

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

In the Matter of:

THE ELECTRONIC APPLICATION OF	)	
FARMERS RURAL ELECTRIC	)	
COOPERATIVE CORPORATION FOR A	)	CASE NO.
GENERAL ADJUSTMENT OF RATES	)	2025-00107
AND OTHER GENERAL RELIEF	)	

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**DIRECT TESTIMONY OF JENNIE GIBSON PHLEPS,**  
**VICE-PRESIDENT, FINANCE AND ACCOUNTING**  
**ON BEHALF OF FARMERS RURAL**  
**ELECTRIC COOPERATIVE CORPORATION**

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**Filed: ~~May 5, 2025~~ September 10, 2025**

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

2 A. My name is Jennie Gibson Phelps. My business address is Farmers Rural Electric  
3 Cooperative Corporation ("Farmers"), 504 South Broadway, P.O. Box 1298, Glasgow,  
4 Kentucky 42142-1298. I am Vice President, Finance and Accounting at Farmers.

5 **Q. HOW LONG HAVE YOU BEEN EMPLOYED AT FARMERS AND WHAT ARE**  
6 **YOUR RESPONSIBILITIES?**

7 A. I began my employment with Farmers in October 2009. I am responsible for the  
8 management and oversight of the finance and accounting activities of the Cooperative. I  
9 oversee day-to-day accounting functions for the Cooperative, which includes the  
10 preparation of all financial and accounting reports, payroll, accounts payable, and  
11 distribution plant. I monitor cash flow activities, invest funds, manage the debt portfolio,  
12 and prepare the annual budget and the financial forecasting model to ensure that Farmers  
13 maintains a healthy and strong financial position.

14 **Q. BRIEFLY DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.**

15 A. I earned a Bachelor of Science degree in Accounting and a Bachelor of Science degree in  
16 Business Administration from the University of Kentucky. Upon graduation, I worked as  
17 a staff accountant for four years at a public accounting firm. My duties included multiple  
18 commercial clients and employee benefit plan audits. Next, I worked as the senior  
19 accountant for an automotive supplier of aluminum die castings, and then promoted to  
20 accounting manager where I performed general ledger review, supervised all accounting  
21 functions, monitored cash flow availability, and administered the Company's retirement  
22 plan. In October of 2009, I was hired as the Controller at Farmers and promoted to my  
23 current position as Vice-President, Finance and Accounting in July 2012.

1 **Q. HAVE YOU EVER TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE**  
2 **COMMISSION (“COMMISSION”)?**

3 A. Yes. I provided written testimony and testified before the Commission in Case No. 2016-  
4 00365<sup>1</sup> and provided written testimony before the Commission in Case No. 2023-00158.<sup>2</sup>

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

6 A. The purpose of my testimony is two-fold: first, I will provide a general overview of the  
7 Cooperative’s financial health including a discussion of notable financial metrics and detail  
8 certain important expense categories, as well as describe its debt portfolio, labor expenses,  
9 depreciation practices, and various other relevant matters; second, I will summarize the  
10 necessity of the rate relief requested by the Cooperative in this proceeding.

11 **Q. ARE YOU FAMILIAR WITH THE APPLICATION AND SUPPORTING**  
12 **EXHIBITS FILED BY FARMERS IN THIS CASE?**

13 A. Yes, I am familiar with the documents filed in support of the Application and was closely  
14 involved in compiling and analyzing the necessary information with Farmers’ expert rate  
15 consultant, Mr. John Wolfram of Catalyst Consulting LLC, so that he could complete the  
16 fully allocated cost-of-service study (“COSS”) upon which this rate case is based.  
17 Examples of the types of information I reviewed and provided to Mr. Wolfram include  
18 income and expense data for the test year, customer usage data for Farmers’ different rate  
19 classes, and various categories of information utilized to prepare all pro forma adjustments  
20 and COSS reports and exhibits. I also prepared numerous spreadsheets, summaries, and

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<sup>1</sup> Case No. 2016-00365, *Application of Farmers Rural Electric Cooperative Corporation for an Increase in Retail Rates*.

