

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)	
SOUTH KENTUCKY RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR A)	CASE NO.
GENERAL ADJUSTMENT OF RATES)	2024-00402
AND OTHER GENERAL RELIEF)	

REBUTTAL TESTIMONY OF CARRIE BESSINGER, CHIEF FINANCIAL OFFICER
ON BEHALF OF SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE CORPORATION

Filed: June 13, 2025

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BEFORE THE PUBLIC SERVICE COMMISSION

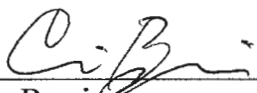
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VERIFICATION OF CARRIE BESSINGER

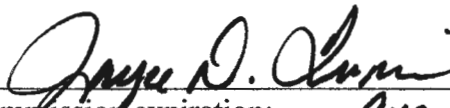
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF PULASKI)

Carrie Bessinger, Chief Financial Officer of South Kentucky Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of her Rebuttal Testimony in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.



Carrie Bessinger

The foregoing Verification was signed, acknowledged and sworn to before me this 13th day of June, 2025, by Carrie Bessinger.



Commission expiration: Aug 31, 2025



1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 A. My name is Carrie Bessinger and I serve as the Chief Financial Officer for South Kentucky
3 Rural Electric Cooperative Corporation (“South Kentucky” or the “Cooperative). My
4 business address is 200 Electric Avenue, Somerset, Kentucky 42501.

5 **Q. ARE YOU THE SAME INDIVIDUAL THAT SPONSORED DIRECT TESTIMONY**
6 **IN THIS CASE?**

7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to respond to the Direct Testimony of Randy A.
10 Futral (“Futral Direct”) on behalf of the Office of the Attorney General of the
11 Commonwealth of Kentucky (“Attorney General”).

12 **Q. THE ATTORNEY GENERAL CLAIMS IN RESPONSE TO DATA REQUESTS,**
13 **HE HAS NO KNOWLEDGE OF THE MAY 17, 2025 TORNADO IN SOUTH**
14 **KENTUCKY’S SERVICE TERRITORY. PLEASE EXPLAIN THE DAMAGE**
15 **SUSTAINED IN SOUTH KENTUCKY’S SERVICE TERRITORY?**

16 A. The South Kentucky RECC headquarters took a direct hit from the tornado resulting in a
17 total loss of the main office building at 200 Electric Avenue, Somerset, Kentucky.
18 Extensive damage was also sustained to several other buildings and vehicles on premises.
19 In addition to the headquarters damage, the tornado caused approximately 25,000 outages
20 system wide with over 200 broken poles, many damaged transformers and feet of
21 conductor.

22 **Q. DO YOU HAVE AN ESTIMATE FOR THE COSTS TO REBUILD AND THE**
23 **TIMELINE?**

1 A. We have submitted a preliminary estimate for reconstruction of our main office building
2 and repair of our construction offices and warehouse to our insurance company for
3 approval or comment. The estimated timeline provided by the construction firm that
4 submitted the preliminary estimate is 18 to 24 months.

5 **Q. DOES SOUTH KENTUCKY EXPECT TO RECEIVE REIMBURSEMENT FOR**
6 **THE COSTS TO REPAIR POLES, TRANSFORMERS, AND CONDUCTORS?**

7 A. We anticipate the storm will qualify for Federal Emergency Management Agency
8 (“FEMA”) reimbursement. However, this reimbursement will come after South Kentucky
9 has made the necessary repairs to our system and for only the counties declared under the
10 FEMA disaster.

11 **Q. IN THE FUTRAL DIRECT TESTIMONY HE CRITICIZES THE USE OF**
12 **OPERATING TIMES INTEREST EARNED RATIO (“OTIER”). EXPLAIN WHY**
13 **SOUTH KENTUCKY BASED ITS RATE APPLICATION ON OTIER RATHER**
14 **THAN TIMES INTEREST EARNED RATIO (“TIER”).**

15 A. South Kentucky is required to meet all debt covenants, not some of them. Please see the
16 response to Commission Staff’s Second Request for Information, Item 12. OTIER is the
17 debt covenant that South Kentucky is most often below the required minimum OTIER.
18 Please see the response to the Attorney General’s First Request for Information, Item 15.
19 Since South Kentucky often has concerns with meeting its required OTIER metrics, that is
20 why it was selected as the basis of the Application, not for the purpose of excluding other
21 revenue sources.

