

**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**

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

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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”), and does hereby tender its Reply Memorandum in Support of the Application for General Adjustment of Rates (“Application”) filed August 28, 2023.<sup>1</sup>

Fleming-Mason stand behind its previously filed Memorandum and its positions therein. However, Fleming-Mason would like to address in this Reply the Attorney General’s position on OTIER.

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<sup>1</sup> 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.

## 1.85 OTIER IS REASONABLE FOR FLEMING-MASON

Fleming-Mason proposes as a reasonable OTIER of 1.85. The Attorney General rejects Fleming-Mason's proposal and maintains that a 1.5 OTIER is reasonable as it would provide Fleming-Mason over \$500,000 in expense protection.<sup>2</sup>

The Attorney General's consultant commends Fleming-Mason for hedging its debt interest by locking in rates. The Attorney General maintains that because Fleming-Mason correctly locked in its interest rates, it should not operate under a 1.85 OTIER.<sup>3</sup> However, the Attorney General ignores the fact that Fleming-Mason's debts have maturity dates that will likely adversely affect Fleming-Mason's interest expense. Fleming-Mason has 7 loans maturing in 2025, 7 loans maturing in 2028, and 4 loans maturing in 2029.<sup>4</sup> Those 18 loans amount to 45% of Fleming-Mason's loan portfolio. Many of those loans are at rates more favorable than the current market.

Fleming-Mason Energy has an annual total budget of \$104,774,538.<sup>5</sup> In today's volatile market a \$500,000 margin is simply insufficient to protect Fleming-Mason from unforeseen costs, or provide sufficient funds for Fleming-Mason to cash flow. A 1.5 OTIER would in fact require Fleming-Mason to operate on an unreasonable razor thin margin. The Commission has historically supported healthy financial metrics that insure a member-owned cooperative is able to adequately and reasonably serve its members, and that it has enough margins to operate its business for the benefit of its members.<sup>6</sup> A 1.85 OTIER is a fair and reasonable target for Fleming-Mason.

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<sup>2</sup> Attorney General Brief filed February 8<sup>th</sup>, 2024, page 5.

<sup>3</sup> Direct Testimony of Greg R. Meyer, Page 19.

<sup>4</sup> Fleming-Mason's Response to Commission Staff's First Request for Information, Response No. 3

<sup>5</sup> Application for General Adjustment of Rates of Fleming-Mason, Exhibit 29.

<sup>6</sup> Order of the Commission, In Re: Application of Clark Energy Cooperative, Inc. for a General Adjustment of Rates, 2020-00104 entered August 8<sup>th</sup>, 2022.

#### IV. CONCLUSION

Fleming-Mason requests the Commission to enter an Order adopting Fleming-Mason's request in full, including the proposed OTIER of 1.85.

This 16<sup>th</sup> day of February, 2024.

Respectfully submitted,

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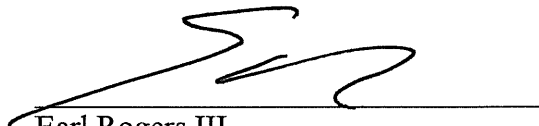
By:



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Attorney for Fleming-Mason  
Energy Cooperative, Inc.

#### CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Kentucky Public Service Commission for filing on February 16<sup>th</sup>, 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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Attorney for  
Fleming-Mason Energy Cooperative, Inc.