

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

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**SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE’S BRIEF**

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Comes now, South Kentucky Rural Electric Cooperative (“South Kentucky”), by counsel, pursuant to the Kentucky Public Service Commission’s (“Commission”) July 21, 2025 Order, and for its brief in support of its position hereby states as follows:

**INTRODUCTION**

South Kentucky’s request for a rate adjustment is necessitated by substantial increases in general operating expenses coupled with decreased energy sales due to milder temperatures leading to an untenable financial position. The Cooperative’s Board of Directors, in conjunction with management and its consultant, determined that a general adjustment of retail rates is necessary to improve its overall financial condition, satisfy future loan covenants, and to account for increased costs in virtually all areas of South Kentucky’s business operations.

Consistent with KRS 278.030(1), South Kentucky seeks approval to increase its annual revenues by \$10,766,999.<sup>1</sup> This will allow South Kentucky to achieve an Operating Times Interest Earned Ratio (“OTIER”) of 1.85. South Kentucky based its proposed rates on a twelve-month

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<sup>1</sup> Application at Paragraph 4 (filed February 3, 2025).

historic test period ending May 31, 2024. Included in the request is an increase of the monthly residential customer charge from \$17.50 to \$30.75. These rates are based on the results of a comprehensive cost of service study (“COSS”). The rates are appropriately adjusted for known and measurable changes consistent with Commission regulations and precedent.

Through extensive discovery, each of South Kentucky’s assertions and claims were explored by Commission Staff and the Attorney General. As is normal in any contested rate case, there are differing positions on the revenue requirement, customer charge, and pro forma adjustments. South Kentucky supported its position with a COSS and the methodologies employed for calculation of its requested pro forma adjustments are accurate and reliable and should provide the basis for a Commission decision granting the requests in this case.

### **PROCEDURAL HISTORY**

South Kentucky filed its Notice of Intent to file this rate proceeding on December 19, 2024.<sup>2</sup> South Kentucky filed its Application on February 3, 2025.<sup>3</sup> The Attorney General was granted intervention on January 30, 2025.<sup>4</sup> The Commission entered an Order on February 19, 2025, suspending the rates proposed by South Kentucky until August 5, 2025.<sup>5</sup> A Technical Conference was held on February 26, 2025, where South Kentucky presented its Application to Commission Staff.<sup>6</sup> South Kentucky responded to four rounds of discovery from Commission

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<sup>2</sup> Notice of Intent (filed December 19, 2024).

<sup>3</sup> Application (filed February 3, 2025).

<sup>4</sup> January 30, 2025 Order (Ky. PSC. January 30, 2025).

<sup>5</sup> February 19, 2025 Order (Ky. PSC. February 19, 2025).

<sup>6</sup> PSC Letter Filing IC Memo and Sign In Sheet into the Record (filed March 11, 2025).

Staff<sup>7</sup> and two rounds of discovery from the Attorney General.<sup>8</sup> A formal hearing was held on July 17, 2025.<sup>9</sup> South Kentucky now submits the following brief in support of its position.

## **ARGUMENT**

### **I. South Kentucky's Pro Forma Adjustments and Revenue Requirement are Reasonable and Should Be Accepted by the Commission.**

South Kentucky's leadership and Board of Directors worked diligently to structure this case to strike a balance between what the cooperative needs to provide safe and reliable service at a reasonable cost to its members and to ensure its future financial stability. South Kentucky attempted to manage the rising costs of providing service with a rate increase in 2021; however, this rate increase did not allow South Kentucky to sufficiently cover the increasing costs of labor, materials, and interest expenses necessary to allow the Cooperative to meet its debt covenants.<sup>10</sup> The Commission signaled that distribution cooperatives should not wait until their financial position becomes dire to request an increase in rates. However, South Kentucky experienced a turnover in the executive leadership, and the Cooperative was not able to file for an adjustment of rates before the situation became dire.<sup>11</sup> To ensure the Cooperative maintains the necessary financial metrics, South Kentucky is requesting an increase in revenue of \$10,766,999 or 7.16% to achieve an OTIER of 1.85.