22 The OTIER calculation does exclude the interest received from the Cushion of
23 Credit and other interest earning sources. This does not change the fact that the OTIER

ratio is a required metric that must be met. Inclusion of the interest into the revenue requirement calculation by using TIER instead of OTIER would negatively impact South Kentucky's ability to meet the OTIER ratio lender requirement.

Q. PLEASE EXPLAIN THE CUSHION OF CREDIT PROGRAM AND THE INTEREST INCOME?

A. The Cushion of Credit program was started many years ago and provided an interest earning investment for cooperatives that did not need to fund their entire work plan loan. The portion of loan proceeds not needed for plant investment were deposited into the cooperative's Cushion of Credit account. Funds held in the account can only be used for the payment of RUS/FFB loans. RUS Bulletin 1767B-1, section 633 indicates the required accounting treatment for the Cushion of Credit. It specifically states the interest earned on the balance of funds is to be recorded in Account 419 as Interest and Dividend Income. Furthermore, the bulletin states that balances arising from transactions in Account 419 shall be recorded into Account 219.2 – Nonoperating Margins.

Q. DO YOU BELIEVE SOUTH KENTUCKY HAS PROPERLY ACCOUNTED FOR THE CUSHION OF CREDIT INTERST INCOME?

A. Yes. South Kentucky follows the RUS guidelines outlined above.

Q. MR. FUTRAL CLAIMS USING OTIER RESULTED IN SOUTH KENTUCKY IGNORING INTEREST INCOME, OTHER INCOME, AND CAPITAL CREDIT INCOME. IS THIS CORRECT?

A. Mr. Futral is correct that the OTIER calculation does not include non-operating sources of income in the calculation where TIER does include those sources of income in the calculation. However, South Kentucky is very concerned about meeting all of its ratio

1 requirements. South Kentucky is also required to meet an Operating Debt Service Coverage
2 (“ODSC”) of 1.10 minimum which is based on operating margins, not net margins. If
3 non-operating income sources were sufficient to provide a TIER at or above required lender
4 minimums, South Kentucky would still have to have sufficient operating margins to meet
5 the operating ratio requirements of OTIER and ODSC. South Kentucky is concerned about
6 its ability to meet all ratio requirements.

7 **Q. MR. FUTRAL CLAIMED THERE IS A \$3.2 MILLION “CUSHION” IF SOUTH**
8 **KENTUCKY RECEIVES A 1.85 TIER OR A \$1.6 MILLION “CUSHION” IF**
9 **SOUTH KENTUCKY RECIEVES A 1.40 OTIER. PLEASE EXPLAIN IF A 1.85**
10 **TIER OR A 1.40 OTIER GUARDS AGAINST UNFORSEEN REVENUE**
11 **REDUCTIONS AND NON-RIDER EXPENSE INCREASES?**

12 A. Annual revenues can and have fluctuated dramatically in recent years from inconsistent
13 weather patterns because the current rate design makes South Kentucky’s revenue
14 dependent on weather. From 2021-2022 total operating revenues increased by 27 million,
15 but from 2022 -2023 operating revenues decreased by 12 million.

16 Southern Kentucky has also experienced frequent severe storms in recent history.
17 Even though the Cooperative always utilizes available assistance for storm damage, large
18 storms often do not qualify for assistance. With an increasing frequency of the storms
19 comes large increases in maintenance expenses from materials, transportation costs and
20 increased overtime hours. Even if a storm does qualify for federal reimbursement, the
21 reimbursement often lags for several years after the money must be spent to make the
22 repairs. Additionally, the reimbursement is not for the full cost of the repairs that were
23 required.

