

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF JACKSON)	
PURCHASE ENERGY CORPORATION FOR A)	CASE NO.
GENERAL ADJUSTMENT OF RATES AND)	2021-00358
OTHER GENERAL RELIEF)	

ORDER

On April 13, 2022, the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), filed a motion, pursuant to KRS 278.400, requesting a rehearing of the Commission’s April 8, 2022, Order (Final Order). The Attorney General stated there was a \$52,391 mathematical error in the Commission’s revenue requirement adjustment resulting in incorrect rates being approved by the Commission.

On April 18, 2022, Jackson Purchase Energy Corporation (Jackson Purchase) filed a response to the Attorney General’s motion for rehearing. Jackson Purchase agreed there was a mathematical error in the Final Order and agreed with the request of the Attorney General to correct the revenue requirement. This matter now stands submitted for a decision.

LEGAL STANDARD

KRS 278.400, which establishes the standard of review for motions for rehearing, limits rehearing to new evidence not readily discoverable at the time of the original hearings, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful. A Commission Order is deemed unreasonable only when “the

evidence presented leaves no room for difference of opinion among reasonable minds.”¹
An Order can only be unlawful if it violates a state or federal statute or constitutional provision.²

By limiting rehearing to correct material errors or omissions, findings that are unreasonable or unlawful, or to weigh new evidence not readily discoverable at the time of the original hearings, KRS 278.400 is intended to provide closure to Commission proceedings. Rehearing does not present parties with the opportunity to relitigate a matter fully addressed in the original Order.

ATTORNEY GENERAL’S MOTION

The Attorney General argued there was a mathematical error in the calculation of the revenue requirement adjustment to the Salaries and Wages expense in the Final Order, resulting in incorrect rates. Jackson Purchase used a historical test year for its payroll expense. The amount used in the test year was \$3,475,649. Jackson Purchase proposed a *pro forma* adjustment to that amount of \$175,682. This resulted in an amount of \$3,651,331 for payroll expenses. In the Final Order, the Commission approved actual payroll expenses for the calendar year 2021 of \$3,389,173. The difference in the request of what was requested and what was approved is \$262,158.³ The Attorney General noted the Final Order only adjusted the revenue requirement by \$209,767, overstating the revenue requirement by \$52,391.⁴

¹ *Energy Regulatory Comm’n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

² *Public Service Comm’n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm’n v. Jackson County Rural Elec. Coop Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

³ Rehearing Request at 1.

⁴ Rehearing Request at 2.

DISCUSSION AND FINDINGS

Based upon a review of the motions, the Final Order, and the case record, the Commission finds that the Attorney General established good cause and that rehearing should be granted because there was a mathematical error in the calculation of the revenue requirement approved in the Final Order that overstated the revenue requirement by \$52,391. The corrected revenue requirement is \$6,794,425, as shown in the table below:

Revenue Requirement Increase from April 8, 2022 Order	\$ 6,846,816
Less: Overstatement of Revenue Requirement	<u>(52,391)</u>
Adjusted Revenue Requirement Increase	<u><u>\$ 6,794,425</u></u>

The Commission further finds that, because the rates approved in the Final Order were based on an incorrect revenue requirement, that the rates approved in the Final Order should be stricken and replaced with the rates contained in Appendix A to this Order. The revenue allocation and rate design applied to the revised rates follow the April 8, 2022 Order and yield a total rate of return on rate base of approximately 3.43 percent.

	<u>ROR on</u> <u>Rate Base</u>	<u>Unitized</u> <u>ROR</u>
Residential	2.76%	0.80
Small Commercial Single Phase	2.92%	0.85
Small Commercial Three Phase	2.78%	0.81
Commercial & Industrial Demand < 3,000 kW	2.79%	0.81
Commercial & Industrial – Direct Served	177.56%	51.69
Large Commercial Existing	2.78%	0.81
Outdoor Lighting	<u>40.58%</u>	<u>11.81</u>
TOTAL	3.43%	1.00

The Commission also finds that Appendix B to the Final Order, which contains the adjustments approved in the Final Order, should be stricken and replaced with Appendix B to this Order, which contains the corrected adjustments.

