff and three sets of data requests from the AG. Fleming-Mason supported its case with the testimony of three witnesses, Mr. Brandon Hunt and Ms. Lauren Fritz, the Cooperative's President/Chief Executive Officer and Chief Financial Officer, respectively, and Mr. John Wolfram, Principal, Catalyst Consulting LLC, Louisville, Kentucky. The AG tendered the testimony of one witness, Mr. Greg R. Meyer, Principal, Brubaker & Associates, Inc., Chesterfield, Missouri. Upon the filing of simultaneous principal and responsive briefs by the Fleming-Mason and the AG, the case shall stand submitted for a decision by the Commission effective 12:01 a.m. Eastern Daylight Time on February 17, 2024.

III. ARGUMENT

A. Several Factors Contribute to Fleming-Mason's Need for the Rate Adjustment

Since Fleming-Mason's last full rate case[3] in 2007 was concluded it has experienced significant increased expenses in many areas of its business. The Cooperative has seen two CEO changes since that time, with the most recent transition in July 2022, when the acting CEO retired, and Mr. Hunt was hired as the replacement. Fleming-Mason has seen significant cost increases in many, if not all, areas of its business. Most notably right-of-way ("ROW"), contract labor, labor, overhead, materials, and interest rates have all had an impact during the last fifteen years. For example, costs for transformers, conductor, and poles have increased 100%, 90%, and 90% respectively. Fleming-Mason has maintained rates for the fifteen-year period all while providing reliable service thanks to consistent ROW trimming practices and utilizing developing technologies for the distribution system.

Fleming-Mason used the federal payroll protection program to help cover a portion of its labor cost during the 2020 COVID pandemic and received forgiveness of that loan. The employee count has stayed consistent since 2008 despite growing in member base and miles of line. In comparison, using the Cooperative Finance Corporation's ("CFC") Key Ratio Trend Analysis ("KRTA"), Fleming-Mason ranks 48th out of 812 national cooperatives in the metric of members per employee. This efficiency has assisted in maintaining rates. Fleming-Mason adjusted employee benefits including Defined Benefits and medical insurance. Fleming-Mason has been strategic and benefited from saving in areas such as purchasing power from a third-party Landfill Gas Project and creating a ROW subsidiary (FM Utility Resources, LLC) to have more controllable efforts in ROW maintenance.

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[3] *See* Case No. 2007-00116, *In the Matter of; General Adjustment of Electric Rates of Fleming-Mason Energy Corporation.*

The fifteen-year span since the last general rate increase has demonstrated the success of efforts made to maintain rates during this period. The most recent inflationary pressures have had a significant impact on margins and have propelled the Cooperative into this position. Interest expense has become significant and impacts both the TIER and OTIER obligations to the lenders. The stability of the rates over the fifteen-year period has shown that the cooperative has taken measures to maintain costs. The natural growth of electric memberships and revenue have absorbed a portion of the increases that have eroded margins over the time period. However, in recent years certain variables such as inflation/cost increases, labor cost, increased interest rates, and the phased-out cushion of credit have accelerated the rise in Fleming-Mason's cost.

In several recent distribution cooperative rate case orders, the Commission has clearly stated that utilities should not wait until their financial condition becomes dire to consider filing a rate adjustment request. Fleming-Mason's management and Board agree with this rate-making philosophy and have been diligent to structure this case so as to strike a balance between what it needs to continue to provide safe and reliable service at a reasonable cost to its Owner-Members and simultaneously ensure its future financial integrity.

B. Fleming-Mason's Rate Design is Reasonable And Is Supported By The Cost Of Service Study

Fleming-Mason engaged the services of Catalyst Consulting LLC ("Catalyst") to perform a comprehensive cost of service study ("COSS") to assist Fleming-Mason in designing its proposed rates.

The proposed revenue increase was determined by analyzing the revenue deficiency based on financial results for the test period after the application of certain pro forma adjustments which were based on known and measurable changes. The revenue deficiency was determined as the difference between (i) Fleming-Mason's net margins for the adjusted test period without reflecting a general adjustment in rates, and (ii) Fleming-Mason's net margin requirement necessary to provide an OTIER of 1.85 for the test period.[4] Based on the adjusted test year, the revenue deficiency was determined to be $2,755,741, but was later adjusted to $1,943,724.[5]