1 These large inconsistent swings in revenue and expenses result in the need for
2 sufficient revenue to meet lender requirements and provide sufficient operating margins to
3 maintain the financial health of the cooperative every year. The move toward cost-based
4 rates, as proposed in this Application, is the other way South Kentucky is attempting to
5 prevent revenue swings.

6 The reason for the requested rate increase is not to increase overall member's
7 equity, as suggested by Mr. Futral, but instead to continue to provide reliable electric
8 service, appropriately maintain our distribution system, and consistently meet lender
9 requirements. When the cost of capitalized labor and materials increases, as we've seen
10 since 2020, the need for additional margins increases to maintain the same level of
11 member's equity and to generate sufficient margins to meet lender requirements. When an
12 electric cooperative consistently generates sufficient margins to meet lender requirements,
13 support cash flow needs, maintain and grow the distribution system, and maintain or
14 increase member's equity then the Board can feel confident in approving a capital credit
15 retirement to the members. Capital credit retirements are one of the best ways cooperatives
16 can show the members the benefits of being a cooperative member. Without consistent
17 and sufficient margins, capital credit retirements are unfortunately unlikely.

18 **Q. PLEASE EXPLAIN THE ADJUSTMENT MR. FUTRAL MADE TO SOUTH**
19 **KENTUCKY'S RIGHT OF WAY ("ROW") EXPENSE ADJUSTMENT?**

20 A. Mr. Futral is recommending a reduction of \$2,170,683 to right of way expenses based on
21 his opinion that the average of 2023 and 2024 contractor trimming expensed per mile
22 multiplied by 836.26 miles per year should be used to calculate annual trimming expense.

23 **Q. WHY ARE HIS ASSUMPTIONS INCORRECT?**

1 A. In general, the Attorney General's assertions regarding South Kentucky's ROW program
2 are based on historical performance which has been restricted due to the Cooperative's
3 financial constraints. Therefore, the Attorney General's suggestions are baseless and
4 unreasonable. Mr. Futral assumes contractor bid rates for trimming into the future will be
5 equivalent to average per mile costs expensed from 2023 and 2024 which does not take
6 into consideration inflation or an overall increase in system overhead miles to be trimmed,
7 which increased approximately 20 miles from 2023 to 2024 and is expected to continue
8 comparably.

9 **Q. EXPLAIN THE REASON 2023 ROW MILE EXPENSE WAS LOWER THAN**
10 **AVERAGE?**

11 A. Due to contractor delays approximately 95 miles and \$667,000 of right of way trimming
12 expense bid and budgeted for 2023 was completed in 2024. If this work would have been
13 completed in 2023 as planned the total contractor trimming expense for 2023 would have
14 been approximately \$6,710,354 and 999 miles. This was also the first year bid work was
15 completed and every year since then the average cost per mile has been higher than the
16 first year leading to the assumption the contractors underestimated their cost in the first
17 year.

18 **Q. EXPLAIN MR. FUTRAL'S ADJUSTMENT TO RETIREMENT EXPENSES?**

19 A. Mr. Futral has reduced the retirement expenses by \$266,412 based on his assumption that
20 19 employees per year will not qualify for the RS pension program.

21 **Q. WHY ARE MR. FUTRAL'S ASSUMPTIONS INCORRECT?**

22 A. Mr. Futral assumes that the average of 19 new hires each year would not be eligible for
23 the RS Plan. The years 2023 and 2024 had abnormally high turnover, likely due to the

1 installation of a union and change in executive leadership. With the union agreement now
2 established and constancy in executive leadership, turnover is expected, and has already
3 proven, to drop significantly, making an average of 19 employees not eligible for the RS
4 plan inflated. The table below shows a history of new hires by year.

New Hires by Year	Count of Employee
+ 2015	3
+ 2016	9
+ 2017	10
+ 2018	13
+ 2019	13
+ 2020	5
+ 2021	10
+ 2022	12
+ 2023	25
+ 2024	19
+ 2025	2

5
6
7 The chart contains data through the end of April 2025. If the 2025 numbers are projected
8 out to year end, there would be six (6) new hires for the year. This chart confirms that
9 2023 and 2024 were abnormally high.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes.