

SOUTH KENTUCKY RECC GENERAL RATE ADJUSTMENT CASE NO. 2024-00402

February 26, 2025



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Ratemaking Approach



Overall Rate Approach:

- 1) Revenue Requirement: How Much \$?
- 2) Cost of Service Study: Which Rate Classes?
- 3) Present & Proposed Rates: Setting Charges

- Based on 2024 financials & billings
- Adjusted to represent future period
- *Accounts for recent orders*



Pro Forma Adjustments

- 1) Remove FAC and Environmental Surcharge
- 2) Year End Customers / Depreciation
- 3) Donations, Promo Ads
- 4) Interest Expense
- 5) Salaries/Benefits
- 6) G&T Capital Credits
- 7) Other



➤ *Make financials reflect future not past conditions*

Pro Forma Adjustments

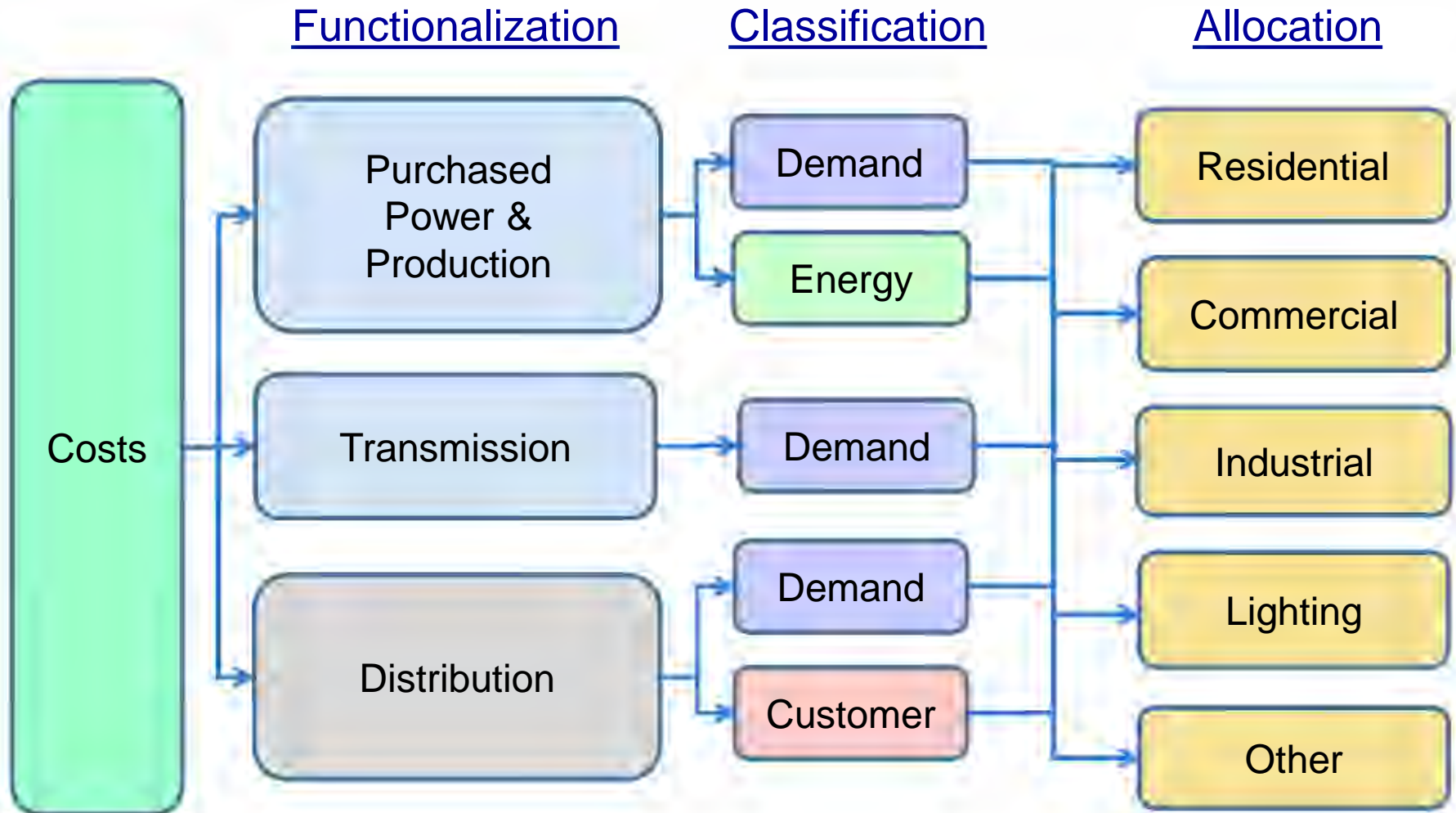
Reference Schedule #	Item (1)	Revenue (2)	Expense (3)	Non- Operating Income (4)	Net Margin (5)
1.01	Fuel Adjustment Clause	(11,874,072)	(11,241,462)	-	(632,610)
1.02	Environmental Surcharge	(15,673,494)	(15,508,843)	-	(164,651)