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<sup>7</sup> Responses to Commission Staff's First Data Request (Responses to Staff's First Request) (filed March 3, 2025); Responses to Commission Staff's Second Data Request (Responses to Staff's Second Request) (filed March 28, 2025); Responses to Commission Staff's Third Data Request (Responses to Staff's Third Request) (filed May 7, 2025); Responses to Commission Staff's Post-Hearing Request (filed July 29, 2025).

<sup>8</sup> Responses to Attorney General's First Data Request (Responses to AG's First Request) (filed April 11, 2025); Responses to Attorney General's Second Data Request (Responses to AG's First Request) (filed May 7, 2025).

<sup>9</sup> Hearing Video Testimony of the July 17, 2025 Hearing ("HVT").

<sup>10</sup> Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Deprecation Study, and Other General Relief* (filed December 14, 2021).

<sup>11</sup> Application, Exhibit 8, Direct Testimony of Kevin Newton (Newton Direct Testimony), at 7-8.

South Kentucky's revenue requirement is proposed to be allocated by increasing the Residential Service customer charge from \$17.50 to \$30.75 and the energy charge from \$0.09816 to \$0.9869. These adjustments result in a 10.84% adjustment for Residential Service or approximately \$13.78 per month.<sup>12</sup> South Kentucky made pro forma adjustments that remove revenues and expenses that are addressed in other rate mechanisms, are ordinarily excluded from rates, and are non-recurring.<sup>13</sup>

Included in South Kentucky's revenue request are anticipated right-of-way expenses. In Case No. 2021-00407, the Commission directed South Kentucky to move from a seven-year right-of-way ("ROW") cycle to a five-year cycle.<sup>14</sup> South Kentucky's management and Board of Directors worked diligently to move to a five-year or six-year cycle which required cutting 800 miles of the 5,017 circuit miles per year.<sup>15</sup> In the test year, South Kentucky had \$11,604,593 in ROW maintenance expenses.<sup>16</sup> Since 2022, when South Kentucky was directed to increase its ROW cycle, South Kentucky had to increase its yearly ROW budget. South Kentucky's ROW budget increased by approximately \$6 million per year.<sup>17</sup> Since the rate adjustment in 2022, South Kentucky was able to increase the miles trimmed: 903 miles in 2023 and 787 miles in 2024.<sup>18</sup>

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<sup>12</sup> Application, Exhibit 5.

<sup>13</sup> Application, Exhibit 10, Direct Testimony of John Wolfram at 9 and Application, Exhibit 10, Direct Testimony of John Wolfram, Exhibit JW-2.

<sup>14</sup> Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of a Depreciation Study, and Other General Relief*, June 30, 2022 Order at 29 (Ky. PSC June 30, 2022).

<sup>15</sup> Newton Direct Testimony at 5-6.

<sup>16</sup> Response to AG's First Request, Item 53.

<sup>17</sup> Newton Direct Testimony at 5-6.

<sup>18</sup> Response to AG's First Request, Item 53.

South Kentucky did not request an increase for ROW in the pro forma adjustments and utilized the amount in the test year of \$11,604,593.

The Attorney General made various adjustments to South Kentucky's revenue calculation that ultimately resulted in a recommendation of a \$5,223,318,<sup>19</sup> reducing South Kentucky's ROW maintenance expense by \$2,170,683.<sup>20</sup> The Attorney General argued that because South Kentucky has not trimmed 800 miles per year, an average should be used.<sup>21</sup> What the Attorney General fails to acknowledge is that South Kentucky's ROW maintenance has historically been underfunded, which is what the Commission ordered South Kentucky to remedy in its last rate adjustment. The Attorney General also incorrectly assumed that contractor rates will be the same going forward while contradictorily also acknowledging the rapid increase in ROW contract maintenance rates.<sup>22</sup> The Attorney General stated in hearing testimony if South Kentucky had proceeded with a rate adjustment in 2022 or 2023, the Cooperative should have been awarded a \$6 million increase in ROW alone.<sup>23</sup> However; in this case, the Attorney General inexplicably argued for less than \$5 million in ROW maintenance.<sup>24</sup> These claims seem arbitrary and unfounded. The Attorney General's position is unreasonable.

Aside from the \$2.17 million reduction in ROW, the Attorney General made multiple recommendations on various pro forma adjustments that resulted in a \$5,543,681 reduction in

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<sup>19</sup> Direct Testimony of Randy A. Futral with Exhibits and Affidavit (Futral Direct Testimony) (filed May 19, 2025).

