COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CLARK ENRGY COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES PURSUANT TO 807 KAR 5:0078	))))	CASE NO. 2025-00230

CLARK ENERGY COOPERATIVE, INC.
COMMENTS IN SUPPORT OF APPLICATION

Comes now Clark Energy Cooperative, Inc. ("Clark Energy"), by counsel, pursuant to the Commission's August 13, 2025 Order, and in further support of its Application requesting a general adjustment of its existing rates, respectfully offers the following comments:

Clark Energy is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279 that provides retail electric service to approximately 28,400 metered accounts in the Kentucky counties of Bath, Bourbon, Clark, Estill, Fayette, Madison, Menifee, Montgomery, Morgan, Powell, and Rowan.[1] Approximately seventy-seven (77) percent of Clark Energy's total energy usage is consumed by residential members.[2] Using a historical, twelve-month test period ending on December 31, 2024, Clark Energy seeks approval to increase

[1] Application at 1 (filed August 12, 2025).

[2] Application, Exhibit 32, Direct Testimony of Billy O'Brian Frasure ("Frasure Direct Testimony") at 5.

its annual revenues by $2,820,550, or approximately 5%[3], to achieve an Operating Times Interest Earned Ratio ("OTIER") of 1.53.[4]

Clark Energy is proposing to increase the residential class customer charge from $18.62 per month to $33.00 per month.[5] Clark Energy also proposes to reduce the energy charge for residential class customers from $0.10123 to $0.09621.[6] This would result in a $9.15, or 6.69%, increase to the average residential user.[7] Clark Energy is also proposing to increase the monthly customer charge in Rate C – General Power from $26.20 to $40.58 and a decrease to the energy charge from $0.10976 to $0.10009.[8] Clark Energy also proposed to change to Rate E – Public Facilities, moving the customer charge from $18.62 to $33.00 per month and reduction in the energy charge from $0.11030 to $0.09545.[9] Clark Energy also proposed reductions in the energy charge for various other rate classes.[10] Each of these rate design proposals is consistent with the Cost-of-Service Study ("COSS") prepared by Mr. John Wolfram.[11]

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[3] Application at 2.

[4] Clark Energy's Responses to the Attorney General's First Request for Information, Item 5 (filed September 22, 2025).

[5] Application, Exhibit 6.

[6] Application, Exhibit 6.

[7] Application, Exhibit 6.

[8] Application, Exhibit 6.

[9] Application, Exhibit 6.

[10] Application, Exhibit 6.

[11] Application, Exhibit 33, Direct Testimony of John Wolfram, Exhibit JW-3 through JW-8 ("Wolfram Direct Testimony").

Clark Energy filed its last general rate case in 2020, with rates effective on August 11, 2020.[12] Since that time Clark Energy, along with most utilities in the state, has been affected by unprecedented inflation in almost all areas of its business.[13] In addition to the rising costs of inflation, Clark Energy has seen large increases in interest expense due to rising interest rates.[14] The increase of storms causing major damage to Clark Energy's system has also affected the Cooperative's margins.[15]Although Clark Energy's growth rate has remained steady since 2020, the rising costs have not allowed revenues to keep up with the rising costs.[16] Clark Energy has been able to offset many of these costs and delay a base rate increase through prudent management practices, however, Clark Energy's financial metrics are below what is necessary to continue to provide safe and reliable service.

Despite the increasing inflationary pressures and rising costs, Clark Energy continues to focus on lowering or controlling expenses. Some of the methods Clark Energy has implemented to reduce costs include introducing a 401(k) style retirement plan instead of defined benefit plan, changing to a virtual formal for annual meeting, promoting paperless billing, and adopting a cloud based system for phones and computer systems.[17] Despite these cost containment measures, Clark Energy cannot continue to reduce its costs and still provide safe and reliable service.

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[12] Case No. 2020-00131, *Electronic Application of Clark Energy Cooperative, Inc. for a General Adjustment of Rates Pursuant to Streamlined Pilot Program Established In Case No. 2020-00407*, August 11, 2020 Order (Ky. PSC. Aug 11, 2020).