1.03	Rate Case Expenses		53,333		(53,333)
1.04	Year-End Customer Normalization	1,427,711	929,273		498,438
1.05	Depreciation Expense Normalization		810,903		(810,903)
1.06	Donations, Advertising, Dues, & Other		(668,129)		668,129
1.07	FEMA		996,188		(996,188)
1.08	Directors Expense		(2,461)		2,461
1.09	Retirement Plan Contributions		360,833		(360,833)
1.10	Wages & Salaries		404,318		(404,318)
1.11	Professional Services		(578,100)		578,100
1.12	G&T Capital Credits			(2,018,096)	(2,018,096)
1.13	Payroll Tax		60,775		(60,775)
1.14	Interest		66,155		(66,155)
1.15	Life Insurance Premiums		(23,886)		23,886
1.16	Health Insurance Premiums		106,899		(106,899)
1.17	Meter Test Charge	\$ 1,854.30			1,854
1.18	Trip Charge	\$ 173,061.67			173,062
1.19	Remote Reconnect-60 days or less	\$ 14,000.00			14,000
1.20	Remote Reconnect-61 through 365 days	\$ 6,000.00			6,000
1.21	Returned Check Charge	6,384			6,384
	Total	(25,918,555)	(24,234,204)	(2,018,096)	(3,702,448)