<sup>20</sup> Futral Direct Testimony at 23.

<sup>21</sup> Futral Direct Testimony at 23.

<sup>22</sup> Futral Direct Testimony at 19.

<sup>23</sup> HVT at 12:25:50.

<sup>24</sup> HVT at 12:27:00.

revenue.<sup>25</sup> South Kentucky agreed with the Attorney General’s recommendations on Federal Emergency Management Association (“FEMA”) expenses, amortization expense for deferred costs, Station Expense – SCADA expenses, uncollectables, depreciation expense, long term debt expense, year-end customer adjustment, wages and health insurance premium expenses. The effect of these concessions does not affect the COSS or the allocation of the proposed increase. However, the proposed energy charge decreases from \$0.09869 to \$0.09825.<sup>26</sup> The Commission should not accept the other revisions the Attorney General proposed.

Distribution cooperatives are not for profit. There is no incentive for South Kentucky to request a higher revenue requirement or utilize one method over the other. If a cooperative does have additional margins, it can return those back to its members. There is no padding of pockets for investors. South Kentucky simply needs the requested revenue requirement to meet its OTIER minimums in its debt covenants and to continue to provide safe and reliable electric service to its members. Unlike the other distribution cooperatives in the Commonwealth, South Kentucky has not met the United States Department of Agriculture (“USDA”) Rural Utility Service (“RUS”) minimums for OTIER in 2023 or 2024.<sup>27</sup> If South Kentucky does not rectify this situation and drastically improve its OTIER, it will default on its RUS loans. This is an unimaginable consequence for a distribution cooperative. The Commission should allow the revised revenue request of \$10,425,364. This amount is necessary to allow South Kentucky the potential, but not guaranteed, OTIER of 1.85. This will result in fair, just and reasonable rates and ensure that South Kentucky will not continue to fall short of its debt covenants.

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<sup>25</sup> Futral Direct Testimony at 6.

<sup>26</sup> See Rebuttal Testimony of John Wolfram (Wolfram Rebutal) (filed June 13, 2025).

<sup>27</sup> Newton Direct Testimony at 6, *also see* Response Staff’s Second Request, Item 9.

Aside from the fact that South Kentucky has not met its OTIER minimums, the additional reason South Kentucky should be granted the authorization to earn its rebuttal revenue requirement is the devastating tornado that occurred on May 17, 2025. South Kentucky must have the additional margins to repair the damage to its system that will not be covered by insurance or FEMA. While those costs are not included in the proposed revenue increase, because they were not incurred during the test period, the Commission should not ignore the reality of the adverse impacts that the tornado is having and will continue to have on South Kentucky's financial position when it considers the requested rate revisions.

**II. South Kentucky's Depreciation Study is Reasonable and Should be Approved.**

In Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of a Depreciation Study, and Other General Relief*, the Commission required South Kentucky to present an updated depreciation study when it next filed for a base rate increase.<sup>28</sup> South Kentucky presented an updated Depreciation Study in its Application.<sup>29</sup> Throughout this proceeding, Commission Staff and the Attorney General have not questioned the Depreciation Study. Since the Depreciation Study is uncontested, South Kentucky requests the Commission approve the new depreciation rates.

**III. South Kentucky's Rate Design is Reasonable and is Supported by The Cost-of-Service Study.**

South Kentucky engaged the services of Catalyst Consulting LLC ("Catalyst") to perform a comprehensive COSS to assist South Kentucky in designing its proposed rates. Mr. John

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<sup>28</sup> Case No. 2021-00407, , June 30, 2022 Order .

<sup>29</sup> Application, Exhibit 9, Direct Testimony of Carrie Bessinger, Attachment CB-1.