<sup>2</sup> Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407*.

1 other reports necessary to comply with the filing requirements for this Application.  
2 Specifically, I am designated as the Responsible Witness for Application Exhibits 2, 3, 4,  
3 9, 16, 17, 18, 19, 20, 21, 22, 23, 24, 31 and 32. Along with Mr. Wolfram, I am also jointly  
4 the Responsible Witness for Application Exhibits 26 and 29.

5 **Q. ARE YOU SPONSORING ANY ATTACHMENTS?**

6 A. Yes. Attached to my testimony is Exhibit JP-1, a detailed summary of Farmers' relevant  
7 historical metrics.

8 **Q. PLEASE GENERALLY DESCRIBE THE RELIEF SOUGHT BY FARMERS IN**  
9 **THIS PROCEEDING.**

10 A. To address Farmers' current undesirable financial condition, the Board of Directors, in  
11 conjunction with its management, determined that a general adjustment of rates is  
12 necessary to account for substantial cost increases, as well as cumulative inflationary  
13 pressures, to improve its overall financial condition, and to satisfy current and future loan  
14 covenants. Consistent with KRS 278.030(1), Farmers seeks Commission approval to  
15 demand, collect, and receive fair, just and reasonable rates for the retail service it provides.  
16 Specifically, Farmers seeks approval to increase its annual revenue by \$2,365,822 or 3.94%  
17 to achieve an Operating Times Interest Earned Ratio of ("OTIER") of 1.85. Included in  
18 this request is an increase of the monthly residential customer charge in Schedule R –  
19 Residential Service, customer class ("Residential" or "Schedule R") from \$18.12 to \$27.79  
20 and small decrease in the energy charge from \$0.100666 to \$0.099057. Farmers requests  
21 the allocation of revenue requirement in this way to more accurately reflect the cost to  
22 serve those customers. The Application requests that these rates become effective on June  
23 4, 2025. The justification for these increases is principally based upon Mr. Wolfram's

COSS and is discussed in greater detail in his testimony which can be found at Application Exhibit 10.

**Q. IS FARMERS' APPLICATION SUPPORTED BY A HISTORICAL TEST YEAR?**

A. Yes, the test year in this case consists of the twelve (12) month period ending December 31, 2024.

**Q. WHY WAS THE TWELVE-MONTH PERIOD ENDING DECEMBER 31, 2024 CHOSEN AS THE HISTORICAL TEST YEAR?**

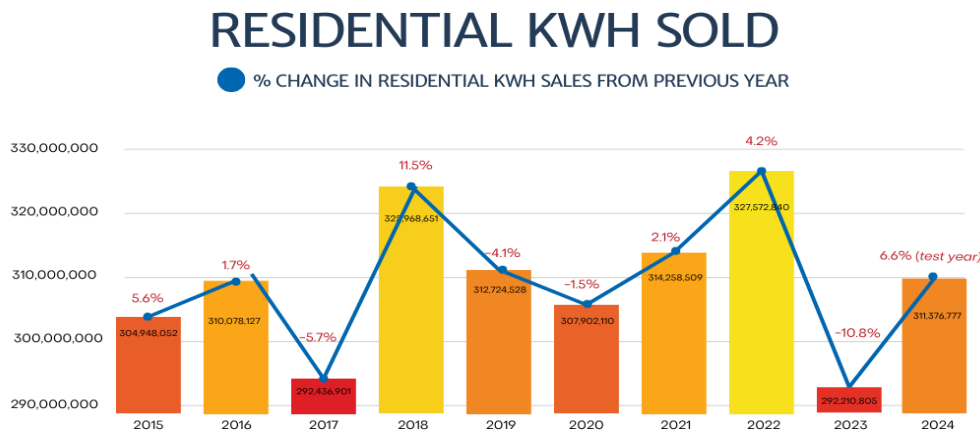
A. Farmers believes that its proposed test year reasonably reflects the performance of the Cooperative, as adjusted for appropriate known and measurable changes.