Mr. John Wolfram, Principal of Catalyst, conducted the COSS. Mr. Wolfram has presented numerous COSS that have been accepted by the Commission in other dockets on behalf of electric cooperatives and has sponsored expert testimony on other rate-related matters before this Commission for almost two decades. In this case he has presented a detailed COSS which has been thoroughly explained in 27 pages of testimony and numerous supporting spreadsheets and other exhibits.[6] The COSS supported a customer charge of up to $22.31. Fleming-Mason chose to gradually move towards the cost based rates and not seek the entire $22.31 customer charge that was supported. Instead, Fleming-Mason proposed to increase the current customer charge of $15.57 to 19.50.[7] In addition, Fleming-Mason chose to distribute the required rate increase with more of the increase accounted for in the customer charge, as opposed to the energy charge, because it was consistent with the COSS and would create the least negative impact to its members in the most vulnerable economic situations. Applying more of the rate increase to the customer charge, which is fixed, means that it is the least volatile option and based upon Fleming-Mason's experience, members who can least afford an increase use more energy due to poorly insulated homes which use more energy. As stated above, the COSS supported a larger increase to the customer charge but Fleming-Mason chose to reduce the requested amount in order to make the

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[4] *See* Direct Testimony of John Wolfram, p. 6.
[5] *See* Rebuttal Testimony of John Wolfram., Revised Exhibit JW-9.
[6] Mr. Wolfram's testimony and supporting materials for the COSS are found in Application Exhibit 10. Specific reference is made to all of Mr. Wolfram's testimony and materials but because of the highly detailed nature of his work only a summary of the most important findings is discussed here.
[7] *See,* Rebuttal Testimony of John Wolfram, p. 13.

rate increase more gradual, despite the fact that any increase will be met with some level of objection, and Fleming-Mason is cognizant of the increasing economic demands on its members.

C. Several Issues in This Case Are Uncontested by the AG

The AG addresses several issues in the direct testimony of its witness Mr. Greg Meyer ("Meyer Direct"). In particular, the AG proposes six revisions to the revenue requirement and/or pro forma adjustments that were proposed by Fleming-Mason. However, in the Meyer Direct, the AG does not protest any additional items or issues in the case. In particular:

(a) the AG did not contest any aspect of the COSS, including the rates of return for each rate class and the cost-based rates for each rate class.

(b) The AG did not contest the allocation of the proposed increase solely to the residential rate classes.

(c) The AG did not contest the proposed residential rate design in which the residential customer charge increased from $15.57 to $19.50 with the remainder of the necessary increase assigned to the residential energy charge.

(d) The AG made no mention of the proposed residential customer charge relative to the residential customer charges of any other electric cooperatives in Kentucky.

(e) The AG made no mention of local poverty rates, consumers ability to control electric bills, or customer financial hardship as a factor in rate design.

(f) The AG did not contest 10 of the 14 pro forma adjustments proposed by Fleming-Mason, for the following items:

1) Fuel Adjustment Clause;

2) Environmental Surcharge;

3) Interest Expense;

4) Depreciation Normalization;

5) Right of Way Expense;

6) G&T Capital Credits;

7) Donations, Promotional Advertising & Dues;

8) Directors Expenses;

9) 401k Contributions;

10) Life Insurance.

(g) The AG recommended revisions to certain pro forma adjustments proposed by Fleming-Mason. After careful review, Fleming-Mason agrees to, or does not object to the portions of the AG's recommendations pertaining to the following items:

1) Year End Customer Adjustment (Rate Schedule Revenues), for which the annual revenues by rate class in Exhibit JW-2, Reference Schedule 1.06 did not precisely reconcile with the annual revenues by rate class in Exhibit JW-9;

2) Health Care Costs, for which the originally proposed adjustment included a calculation error and for which a portion of the total health care costs should be capitalized and excluded from the pro forma adjustment.

The uncontested items above, including the agreed-upon revisions as described, are all reflected in the revised exhibits provided with the Cooperative's rebuttal testimony and/or subsequent supplemental responses to data requests. These items are uncontested in the record in the instant case. For this reason, these items should be accepted by the Commission as most recently filed by Fleming-Mason in this docket and should not influence the Commission's consideration thereof.