Revenue Deficiency

Line #	Description	Actual Test Year	Pro Forma Adjustments	Adjusted Test Year	At Proposed Rates
	(1)	(2)	(3)	(4)	(5)
1	Total Operating Revenue	\$ 152,925,418	\$ (25,918,555)	\$ 127,006,863	\$ 137,775,486
2	Total Cost of Electric Service	\$ 157,394,794	\$ (24,234,204)	\$ 133,160,590	\$ 133,160,590
3	Utility Operating Margins	\$ (4,469,376)	\$ (1,684,351)	\$ (6,153,727)	\$ 4,614,896
4	Net Margins	\$ (48,207)	\$ (3,702,448)	\$ (3,750,654)	\$ 7,017,969
5	OTIER	0.17	-	(0.13)	1.85
6	Margins at Target OTIER	\$ 8,979,834	\$ -	\$ 7,017,969	\$ 7,017,969
7	Revenue Requirement	\$ 166,374,628	\$ -	\$ 140,178,559	\$ 140,178,559
8	Revenue Deficiency (Excess)	\$ 9,028,040	\$ -	\$ 10,768,623	\$ -
9	Increase \$	\$ -	\$ -	\$ 10,768,623	\$ 10,768,623



Cost of Service Analysis



Cost of Service Results

#	Rate	Code	Pro Forma Operating Revenue	Pro Forma Operating Expenses	Margin	Pro Forma Rate of Return on Rate Base
1	Residential, Farm and Non-Farm Service	A	\$ 84,384,721	\$ 92,464,016	\$ (8,079,295)	★ -4.57%
2	Small Commercial Rate	B	\$ 8,519,831	\$ 5,892,891	\$ 2,626,940	16.87%
3	Large Power Rate (Excess of 50 kVA)	LP	\$ 17,439,910	\$ 14,871,724	\$ 2,568,186	24.59%
4	Large Power Rate (500 KW to 4,999 KW)	LP-1	\$ 846,705	\$ 699,978	\$ 146,727	45.96%
5	Large Power Rate (5,000 KW to 9,999 KW)	LP-2	\$ 4,999,264	\$ 4,737,387	\$ 261,877	10.52%
6	Large Power Rate (500 KW to 2,999 KW)	LP-3	\$ 5,339,215	\$ 5,064,453	\$ 274,762	9.95%
7	Optional Power Service	OPS	\$ 1,376,881	\$ 977,564	\$ 399,317	32.55%
8	All Electric Schools	AES	\$ 901,509	\$ 830,046	\$ 71,463	9.53%
9	Lighting	Lights	\$ 4,304,739	\$ 2,123,495	\$ 2,181,244	17.41%
10	Total		\$ 128,112,774	\$ 127,661,555	\$ 451,219	0.20%

Residential Rates



	Customer Charge <u>(\$/Month)</u>	Energy Charge <u>(\$/kWh)</u>
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Current Rate	17.50	0.09816
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Cost-Based Rate	30.91	0.10016
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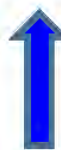
Customer Charge

Approach is to move the charge closer to the Cost Based Rate, then adjust the energy charge until total revenue increase is reached

Current
\$17.50



Cost-Based
\$30.98



\$30.75

Summary of Revenue Changes

#	Item	Code	Avg kWh/Mon	Test Year Revenue	Present Revenue	Proposed Revenue	Incr(Decr)	Incr(Decr)	Avg Bill Incr per Mon
1									
2	Residential, Farm and Non-Farm Service	A	993	\$ 99,359,691	\$ 99,359,691	\$ 110,126,690	\$ 10,766,999	★ 10.8%	\$ 13.78
3	Small Commercial Rate	B	1,228	\$ 10,467,629	\$ 10,467,629	\$ 10,467,629	\$ -	0.0%	\$ -
4	Large Power Rate (Excess of 50 kVA)	LP	34,325	\$ 19,702,737	\$ 19,702,737	\$ 19,702,737	\$ -	0.0%	\$ -
5	Large Power Rate (500 KW to 4,999 KW)	LP-1	819,598	\$ 851,696	\$ 851,696	\$ 851,696	\$ -	0.0%	\$ -
6	Large Power Rate (5,000 KW to 9,999 KW)	LP-2	3,145,628	\$ 6,128,168	\$ 6,128,168	\$ 6,128,168	\$ -	0.0%	\$ -
7	Large Power Rate (500 KW to 2,999 KW)	LP-3	753,956	\$ 7,019,633	\$ 7,019,633	\$ 7,019,633	\$ -	0.0%	\$ -
8	Optional Power Service	OPS	7,089	\$ 1,672,718	\$ 1,672,718	\$ 1,672,718	\$ -	0.0%	\$ -
9	All Electric Schools	AES	51,336	\$ 1,119,849	\$ 1,119,849	\$ 1,119,849	\$ -	0.0%	\$ -
10	Lighting	Lights	NA	\$ 3,780,694	\$ 4,132,912	\$ 4,132,912	\$ -	0.0%	\$ -
11	Total Revenue			\$ 150,455,032	\$ 150,455,032	\$ 161,222,031	\$ 10,766,999	7.2%	

Proposed Rate Revisions

<u>Residential, Farm & Non-Farm Service: Rate Schedule A</u>	<u>Customer Charge (\$/Month)</u>	<u>Energy Charge (\$/kWh)</u>
Current Rate	17.50	0.09816
Proposed Rate	30.75	0.09869

* Also proposed revisions to miscellaneous service charges

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