

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BIG SANDY)
RURAL ELECTRIC COOPERATIVE CORPORATION) CASE NO. 2024-00287
FOR A GENERAL ADJUSTMENT OF RATES)

**THE ATTORNEY GENERAL’S RESPONSE TO THE COMMISSION STAFF’S
FIRST REQUEST FOR INFORMATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and submits the following response to the Commission Staff’s First Request for Information in the above-styled matter.

Respectfully submitted,

RUSSELL COLEMAN
ATTORNEY GENERAL



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Certificate of Service and Filing

Pursuant to the Commission's Orders and in accordance with all other applicable law, Counsel certifies that the foregoing electronic filing was transmitted to the Commission on January 31, 2025, and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 31st day of January, 2025,



Assistant Attorney General

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 1
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Refer to the Direct Testimony of Greg R. Meyer, page 25, lines 2 through 5. Explain how a TIER of 1.85 would be more than sufficient for Big Sandy Rural Electric Cooperative Corporation (Big Sandy RECC) rather than the proposed TIER of 2.00.

RESPONSE:

A 1.85 TIER allows Big Sandy Rural Electric Cooperative Corporation (“Big Sandy RECC”) to meet its debt covenant requirement of 1.25 TIER and provides additional funds if the cost of debt increases, while saving member-owners \$134,706 in revenue requirement.

It should be noted that Big Sandy RECC has riders to collect significant portions of its cost, essentially guaranteeing that it will be made whole for its fuel costs and environmental surcharges.

Also, authorization of an excessive TIER is a disincentive to controlling discretionary expenses such as labor costs and benefits, donations, and other similar costs. Even if specific costs are found by the Commission to be excessive or inappropriate for rate recovery, Big Sandy RECC can use the higher than necessary TIER funds to continue funding these items.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 2
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Refer to the Direct Testimony of Greg R. Meyer, page 8 through 13.

- a. Explain why a five-year kWh average usage per customer was used for the Attorney General's proposed \$349,801 increase to Big Sandy RECC's test year revenues.
- b. Explain why using a five-year kWh average usage per customer is more reasonable than using a 20 or 30-year kWh average usage per customer.
- c. State whether any other range of average usage per customer was considered prior to using the five-year average. If so, provide those averages.

RESPONSE:

- a. Mr. Meyer used a five-year kWh average usage per customer because a multi-year average reflects an attempt to weather-normalize usage per customer. As was shown in Table GRM-3 from Mr. Meyer's direct testimony, the amount of heating and cooling degree days for Big Sandy RECC's proposed test year were both among the lowest recorded in the past ten years. Relying on test year revenues in this instance would not reflect normal weather for those customers who are weather sensitive.
- b. A five-year usage per customer normalization provides both a multi-year average that helps to smooth out year to year changes in weather, while capturing more recent patterns of electrical usage. A 20 or 30-year average of usage per customer may include many years of usage that no longer reflects how member-owners use electricity.
- c. Mr. Meyer also observed a weather normalization period of three years. Based on those results Mr. Meyer choose the five-year period. A three-year average usage per customer was 13.41 MWh per customer and the test year usage was 12.95 MWh per customer.

Please see Table GRM-4 (page 13) in Mr. Meyer's direct testimony for more information concerning usage per customer.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 3
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Refer to the Direct Testimony of Greg R. Meyer, page 28. Explain why the maximum right of way mileage was increased by 10 percent.

- a. State whether any other mileage increases were considered. If so, provide those calculations.
- b. State whether any other increases to the current cost of right-of-way clearing per mile were considered. If not, explain.

RESPONSE:

The maximum right of way (“ROW”) mileage was increased by ten percent (10%) to allow for increased maintenance over what Big Sandy RECC has been able to achieve in the past five years. The ten percent increase still allows for additional maintenance while setting a more reasonable goal for Big Sandy RECC than the cooperative’s proposed mileage. This is consistent with Mr. Meyer’s approach in the recent Jackson Purchase Energy Corporation rate case (Case No. 2024-0085).

- a. No. No other mileage amounts were considered beyond evaluating Big Sandy RECC’s proposed 138 miles.
- b. No. No other increases to the current per mile ROW clearing cost were considered. Big Sandy RECC appears incapable of meeting its stated 138 mile goal when looking at recent history. Mr. Meyer employed the most current level of cost to apply to his proposed 105.93 mile of ROW maintenance.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 4
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Refer to the Direct Testimony of Greg R. Meyer, page 20, lines 1-12. Provide support for calculating overtime costs using the five-year average of overtime wages, rather than using the five-year average of overtime hours multiplied by the pro forma wage rate.

RESPONSE:

As was stated in Mr. Meyer's testimony, on page 20, lines 2-8, there are many factors that influence overtime cost and there didn't appear to be a discernable trend in the year over year cost.

Furthermore, an employee who provides overtime labor in a given year, may not be tasked with overtime labor in following years. Also, wage rates vary among employees and so the use of a proforma rate may distort the amount of overtime cost.

Unless Big Sandy RECC performs a comprehensive analysis of all factors that can influence the occurrence of overtime costs including the effect of applicable overtime wage rates, a multi-year average of total overtime costs is appropriate.

AFFIDAVIT

STATE OF MISSOURI)

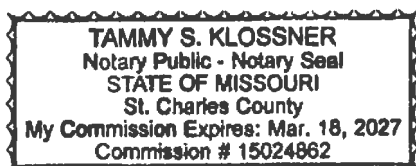
COUNTY OF ST. LOUIS)


GREG R. MEYER, being duly sworn, deposes and states that his responses to the Commission Staff's First Request for Information to the KY Office of the Attorney General are true and correct to the best of his knowledge, information and belief.



Greg R. Meyer

Sworn to and subscribed before me on this 31st day of January, 2025.





Notary Public