D. Fleming-Mason's Pro Forma Adjustments Are Reasonable and Should be Accepted By The Commission

As is normal in contested rate adjustment cases there are a few disputed pro forma adjustments which the Commission must consider in setting Fleming-Mason's rates. Of the 14 pro forma adjustments discussed in Table 2 of Mr. Wolfram's Direct Testimony[8], the AG's rate witness, Mr. Meyer, recommended adjustments to four of them, and recommended adding one other adjustment not proposed by Fleming-Mason. In total the AG suggesting a reduction of $884,536 to the Cooperative's proposed increase of 1,868,707.[9] As noted earlier, Fleming-Mason agrees with the AG's recommendation on the Year End Customer revenue and expense adjustment, which leaves a total of five proposed adjustments that are contested. These items include (i) Rate Case Costs, (ii) Regular Wages & Salaries, (iii) Overtime Wages & Salaries, (iv) Health Care Costs, and (v) OTIER. Summary discussion of the relative positions of the parties' witnesses on these contested pro forma adjustments is necessary so the Commission may see the reasonableness of Fleming-Mason's adjustments compared to those advocated by the AG.

i. Fleming-Mason's Pro Forma Adjustment For Rate Case Expense Is Reasonable

Fleming-Mason included its anticipated rate case expenses, amortized over a three-year period, as a pro forma adjustment to the revenue requirement. This approach is consistent with the approach accepted by the Commission in every electric utility rate case filing of which Fleming-Mason is aware. The AG recommended recovery of rate case expenses over a five-year period based on the timing of Fleming-Mason's historical rate filings.[10] Mr. Meyer had no issues with the total rate case expense being sought for recovery.[11] Established Commission precedent is

[8] *See* Direct Testimony of John Wolfram, p. 10.
[9] *See* Direct Testimony of Greg R. Meyer, p. 5.
[10] *Id.* at 7.
[11] *Id.* at 6.

to amortize rate case expense over a three year period.[12] Further, the Commission should amortize the rate case expenses over a three-year period because that is the long-standing Commission practice, which encourages utilities to file rate cases about every three years. Also, it is reasonable to expect that Fleming-Mason will file rate cases more frequently in the future than has been done in the past. For these reasons, the Commission should adhere to its conventional approach and accept Fleming-Mason's adjustment for rate case expense as filed.

ii. Fleming-Mason's Pro Forma Adjustment For Regular Wages and Salaries Is Reasonable

Fleming-Mason based its pro forma adjustment for regular wages and salaries on 51 employees. The AG asserts that the adjustment for regular time wages and salaries should be based on 49 employees instead of 51 employees, claiming that Fleming-Mason did not provide any justification for the increase from 49 to 51 employees.[13] The AG did not take issue with the pro forma test year wage rate that Fleming-Mason used to calculate the adjustment.[14] It is correct that at the end of 2022, Fleming-Mason had 49 employees. However, during 2023, Fleming-Mason hired 5 employees, but also in 2023, Fleming-Mason lost 2 additional employees. Fleming-Mason is working now to hire for key positions such as Engineering and IT support. In 2022, Fleming-Mason had 6 employees retire with a combined 179 years of experience. The cooperative ended 2021 with 50 employees and would have ended 2022 with 51 employees had it not been for the late retirements. There has been a lot of movement in the employee numbers and Fleming-Mason is working to return to the 51 headcount threshold. For these reasons it is appropriate to

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[12] Commission Order entered April 8, 2022 in the Matter of Jackson Purchase Energy Corporation Application for General Adjustment of Rates, 2021-00358; and Commission Order entered June 21, 2017 in the Matter of Nolin Rural Electric Cooperative Corp. Application for General Adjustment of Rates, 2016-00367.
[13] Meyer Direct at 9.
[14] *Ibid.*

base the regular time wages and salaries adjustment on 51 employees. The Commission should accept Fleming-Mason's pro forma adjustment for regular wages and salaries as filed.

iii. Fleming-Mason's Pro Forma Adjustment For Overtime Wages and Salaries Is Reasonable

Fleming-Mason based its pro forma adjustment for overtime wages and salaries on the five year average of overtime hours. The AG claims that the use of the five-year average of overtime hours in place of test year overtime hours is unsupported and recommends using the test year overtime hours of 7,063 to calculate this adjustment.[15] 807 KAR 5:001 permits adjustments for known and measurable changes and does not implement a time limitation on a proposed adjustment. The value used by Fleming-Mason is known and measurable, a simple average of the actual overtime hours for the last five years. Fleming-Mason proposed to use the five-year average because the test year actual amounts were unusually low. The cooperative provided the historical data as follows:[16]

Year	# of Overtime Hours
2022	7,063.0
2021	9,886.5
2020	6,968.5
2019	7,281.0
2018	8,067.0

Further, the five-year average is a more accurate representation of Fleming-Mason's cost for a rate that will be applied prospectively. Thus it is reasonable for the Commission to accept the adjustment as filed by Fleming-Mason.

iv. Fleming-Mason's Pro Forma Adjustment For Health Care Costs Is Reasonable

The AG noted two items for the pro forma adjustment for health care costs with which Fleming-Mason agrees, noting first that Fleming-Mason's pro forma adjustment for health care

[15] *Id.* at 10-11.
[16] Wolfram Rebuttal at 5.

costs is based off of a flawed calculation[17] and second that Fleming-Mason did not appear to capitalize a portion of these costs in the pro forma adjustment, which should be done since the costs are payroll-related.[18] Fleming-Mason revised the pro forma adjustment accordingly to address these two items on rebuttal.