[13] *See generally*, Application, Exhibit 31, Direct Testimony of R. Christopher Brewer ("Brewer Direct Testimony").

[14] Brewer Direct Testimony at 4-5.

[15] Brewer Direct Testimony at 4-5.

[16] Brewer Direct Testimony at 4-5.

[17] Brewer Direct Testimony at 5.

While Clark Energy has had several cost-saving initiatives since its last general rate increase, its financial metrics have generally deteriorated.[18] In 2024, Clark Energy's OTIER was 0.44;[19] and, through July 2025 it was (0.44).[20] The requested OTIER in this rate application will allow Clark Energy to operate in a healthy manner and meet financial covenants in future years.

Consistent with the Commission's streamlined rate adjustment regulations, and general ratemaking principles, Clark Energy made adjustments to the test year expense to account for: the fuel adjustment clause, the environmental surcharge, rate case expense, year-end customer normalization, generation and transmission capital credits, non-recurring items, depreciation expense normalization, advertising and donations, Director's expenses, interest, life insurance premiums, and wages.[21]

In allocating the proposed rate increase, Mr. Wolfram prepared a COSS using standardized procedures whereby: (1) costs were functionalized to the major functional groups; (2) costs were classified as energy-related, demand-related, or customer-related; and then (3) costs were allocated to the rate classes.[22] Mr. Wolfram's detailed analysis demonstrated that Clark Energy is not recovering its costs from the residential rate classes while it is over-recovering its costs with regard to other customer classes. As explained by Mr. Wolfram: (1) the COSS demonstrates a need to increase the rates for residential members; and (2) the COSS supports a fixed monthly

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[18] Clark Energy's Response to the Attorney General's First Request, Item 5(h).

[19] Clark Energy's Response to the Attorney General's First Request, Item 5(h).

[20] Clark Energy's Response to the Attorney General's First Request, Item 5(h).

[21] Wolfram Direct Testimony at 9-14.

[22] Wolfram Direct Testimony at 15-19.

customer charge of $44.38 for residential members while the current charge is only $18.62.[23] To account for this under recovery, Clark Energy proposed to increase the customer charge to $33.00 for residential members. This will result in a 6.69% increase for that class.[24] However, the reduction in the energy charge will offset some of the increase to the customer charge. Clark Energy contends that 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 the residential class. This is a reasonable conclusion 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 proposed increase to residential rates amounts to a gradual change that eliminates subsidization of residential rate class by the other rate classes. This is not only gradual, but it also results in fair, just, and reasonable rates.

A significant factor in revenue for distribution cooperatives is moderate temperatures that yield lower-than-expected residential demand. To mitigate the volatility of temperatures, Clark Energy has chosen to allocate the rate increase to the monthly customer charge rather than the kWh energy charge. With the small margins that cooperatives operate on, and the fact that a distribution cooperative does not have shareholders, cooperatives are faced with tough decisions on where to get the funds needed to pay for unexpected expenses as well as the everyday expenses to provide safe and reliable service to its members. Clark Energy believes this will allow Clark

[23] Wolfram Direct Testimony at 21.

[24] Wolfram Direct Testimony at 22-23.

Energy to experience less volatility in its revenues and for its members to experience less volatility in their monthly bills.

The evidence in this proceeding is that the fixed costs to serve Clark Energy's members is $44.38. The Commission has multiple pending rate cases where a cooperative is making similar 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 Clark Energy's system and produced a just and reasonable cost required to service members on that system.

As previously mentioned, increasing labor costs are a significant contributor to the need for a rate adjustment. Clark Energy operates in a competitive labor market and given the location of Clark Energy it is also competing for qualified employees with the large investor-owned utilities in the area. This is especially true for linemen and technically trained employees. This creates an upward pressure on wages and benefits to attract and retain quality employees to serve Clark Energy's members.