**Q. PLEASE GENERALLY DESCRIBE THE LOAD SERVED BY FARMERS.**

A. Farmers' customer base, in its eleven (11) county service territory, is primarily residential served under Schedule R. As of the end of the test year, the residential load comprised approximately 64.4% of Farmers' total energy sales and represented approximately 68.3% of the Cooperative's total revenue from energy sales. The Cooperative also serves a smaller number of commercial customer loads served under "Schedule C – Commercial & Industrial Service," (representing approximately 16.4% of the Cooperative's total energy sales and 16.7% of the Cooperative's total energy revenue) and industrial customer loads, (representing approximately 19.2% of the Cooperative's total energy sales and 15.0% of its total revenue from energy sales). Mr. Wolfram includes a more detailed discussion of Farmers' rate classes and the costs and revenues associated with each rate class in his testimony attached at Exhibit 10 of the Application.

**Q. PLEASE GENERALLY DESCRIBE HOW FARMERS' LOAD AND CUSTOMER BASE HAVE CHANGED IN RECENT YEARS.**

A. From 2015 until 2024 (10-years), the growth rate of the annual number of members billed totaled 7.4%. In that same 10-year period, the financial growth was low and inconsistent due to an overall slow economic growth and dissimilarities in weather patterns. The chart below illustrates the variations, year-by-year, of residential sales by kilowatt hours (“kWh”). Farmers’ current rate design is weather dependent, making budgeting revenue, and therefore expenses, quite difficult.



**Q. PLEASE GENERALLY DESCRIBE ANY NOTABLE TRENDS IN FARMERS’ REVENUES AND MARGINS IN RECENT YEARS.**

A. In order to provide the Commission with adequate context regarding Farmers’ financial condition, a detailed summary of certain relevant metrics and ratios are provided in Exhibit JP-1 to my testimony. Farmers sought relief through the streamlined process in 2023, but the additional revenue from the proceeding has not provided sufficient margins. Farmers’ loan contract with Rural Utilities Service (“RUS”) states, “*the average coverage ratio by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less*

1 *than OTIER = ~~1.0~~ 1.10.*” Operating Times Interest Earned Ratio (“OTIER”) is defined  
2 as a measure of the cooperative’s ability to generate sufficient revenues from electric  
3 operations to repay the interest of long-term debt. Farmers considers OTIER to be the  
4 significant performance metric indicating a good or challenging financial position of its  
5 distribution operations. While 2024 resulted in an OTIER above the RUS threshold ratio  
6 of 1.10, the average best 2 of 3 years fell below 1.10. Therefore, as shown in Exhibit JP-  
7 1, Farmers is not in compliance with its RUS loan covenant requirement for 2024.

8 **Q. PLEASE DESCRIBE FARMERS’ OPERATIONAL EXPENSES IN RECENT**  
9 **YEARS, INCLUDING IF THESE EXPENSES HAVE INCREASED?**

10 A. Yes. Since the last general rate case the cost of doing business and providing safe and  
11 reliable electric service has significantly increased. For example, Farmers experienced  
12 increases in most aspects of its business, with the most notable examples being right-of-  
13 way (“ROW”) maintenance and the rising costs of materials. Like many other cooperative,  
14 right-of-way management, a critical aspect of our operations, is a significant cost. Farmers’  
15 ultimate goal is to maintain a ROW maintenance cycle of 7-8 years. Achieving that target  
16 requires Farmers to circuit trim between 400 and 500 miles per year. That target was not  
17 reached in the 2024 test year as only 339 miles of line were trimmed.