Wolfram, Principal of Catalyst, conducted the COSS which showed that the residential rate class warranted an increase.<sup>30</sup> The COSS supported a residential customer charge of \$30.91<sup>31</sup> Based on the results of the COSS, South Kentucky proposed to increase the current customer charge of \$17.50 to \$30.75 and the energy charge from \$0.09816 to \$0.09869.<sup>32</sup>

South Kentucky distributed the required rate increase more heavily in the customer charge, as opposed to the energy charge, consistent with the COSS, in part, to create a lower negative impact to economically vulnerable members. Applying more of the rate increase to the customer charge, which is fixed, is the least volatile option. South Kentucky performed an analysis that quantitatively proves a higher customer charge, instead of a higher energy charge, provides less fluctuation in costs from month to month and in fact results in a lower total annual cost for that customer segment.<sup>33</sup> This expected result is because members who can least afford an increase use more energy presumably due to poorly insulated homes; so, placing the increase on the fixed charges will allow these members to see a lower increase than if the increase was focused on the energy charge.

The Commission stated, regarding the residential customer charge, "...for an electric cooperative that is strictly a distribution utility, there is merit in providing a means to guard against revenue erosion that often occurs due to the decrease in sale volumes that accompanies poor regional economies, changes in weather patterns and the implementation or expansion of demand-side management and energy-efficiency programs."<sup>34</sup> This philosophy from the Commission

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<sup>30</sup> Application, Exhibit 10, Direct Testimony of John Wolfram at 21.

<sup>31</sup> Application, Exhibit 10, Direct Testimony of John Wolfram at 21.

<sup>32</sup> Application, Exhibit 10, Direct Testimony of John Wolfram at 24.

<sup>33</sup> Response to AG's First Request , Item 16.

<sup>34</sup> Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General*



encapsulates South Kentucky's approach to determining what the customer charge should be in this case.

Allowing South Kentucky to recover more of its fixed costs through the customer charge will decrease some of the uncertainty and unpredictability that a distribution cooperative faces when revenues are not as anticipated because of mild weather and unexpected expenses are incurred, such as storm damage, but are not included in the budgeted expenses. Distribution cooperatives are faced with tough decisions on where to get the funds needed to pay for unexpected expenses, as well as everyday expenses, to provide safe and reliable service to its members because there are no shareholders and the requested 1.85 OTIER allows for very small margins.

The Attorney General argues against the movement toward cost based rates in all distribution cooperative rate proceedings.<sup>35</sup> However, the Attorney General did not provide any evidence or written testimony that the cost studies were incorrect or should not be utilized by the Commission. The Attorney General did not perform a COSS. The only thing the Attorney General argued is, "the customer charge is too high and do not approve it." The undisputed evidence in this proceeding is that the fixed costs to serve South Kentucky's residential members is \$30.91 per month. The Commission has multiple pending rate cases where a cooperative is making similar

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*Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407, October 3, 2023 Order (Ky PSC Oct. 3, 2023).*

<sup>35</sup> See the following briefs filed by the Attorney General that advocates for a customer charge not based upon the cost of service study: Case No. 2025-00103, *Electronic Application of an Alternative Rate Adjustment for Blue Grass Energy Cooperative Corporation Pursuant to 807 KAR 5:078*, Attorney General Comments (filed June 20, 2025); Case No. 2025-00103, *Electronic Application of Cumberland Valley Electric, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:078*, Attorney General Comments (filed June 9, 2025); Case No. 2024-00351, *Electronic Application of Shelby Energy Cooperative, Inc. for a General Adjustment of Rates*, Attorney General's Brief (filed May 2, 2025); Case No. 2024-00287, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for a General Adjustment of Rates*, OAG Post-Hearing Brief (filed March 5, 2025); Case No. 2024-00211, *Electronic Application of Licking Valley Rural Electric Cooperative Corporation for a General Adjustment of Rates and Other General Relief*, Post-Hearing Brief of the Attorney General (filed March 14, 2025); and, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief*, OAG Post-Hearing Brief (filed January 13, 2025).

requests due to increasing economic pressures felt by individuals and cooperatives alike, signaling to the Commission, the Attorney General, and the public that distribution cooperatives are moving toward cost-based rates. The COSS took into consideration the intricacies of South Kentucky's system and produced a just and reasonable cost required to service customers on that system.