Throughout the discovery process, the Attorney General requested information on Clark Energy's salary and benefits. Clark Energy believes that its salary and benefits are reasonable and comparable when considering the wage and salary survey provided,[25] which considers its location near the state's major metropolitan areas. Clark Energy responded to these issues in more detail in responses to the Attorney General's requests for information.[26] Clark Energy believes its level

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[25] Clark Energy's Responses to Commission Staff's First Request for Information, Item 19 (filed September 22, 2025).

[26] Clark Energy's Responses to the Attorney General's First Request for Information, Items 7, 9, and 10.

of health insurance contributions, life insurance contributions, and salary are reasonable and should be accepted by the Commission in this proceeding.

While Clark Energy's revenue requirement in the current rate application does not include a proforma adjustment for right-of-way expense, these expenses contribute significantly to Clark Energy's expenses. Clark Energy is committed to providing reliable electric service to members which requires an investment in right-of-way. While financially treated as an expense, right-of-way management is an investment in the future of the system. Right-of-way that is adequately maintained will result in decreased outages, less labor costs due to decreased overtime labor, and reduced loss of revenue. In addition to the financial benefits, member aggravation due to outages is also alleviated.

Clark Energy pays membership dues for inclusion in various associated organizations such as NRECA and the Kentucky Electric Cooperatives. These peer groups provide many best practice opportunities, safety guidance, continuing education, and advocacy. One of the seven guiding principles of electric cooperatives is Commitment to Community, and these affiliations help Clark Energy to follow and achieve the purposes of this principle.

As stated above, one of the seven guiding principles for an electric cooperative is Commitment to Community. In order to abide by this guiding principle, Clark Energy must be involved in the community that it serves. Volunteering, sponsoring community events and other charitable donations are some of the ways that an electric cooperative can give back to the community, which is ultimately the owners of the electric cooperative. Even though these items are not included in the revenue requirement and not recoverable for rate-making purposes, they are necessary items that a cooperative needs to invest in to give back to the community that it serves.

Clark Energy is mindful of the timing of its rate case filing and of the fact that no increase is ever welcomed by members. Taking this into consideration, Clark Energy's management has worked diligently to mitigate costs wherever possible and has been able to avoid a rate increase to its members during the unprecedented inflation during the last five years. However, as the Commission has opined regularly, a cooperative has a duty to safeguard its financial integrity for the benefit of its members.[27] Clark Energy is requesting a very moderate increase in revenue of $2,820,550 that will allow it the opportunity to achieve an OTIER of 1.53. However, pursuant to 807 KAR 5:078, Clark Energy is only permitted to request an adjustment of rates of up to 1 percent per year since its last rate adjustment or an OTIER of 1.85. Should the Commission choose to disallow any costs in Clark Energy's pro forma adjustments included within the test year, Clark Energy respectfully requests the option to still award a 1.53 OTIER that has been requested. This will allow Clark Energy to maintain compliance with its loan covenants.

In summary, Clark Energy's proposal is fair, just, and reasonable both regarding the amount of the revenue request and the rate design. Clark Energy is grateful to the Commission for allowing this case to proceed under the streamlined rate case procedures and appreciates the Attorney General's constructive participation in the case. For the reasons set forth above, Clark Energy respectfully requests the Commission to approve its Application and authorize the new rates.

This the 2nd day of October, 2025.

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[27] *See, e.g.*, Case No. 2008-00371, *In the Matter of the Application of South Kentucky Rural Elec. Coop. Corp. for A Certificate of Pub. Convenience & Necessity to Construct A New Headquarters Facility in Somerset, Kentucky,* Order, (Ky. P.S.C. May 11, 2010) ("South Kentucky's board of directors owes a fiduciary duty to its customers to safeguard the financial and operational viability of the cooperative. This fiduciary duty is heightened given the fact that South Kentucky's customers are also the owners of the cooperative."); Case No. 2006-00472, *In the Matter of the General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc*., Order, , pp. 26-27 (Ky. P.S.C. Dec. 5, 2007).

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the electronic filing was transmitted to the Commission on October 2, 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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