18 **Q. PLEASE GENERALLY DESCRIBE FARMERS’ EXISTING DEBT PORTFOLIO**  
19 **AND ANY RECENT EFFORTS TO REDUCE INTEREST EXPENSE.**

20 A. Farmers always strives to find a balance between maximizing savings on interest rates and  
21 maintaining stability to lessen the impact on electric rates. For years, Farmers took  
22 advantage of the historically low 3-month variable interest rates by Federal Financing Bank  
23 (“FFB”). Between 2017 and 2021, the 3-month FFB interest ranged from rates as high as

2.403% but as low as 0.020%. Due to refinancing and maximizing savings, between 2017 and 2021, Farmers saw its overall blended interest rates dropped from 3.29% to 2.60%. However, FFB ultimately raised interest rates seven times in 2022 and four times in 2023. While FFB slightly reduced interest rates in 2024, variable and fixed FFB interest rates were nowhere as low as the 2017-2021 levels. Farmers' current portfolio is 86.2% fixed, 11.5% variable ten-year, and 2.3% variable five-year at the end of the 2024 test year.

**Q. IS FARMERS PROPOSING TO ADJUST ITS DEPRECIATION RATES AS PART OF THIS PROCEEDING?**

A. No. Farmers does not propose to adjust its depreciation rates as part of this proceeding. In Case No. 2016-00365<sup>3</sup>, the Commission ordered Farmers to complete a depreciation study before its next rate proceeding. Farmers' completed a depreciation study in 2021 and it was filed in the post-case reference in Case No. 2016-00365.

**Q. PLEASE GENERALLY DESCRIBE FARMERS' WORKFORCE.**

A. Currently, Farmers employs 62 full-time and 2 part-time qualified and highly-skilled employees in its workforce; 32 of those employees work out in the field and 32 work in the office. Farmers' Management continuously monitors employee headcount and endeavors to maintain staffing at adequate levels to ensure reliable service to its members.

**Q. PLEASE EXPLAIN THE BENEFITS PROVIDED BY FARMERS.**

A. Farmers offers its employees a competitive compensation package to attract and retain a qualified workforce. The primary benefits other than salary include:

**Health Insurance:** All full-time Farmers employees are eligible for health insurance benefits on the first day of the month following employment. In 2024, the Cooperative

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<sup>3</sup> Case No. 2016-00365, *Application of Farmers Rural Electric Cooperative Corporation for an Increase in Rates* (filed November 15, 2026).

1 paid 90% of the full premiums for coverage level for all employees. Beginning January 1,  
2 2025, the Cooperative will pay 88% of the full premiums for coverage level for all  
3 employees.

4 **Dental Insurance:** All full-time Farmers employees are eligible for dental insurance  
5 benefits on the first day of the month following employment. In 2024, the Cooperative  
6 paid 35% of the full premiums for coverage level for all employees.

7 **Vision Plan:** Farmers offers an optional vision plan in which the Cooperative pays 0% of  
8 the premium.

9 **Group Term Life Insurance:** Farmers pays 100% of the premium for Basic Life. The  
10 coverage is two times the current base salary of the employee, rounded to the nearest  
11 thousand.

12 **Accidental Death and Dismemberment Insurance:** Farmers pays 100% of the premium  
13 for this policy for employees. The coverage amount is equal to employee's basic life  
14 insurance benefit amount.

15 **Long-Term Disability Insurance:** Farmers pays 100% of the premium. If eligible, the  
16 monthly disability benefit is 66 2/3% of the employee's monthly earnings up to a maximum  
17 monthly benefit of \$12,500.

18 **Business Travel and Accident Insurance:** Farmers pays 100% of the premium for this  
19 policy on all eligible employees. The maximum amount an employee may receive is  
20 \$100,000.

21 **Retirement:** Employees hired before January 1, 2012 are eligible for a Retirement  
22 Security Plan ("RS") through the National Rural Electric Cooperative Association  
23 ("NRECA") defined benefit plan and a 401k defined contribution retirement plan ("401k").