When asked about the customer charge and if the Commission should consider higher customer charges to encourage conservation that makes the utility and customer indifferent to how much energy is used, the response from the Attorney General's witness was that without advanced meters to give members more insight about the energy per month the customers will not see a difference. The Attorney General's witness further stated customers are more concerned about the overall bill than the actual customer charge."<sup>36</sup> When pressed on if rates are a signal to conserve energy, the Attorney General's witness said there will always be an energy charge, so customers still have an incentive to cut usage.<sup>37</sup> This is the same point the cooperative makes when stating that the principle of gradualism applies to the entire bill, not any individual billing components. The Attorney General's witness concluded that some customers with zero power consumption will see an increase in their bills, but the vast majority of customers will only be looking at the total bill.<sup>38</sup> South Kentucky agrees and for this reason proposes to set the customer charge much closer to the cost-based rate. Based on average usage data, the proposed rate would result in the customer charge being approximately 25% of the total average bill, which leaves approximately 75% of the total bill to the members control via conservation of energy. For these reasons the Commission should approve the residential rates as proposed in South Kentucky's rebuttal testimony.

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<sup>36</sup> HVT at 12:21:43 to 12:24:20.

<sup>37</sup> HVT at 12:21:43 – 12:24:20.

<sup>38</sup> HVT at 12:21:43 – 12:24:20.

**IV. South Kentucky's Use of 1.85 OTIER Calculation is Reasonable and Should Be Accepted by the Commission.**

South Kentucky based its request for an adjustment of rates on a 1.85 OTIER. As explained in written testimony and at the formal hearing, South Kentucky experienced such a decrease in margins that it did not meet the minimums for TIER or OTIER in 2023 or 2024.<sup>39</sup> South Kentucky's margins deteriorated such that it had to notify RUS that it had not met its OTIER minimum of 1.10 for the average of the best two (2) out of three (3) years.<sup>40</sup> As of the date of this Brief, RUS has required South Kentucky to explain what is being done to rectify this situation and has not given a firm response on what will happen if South Kentucky continues to fall short of its OTIER minimum.<sup>41</sup>

Despite the fact that OTIER is the metric that South Kentucky must remedy in order to satisfy RUS, the Attorney General claims there is no basis for utilizing OTIER as the requested method for determining the revenue requirement.<sup>42</sup> However, there is no statute, regulation, or precedent that prohibits utilizing OTIER methodology. In fact, the Commission's regulation for distribution cooperative streamline rate adjustments utilizes OTIER.<sup>43</sup> This signals that the Commission understands in some instances OTIER is a better measure for the Cooperative.

The Attorney General first argued OTIER is an inappropriate method of calculating the revenue requirement because it excludes certain income items.<sup>44</sup> The Attorney General argued the

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<sup>39</sup> HVT at 9:38:20 and Response to AG's First Request, Item 19.

<sup>40</sup> HVT at 9:30:20 and Response to Staff's Second Request, Item 9.

<sup>41</sup> HVT at 9:38:40.

<sup>42</sup> Futral Direct Testimony at 6 -7.

<sup>43</sup> 807 KAR 5:078, Section 2(4).

<sup>44</sup> Futral Direct Testimony at 7-11.

reason a 1.85 OTIER is inappropriate is because it is equivalent to a 2.29 TIER.<sup>45</sup> The Attorney General argued the Commission historically authorizes a 2.0 TIER, South Kentucky should not be rewarded with a 2.29 TIER.<sup>46</sup> The Attorney General's argument fails to consider several very important things. South Kentucky provided evidence throughout this proceeding that it has substantially decreased interest and other non-operating income and it will nearly deplete its RUS Cushion of Credit income by the end of 2025.<sup>47</sup> These items should be excluded from the Attorney's General's assertion regarding using TIER because these cash items will not exist very shortly. Additionally, as recently as July 2025 the Commission allowed two (2) cooperatives a higher than 2.0 TIER.<sup>48</sup> Blue Grass Energy Cooperative Corporation was awarded a 1.85 OTIER which is equivalent to 2.12 TIER.<sup>49</sup> Cumberland Valley Electric, Inc. requested a 1.54 OTIER and was awarded a 1.81 OTIER which is equivalent to a 2.12 TIER.<sup>50</sup> In Case No. 2023-00147, the Commission awarded Taylor County RECC a 2.0 TIER which resulted in a 1.94 OTIER.<sup>51</sup> So, the Commission showed that it understands the difference between TIER and OTIER and is comfortable in certain situations to allow an 1.85 OTIER which results in a higher than 2.0 TIER or to allow a 2.0 TIER where the resulting OTIER is higher than 1.85. The Attorney General will

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<sup>45</sup> Futral Direct Testimony at 6.