However, the AG also disagreed with the 9 percent increase in health care premiums, preparing its own analysis using historical data and publicly available data from PricewaterhouseCoopers' ("PwC").[19] While Fleming-Mason uses an increase of 9 percent for health care premiums in its adjustment, the AG notes that the five year average of premium increases is lower than 5 percent. The AG further provides some information from PwC that speculates on health care premium increases in 2023 and 2024 which are also lower than 9 percent. However, Fleming-Mason based the adjustment on actual 2023 premiums, not on any historical trends or speculation of future growth rates. The as-filed adjustment represents a known and measurable change to the test year amounts. It is known and therefore meets the Commission's long-standing "known and measurable" standard for pro forma adjustments.

Furthermore, it is clear from the data that the premiums for every category are increasing each year in a non-linear fashion. Even if one set aside for a moment the fact that the adjustment as proposed is known and measurable, it would be inappropriate to ignore this accelerating growth in premiums and instead apply a linear historic average which ignores the escalation of these costs over time.

Fleming-Mason's health insurance premiums will increase even more in 2024, according to information provided to Fleming-Mason from the provider in the fall of 2023, but because those

[17] Meyer Direct at 12.
[18] *Id.* at 14.
[19] *Id.* at 12-13

increases are too far out in time beyond the end of the test year, they are not included here. For these reasons, the Commission should reject this recommendation by the AG and approve the 9 percent increase as a known and measurable change to test year expenses, as proposed by Fleming-Mason.

v. Fleming-Mason's Use of 1.85 OTIER Calculation is Reasonable and Should Be Accepted by the Commission

The AG recommends an OTIER ratio of 1.50 instead of the 1.85 proposed by Fleming-Mason.[20] This argument is flawed, for several reasons.

First, the AG states that Fleming-Mason's lenders require an OTIER coverage ratio less than 1.85. This is correct but does not justify awarding Fleming-Mason an OTIER of less than 1.85. The Commission has consistently found that it is reasonable to set the target metric higher than the minimums required by cooperative lenders, in part because of the importance of unforeseen expenses.[21] Cooperative margins are not solely related to paying off debt; they also allow the cooperative to manage volatility in the wholesale purchased power bills and unforeseen expenses like storm restoration or other O&M costs subject to rapid inflationary pressures. This is why the Commission should not set OTIER or TIER close to the minimum levels required by the lenders; doing so would require the cooperative to operate on the razor's edge.

Second, the AG argues that if the OTIER of 1.85 contributes to profits that are returned via capital credits over a very long lag period, that this is somehow "harmful" to the members. However, this is how capital credits work, regardless of what the drivers are. The AG states that most members that he is aware of today are not willing to pay for a return several years into the

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[20] *Id.* at 19.

[21] See Commission Order entered April 26, 2018 in the Matter of Big Sandy Rural Electric Cooperative Application for a General Adjustment of Rates, 2017-00374; and Commission Order entered May 12, 2017 in the Matter of Farmers Rural Electric Cooperative Application for a General Adjustment of Rates, 2016-00365.

future. Fleming-Mason does not share this view as its members have received capital credits before from prior periods without complaint. The cooperative is still a not-for-profit enterprise with no shareholder interest, and lag associated with capital credits is the norm for cooperatives all across the country, including East Kentucky Power Cooperative, so this argument is without merit.

Third, in the Matter of Jackson Purchase Energy Application for a General Adjustment of Rates, Case No. 2021-00358, Commission Order entered April 8th, 2022, the Commission explicitly rejected the AG's recommendation to set Jackson Purchase's TIER at 1.50. The Commission cited the adverse effect on the cooperative's cash working capital, which could impair Jackson Purchase's ability to have sufficient cash flow to respond to unforeseen expenses. Fleming-Mason acknowledges that the two cases are not identical, and that TIER and OTIER also differ, but the conceptual basis for the Commission decision in that case applies in the instant case as well, since an OTIER of 1.50 would have same adverse effect on Fleming-Mason that the TIER of 1.50 would have had on Jackson Purchase – impairment of cash working capital and cash flow for unforeseen expenses.