IT IS THEREFORE ORDERED that:

1. The Attorney General's motion for rehearing is granted.
2. The Final Order is amended as described in this Order.
3. The rates and charges attached as Appendix A to the Final Order is stricken and superseded by Appendix A to this Order.
4. The summary of adjustments attached as Appendix B to the Final Order is stricken and superseded by Appendix B to this Order.
5. All other provisions of the Final Order shall remain in full force and effect.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ENTERED
MAY 03 2022
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00358 DATED MAY 03 2022

The following rates and charges are prescribed for the customers in the area served by Jackson Purchase Energy Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

SCHEDULE R
RESIDENTIAL

Facilities Charge per month	\$ 20.35
Per kWh per month	\$ 0.114521

SCHEDULE C-1
SMALL COMMERCIAL SINGLE PHASE

Facilities Charge per month	\$ 20.35
Per kWh per month	\$ 0.114521

SCHEDULE C-3
SMALL COMMERCIAL SINGLE PHASE

Facilities Charge per month	\$ 32.27
Per kWh per month	\$ 0.100453

SCHEDULE D
COMMERCIAL AND INDUSTRIAL DEMAND LESS THAN 3,000 KW

Facilities Charge per month	\$ 48.42
Demand Charge per kW	\$ 9.01
First 200 kWh per kW	\$ 0.062202
Next 200 kWh per kW	\$ 0.052104
Next 200 kWh per kW	\$ 0.046973
Over 600 kWh per kW	\$ 0.041993

SCHEDULE D-Direct
COMMERCIAL AND INDUSTRIAL DIRECT SERVED

Facilities Charge per month	\$	48.42
Demand Charge per kW	\$	9.01
First 200 kWh per kW	\$	0.062202
Next 200 kWh per kW	\$	0.052104
Next 200 kWh per kW	\$	0.046973
Over 600 kWh per kW	\$	0.041993

SCHEDULE I-E
LARGE COMMERCIAL AND INDUSTRIAL - EXISTING

Facilities Charge per month	\$	414.97
Demand Charge – First 3,000 kW per month	\$	47,721.03
All additional kW per kW per month	\$	15.91
Per kWh per month	\$	0.039094

NONRECURRING CHARGES

Collection Fee	\$	16.00
Returned Check Fee	\$	5.60
Connection/Reconnection	\$	24.00
Connection/Reconnection After Hours	\$	24.00
Meter Test Fee	\$	123.00
Meter Pole Perpetual Lease Fee	\$	177.00

POLE ATTACHMENT RATES

Pole Charge – 2 Party	\$	8.41
Pole Charge – 3 Party	\$	6.13
Anchor Charge – 2 Party	\$	14.75
Anchor Charge – 3 Party	\$	9.73
Grounding Charge – 2 Party	\$	0.22
Grounding Charge – 3 Party	\$	0.14

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00358 DATED MAY 03 2022

Description	Test Year Actual	Jackson Purchase Adjustments	Jackson Purchase Pro Forma TY	Commission Adjustments	Adjusted Pro Forma
<u>Operating Revenues</u>					
Total Sales of Electric Energy	68,120,498	(2,504,931)	65,615,567		65,615,567
Other Electric Revenue	1,307,203	20,001	1,327,204	64,444	1,391,648
Total Operating Revenue	69,427,701	(2,484,930)	66,942,771	64,444	67,007,215
<u>Operating Expenses:</u>					
Purchased Power	50,688,769	(2,177,317)	48,511,452		48,511,452
Distribution Operations	3,308,445	31,381	3,339,826	(262,158)	3,077,668
Distribution Maintenance	2,921,678	4,099,001	7,020,679		7,020,679
Customer Accounts	1,273,783	27,251	1,301,034		1,301,034
Customer Service	40,607	3,351	43,958		43,958
Sales Expense	3,691	-	3,691		3,691
A&G	3,237,313	(251,472)	2,985,841	2,238	2,988,079
Total O&M Expense	61,474,286	1,732,195	63,206,481	(259,920)	62,946,561
Depreciation	6,016,651	574,394	6,591,045		6,591,045
Taxes - Other	90,258	-	90,258		90,258
Interest on LTD	1,961,144	233,473	2,194,617		2,194,617
Interest - Other	233,334	(171,498)	61,836		61,836
Other Deductions	2,796	-	2,796		2,796
Total Cost of Electric Service	69,778,469	2,368,564	72,147,033	(259,920)	71,887,113
Utility Operating Margins	(350,768)	(4,853,494)	(5,204,262)	324,364	(4,879,898)
Non-Operating Margins - Interest	415,932	(1,249,488)	(833,556)	-	(833,556)
Income(Loss) from Equity Investments	-	-	-	-	-
Non-Operating Margins - Other	934,232	-	934,232	-	934,232
G&T Capital Credits	-	-	-	-	-
Other Capital Credits	179,415	-	179,415	-	179,415
Net Margins	1,178,811	(6,102,982)	(4,924,172)	324,364	(4,599,808)
Cash Receipts from Lenders	77,191		77,191		77,191
OTIER	0.86		(1.34)		(1.19)
TIER	1.60		(1.24)		(1.10)
TIER excluding GTCC	1.60		(1.24)		(1.10)
Target TIER	2.00		2.00		2.00
Margins at Target TIER	1,961,144		2,194,617		2,194,617
Revenue Requirement	71,739,613		74,341,650		74,081,730
Revenue Deficiency	782,333		7,118,789		6,794,425

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