<sup>46</sup> Futral Direct Testimony at 11-12.

<sup>47</sup> HVT at 10:24:02.

<sup>48</sup> Case No. 2025-00103, *Electronic Application of an Alternative Rate Adjustment for Blue Grass Energy Cooperative Corporation Pursuant to 807 KAR 5:078*, July 21 2025 Order (Ky. PSC July 21, 2025); and, Case No. 2025-00103, *Electronic Application of Cumberland Valley Electric, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:078*, July 10, 2025 Order (Ky. PSC July 10, 2025).

<sup>49</sup> Case No. 2025-00103, *Electronic Application of an Alternative Rate Adjustment for Blue Grass Energy Cooperative Corporation Pursuant to 807 KAR 5:078*, July 21 2025 Order (Ky. PSC July 21, 2025).

<sup>50</sup> Case No. 2025-00103, *Electronic Application of Cumberland Valley Electric, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:078*, July 10, 2025 Order (Ky. PSC July 10, 2025).

<sup>51</sup> Case No. 2023-00147, *Electronic Application of Taylor County Rural Electric Cooperative for a General Adjustment of Rates*, Order, (Ky. PSC Apr. 5, 2024).

argue this does not matter, because the proceedings that resulted in a 1.85 OTIER were streamline proceedings; however, there is no statute, regulation, or precedent stating that a full rate application cannot be based on OTIER.

The Attorney General completely ignores the fact that South Kentucky has not met its required OTIER minimums in its loan requirements. The Attorney General argued South Kentucky does not need an OTIER of 1.85 because it is merely trying to get additional revenue it “does not need.”<sup>52</sup> However, if South Kentucky is not able to meet its required OTIER, it risks default on its RUS loans. This is an untenable position for a distribution cooperative that many Kentucky residents rely on for electricity. A number of cooperatives have spoken about the dangers of failing to meet the minimum loan covenant, but what is different in South Kentucky’s case is that they have actually failed to meet the required minimum. The Attorney General argues a 2.0 TIER would rectify the OTIER shortfall. This approach is flawed; while any rate increase will mitigate the margin shortfall, the best way to rectify South Kentucky’s failure to achieve minimum OTIER for two of the last three years is to base margins in this rate case on OTIER, not TIER. Changing the method South Kentucky utilized for determining its revenue requirement to a 1.85 TIER as requested by the Attorney General<sup>53</sup> would cause South Kentucky to continue to risk default on its loans.

The margins for distribution cooperatives are so small that, if South Kentucky is not authorized to *attempt* to recover revenue based on a 1.85 OTIER, it will continue to fall short of its loan covenants. Additionally, the small margins do not allow South Kentucky to account for contingencies that arise. For example, South Kentucky’s proposed revenue requirement and

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<sup>52</sup> Futral Direct Testimony.

<sup>53</sup> Futral Direct Testimony at 13.

OTIER is necessary based on the adjusted test year, but will also significantly help South Kentucky to address the damage caused by the devastating tornado that occurred on May 17, 2025. South Kentucky must have the additional margins to cover all of the repair and replace costs from the tornado damage to its system. Even if South Kentucky receives Federal Emergency Management Association (“FEMA”) reimbursement, a year or more,<sup>54</sup> there are still many costs that will not be covered by a potential FEMA reimbursement or insurance.<sup>55</sup> Without the additional margins from a 1.85 OTIER, South Kentucky will not be able to recover from the tornado or any other unforeseen situations.

### **CONCLUSION**

South Kentucky’s proposal is based upon a comprehensive and reliable COSS employing both known and measurable changes to the test year. It is fair, just and reasonable both in terms of the revenue request and the rate design. South Kentucky respectfully requests the Commission enter a final order adopting its request in full, including the recovery of rate case expense amortized over a three-year period.

This 8<sup>th</sup> day of August 2025.

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<sup>54</sup> HVT at 9:25:01.

<sup>55</sup> HVT at 9:32:15.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

This is to certify that the electronic filing was transmitted to the Commission on August 8, 2025, and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085 no paper copies of this filing will be made.

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