Finally, the AG's recommendation of 1.50 is arbitrary. It is not supported by any analysis, comparative review of peers, or formulaic determination. Even if one were to determine that the Commission's historic consideration of 1.85 OTIER or 2.00 TIER were inappropriate here (a determination for which there is no evidence in the record) then there is still no reason to conclude that an OTIER of 1.50 is the appropriate value for ratemaking purposes. There is no evidence in the record or in Commission precedent to support the reasonableness of applying a 1.50 OTIER for Fleming-Mason.

For these reasons, it is not reasonable to make the AG's proposed OTIER adjustment. The Commission should accept the position of Fleming-Mason as filed, and base rates upon an OTIER of 1.85.

vi. Fleming-Mason's Proposed Rate Changes as Set Forth on Rebuttal Are Reasonable

Fleming-Mason adjusted the filed calculations and exhibits to reflect the aforementioned positions on pro forma adjustments. The electronically uploaded files included with the Rebuttal Testimony of John Wolfram include revised Exhibit JW-2 which shows the revenue requirement of $1,936,142 based on an OTIER of 1.85.[22] The revisions do not materially affect the COSS, which shows that the residential classes are subsidized by the other classes; the COSS also shows that the cost-based residential customer charge is $22.31.[23] The uploaded files also include a revised Exhibit JW-9, which shows the present and proposed rates. Here the proposed residential customer charge increases from $15.57 to $19.50 per month—still well short of the cost-based $22.31 per month—and the residential energy charge increases from $0.08330 to $0.08575 per kWh. These charges will yield total annual revenues of $1,941,487, which are $2,237 short of the annual revenue requirement due to rate rounding. These rate changes amount to an overall system increase of 1.8 percent, with the average residential increase of $6.55 per month, or 5.1 percent over residential test year amounts.[24]

IV. CONCLUSION

Fleming-Mason's rate request is reasonable, supportable, and most importantly, necessary for its continued financial health. The pro forma adjustments to test year expense advocated by

[22] *See* Rebuttal Testimony of John Wolfram., Revised Exhibit JW-2 in file "FME-RevReq-2022-Rebuttal.xlsx" (December 22, 2023).
[23] *See* Rebuttal Testimony of John Wolfram., Revised Exhibits JW-3 to JW-8 in file "FME-COS-2022-Rebuttal.xlsx" (December 22, 2023).
[24] *See* Rebuttal Testimony of John Wolfram., Revised Exhibit JW-9 in file "FME-Pres-Prop-Rates-2022-Rebuttal.xlsx" (December 22, 2023).

Fleming-Mason in this case are based on known and measurable information and reflect the financial position that will exist when the proposed rates are put into effect.

Fleming-Mason's management team and Board of Directors have taken all actions at their disposal to contain costs in order to delay and mitigate the effect of this rate increase on its residential customers. As demonstrated by Mr. Wolfram's comprehensive COSS, Fleming-Mason seeks to align its rates so that the customer class causing it to incur costs is the same class that pays them. While this rate adjustment will not fully and finally address this disparity, the proposed rate design change will reduce the current misallocation of cost to cost-causer.

As far as customers are concerned there is never a good time to increase rates. Fleming-Mason anticipates the AG will argue that now is not the time for residential customers to pay more. Fleming-Mason has always considered its customers first whenever difficult decisions, such as whether to increase rates and by how much, are concerned. The decision to request any rate increase was difficult for Fleming-Mason's management and board of directors. However, in the end they recognized their collective fiduciary duty to Fleming-Mason's owner-members to ensure the continued financial health of the Cooperative and made the tough decision to act upon it.

In summary, Fleming-Mason's proposal in this case is both measured and necessary for its continued financial health. It is based entirely upon a comprehensive and reliable COSS employing known and measurable changes to test year expense. It is fair, just, and reasonable both in terms of the revenue request and the rate design chosen to implement it. Overall, an increase of this magnitude after a period of fifteen years is not simply reasonable--it is extraordinary.

Fleming-Mason respectfully requests that the Commission enter a final rate order adopting its request in full, including recovery of rate case expense amortized over a three-year period.

This 8th day of February, 2024.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Kentucky Public Service Commission for filing on February 8th, 2024; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; by virtue of the Commission's Order of July 22, 2021, in case number 2020-00085, no paper copies of this filing will be made.

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Earl Rogers III
Attorney for
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