1 The RS billing rate for 2024 was 24.53%. For the 401k plan, Farmers makes an employer  
2 contribution of 1.0% of the employee's base salary.

3 Employees hired after January 1, 2012 are eligible for a 401k defined contribution plan.  
4 Farmers makes an employer base contribution equal to 6.0% of the employee's base salary.  
5 Farmers contributes an employer contribution equal to 100% of employee elective  
6 contributions of 1.0% to 4.0% of the employee's base salary.

7 **Q. WHAT ADJUSTMENTS HAVE BEEN MADE BY FARMERS TO PAYROLL-**  
8 **RELATED ITEMS?**

9 A. Farmers introduced a new, lower cost, employee defined contribution retirement plan, to  
10 replace the higher cost defined benefit plan, for all new hires after January 1, 2012, as  
11 outlined above. As of December 31, 2024, 34 of 62 full-time employees are on the lower  
12 cost, employee defined contribution retirement plan. In 2013, Farmers participated in a  
13 voluntarily, prepay option to fund obligations to the RS Plan. While the prepayment  
14 occurred several years ago, it still resulted in billing rate reductions and therefore, cost  
15 savings. For example, the prepayment reduced the RS billing rate from 32.64% to 24.53%  
16 in the 2024 test year. More recently, in 2022, Farmers switched vendors for its Long-Term  
17 Disability Insurance, resulting in an annual cost savings of \$12,000.

18 **Q. HOW DOES FARMERS DETERMINE WHETHER AND WHEN WAGE**  
19 **INCREASES SHOULD BE AWARDED TO EMPLOYEES?**

20 A. Farmers confers with Winston Tan of Intandem Consulting to develop an employee  
21 compensation plan. Annually, in September, the President & CEO recommends an  
22 employee salary and payroll adjustment to the Board of Directors. The President & CEO  
23 presents a comprehensive summary of relevant data for the past and current year, including

the past twelve-month consumer price index (“CPI”), U.S. Bureau of Labor Statistics (“BLS”), and neighboring cooperatives. November 1<sup>st</sup> is the effective date for annual adjustments.

**Q. WHY IS IT IMPORTANT THAT FARMERS MAINTAIN A STRONG FINANCIAL CONDITION?**

A. As the Commission is aware, Farmers is owned by the Members it serves. While it is always the Cooperative’s goal to keep rates as low as possible, the expense of providing safe and reliable service must be recovered; additionally, prudent management and fairness demand better alignment of costs of the services provided to each rate class, which is what Farmers’ proposed rates seek to accomplish.

**Q. PLEASE DESCRIBE THE REVISED RATES PROPOSED BY FARMERS FOR ITS RESIDENTIAL CUSTOMERS.**

A. Farmers proposes to increase the monthly customer charge from \$18.12 to \$27.79 per month and reduce the energy charge from \$0.100666 to \$0.099057. This will result in an increase of \$7.99 or 5.92%, on the monthly bill for Farmers’ average residential customer using 1,053 kWh per month. Specific data justifying the magnitude of this increase is discussed in Mr. Wolfram’s testimony.

**Q. DID FARMERS CONSIDER ITS LOW-INCOME MEMBERS WHEN DESIGNING ITS PROPOSED RATES?**

A. Yes. Even though Farmers’ responsibility is to its membership as a whole, Farmers separately considered how this proposed rate increase could possibly impact its low-income members. Farmers concluded that the rate design should seek to more accurately and appropriately recover the costs of operating its distribution system; as a result, all

members (including low-income members) will benefit from a rate design that better aligns costs with the classes of service, avoids monthly bill volatility, and allows Farmers to operate under a more predictable and accurate budget.

**Q. IS FARMERS PROPOSING AN INCREASE TO ANY RATE CLASSES BESIDES THE RESIDENTIAL CLASS?**

A. Yes. Certain vacant rate classes, namely LPC-1, LPC-3, LPC-4, LPC 5, LPE-1, LPE-2, LPE-3 and LPE-5, were not adjusted in the prior streamline rate case. Farmers proposes to make demand charges match and to scale customer and energy charges by the same percentages used in Case No. 2023-00158. This will discourage rate switching among industrial members which could negatively impact Farmers' financials.

**Q. IS FARMERS PROPOSING ANY OTHER TARIFF REVISIONS OTHER THAN THE PROPOSED ADJUSTMENTS TO RATES?**

A. Yes. Farmers is proposing Schedule RM – Residential Off-Peak Marking – ETS energy rate be updated to match the Schedule R - TOD Residential Service energy rate. East Kentucky Power Cooperative, Inc. ("EKPC") changed its ETS rate structure several years ago, eliminating the 40% discount. The discount was not eliminated in Farmers' tariff; and therefore, the rate has not been effective for Farmers for many years. Essentially, these ETS meters were the pioneers to the current TOD meters and therefore the rate structure should be matched. Farmers also seeks to update the tariff to agree with the TOD rate tariff for the applicable off-peak hours and to close the tariff to any new members.

Farmers proposes to withdraw Schedule CM – Small Commercial Off-Peak Marketing – ETS Tariff. Historically, the rate class has had one active member but no usage. This member disconnected its service in February 2025.

1 **Q. DID FARMERS FIND IT NECESSARY TO MAKE PRO FORMA ADJUSTMENTS**  
2 **TO THE TEST YEAR IN ORDER TO MORE ACCURATELY REFLECT ITS**  
3 **INCOME AND EXPENSES?**

4 A. Yes. These adjustments are part of the COSS and can be found and discussed at length in  
5 Mr. Wolfram's testimony. Each of the adjustments proposed by Farmers as part of this  
6 proceeding are reasonable and reflect the known and measurable changes to Farmers' test  
7 year. These adjustments are necessary to ensure that rates are based on the most accurate  
8 and appropriate data. Mr. Wolfram describes each of these adjustments in more detail in  
9 his testimony attached as Exhibit 10 of this Application.

10 **Q. ARE YOU AWARE THAT THE COMMISSION, IN THE FINAL ORDER DATED**  
11 **APRIL 13, 2016, IN CASE NO. 2012-00428, *CONSIDERATION OF THE***  
12 ***IMPLEMENTATION OF SMART GRID AND SMART METER TECHNOLOGIES***  
13 **(Summary of Findings, Paragraph 9), DIRECTED THAT EACH RATE CASE**  
14 **FILED BY A JURISDICTIONAL UTILITY SHOULD IDENTIFY SMART GRID**  
15 **INVESTMENTS?**

16 A. Yes.

17 **Q. PLEASE IDENTIFY ALL SMART GRID AND SMART METER INVESTMENTS**  
18 **WHICH FARMERS HAS MADE TO DATE.**

19 A. In 2007, Farmers selected Aclara to install advanced metering infrastructure (AMI) meters  
20 for all single-phase services on Farmers' system. The solid-state meters use power line  
21 carrier communication and are still in service as of the date of the application.

22 **Q. PLEASE EXPLAIN WHY THE COMMISSION SHOULD GRANT THE RELIEF**  
23 **REQUESTED BY FARMERS IN THIS PROCEEDING.**

1 A. As discussed throughout this filing, the rate relief sought by Farmers in this case is crucial  
2 to maintain its financial ability to operate and to provide its members with reliable power  
3 at a reasonable retail cost. The requested rate increase was specifically designed to account  
4 for Farmers' cost of service to the various member classes it serves. In the past few years,  
5 the costs of right-of-way clearing and essential tools and materials increased tremendously  
6 to such a degree that Farmers' Board of Directors and management realized the need to  
7 request a general adjustment in rates. The rates requested in this case are derived from the  
8 results of Mr. Wolfram's comprehensive COSS and are reasonable and necessary for the  
9 provision of safe and reliable service at fair, just and reasonable rates.

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

11 A. Yes.