

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH)	
KENTUCKY RURAL ELECTRIC COOPERATIVE)	CASE NO.
CORPORATION FOR A GENERAL ADJUSTMENT)	2021-00407
OF RATES, APPROVAL OF DEPRECIATION)	
STUDY, AND OTHER GENERAL RELIEF)	

ORDER

On December 14, 2021, South Kentucky Rural Electric Cooperative Corporation (South Kentucky RECC) submitted an application for a general adjustment of rates and approval of a depreciation study. The application proposed that the new rates become effective on January 13, 2022.

By letter dated December 21, 2021, the Commission notified South Kentucky RECC that its application had been rejected for not including a reconciliation of rate base and capital. Pursuant to 807 KAR 5:001 Section 16 (4) (i) each application supported by a historical test period shall include a reconciliation of rate base and capital used to determine revenue requirements or a statement explaining why the required information does not exist and is not applicable to the utility's application. Commission Staff notes that South Kentucky RECC only included a calculation of rate base in its application. South Kentucky RECC filed a response to the deficiency on December 22, 2021, objecting to the lack of a reconciliation in its application being classified as a deficiency to be cured and for the application to be accepted for filing. South Kentucky RECC argued that the lack of a reconciliation was not a deficiency because the method that South Kentucky RECC chose to determine its revenue requirements for the rate case was based

upon achieving a Times Interest Earned Ratio (TIER) of 2.00X. South Kentucky RECC stated that the TIER methodology has been almost universally employed by Kentucky's electric distribution cooperatives in determining revenue requirements for the setting of rates. South Kentucky RECC cited Case No. 2021-00358, as an example of a rate case where a reconciliation was not included in the application and the filing was not determined to be deficient.¹ South Kentucky RECC argued that the deficiency cited by Commission Staff is incorrect because the TIER method is a widely accepted methodology, and the rate base and capital were not used to determine revenue requirements.²

Commission regulation 807 KAR 5:001 Section 16 (4) (i) clearly requires each application supported by a historical test period shall include a reconciliation of rate base and capital used to determine revenue requirements or a statement explaining why the required information does not exist and is not applicable to the utility's application. The Commission finds that South Kentucky RECC did not provide a reconciliation in its application and did not cure this deficiency in its response on December 22, 2021. South Kentucky RECC's explanation as to why it did not provide the reconciliation in its application has been used by other utilities in the past and has been the basis for granting a deviation. For that reason, the Commission finds that it will grant South Kentucky RECC a deviation from providing the reconciliation in its application here and its application should be deemed accepted for filing on December 14, 2021. In this case, Commission Staff will request a reconciliation in subsequent information requests because the

¹ Case No. 2021-00358, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief* (filed Oct. 15, 2021).

² South Kentucky RECC Response to Deficiency (filed Dec. 22, 2021).

information provided December 22, 2021, is a summary of rate base and capitalization. Going forward, for clarification, the Commission finds that a utility that omits the required reconciliation in its application should file a statement with its application explaining why the required reconciliation does not exist and is not applicable to the utility's application to comply with 807 KAR 5:001 Section 16(4)(i) or file a motion for a deviation from the requirement under the regulation. Going forward, the Commission will not accept the argument that the utility chose to use a method of determining its rates that does not rely upon all the elements needed to provide a reconciliation as good cause for a deviation from the requirement to provide same.

Furthermore, South Kentucky RECC's application included a revised tariff that identified an effective date as "1/1/22," which is not at least 30 days from the date the application was filed.³ The Commission finds this is a deficiency pursuant to 807 KAR 5:001 Section 16(1)(b)(3) and Section 16(1)(b)(4). This deficiency should be corrected within ten days of the entry of this Order.

Additionally, the notice provided as a requirement in 807 KAR 5:001, Section 17(4)(a) states that the proposed effective date is January 1, 2022, instead of January 13, 2022, as shown in Exhibit 5 of South Kentucky RECC's application. The Commission finds that this is deficient and should be corrected within ten days of the entry of this Order. While the Commission finds that South Kentucky RECC's application is deficient, it also finds that a deviation should be granted in order for the utility to remedy its deficiencies in a manner that ultimately does the least harm to its ratepayers. The utility should correct the references to the incorrect effective date in both the proposed revised tariff and the

³ Application, Exhibits 3 and 4.

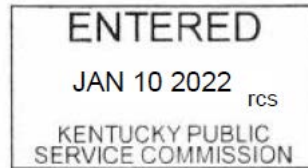
notice to the public by posting the correction on South Kentucky RECC's website and at its business premises, as opposed to republishing the notice in Kentucky Living magazine, so that the ratepayers do not end up paying for the utility's errors in this case.

The Commission finds that granting deviations to South Kentucky RECC in this case is appropriate, however, the Commission will provide this Order to its jurisdictional electric cooperatives so that going forward there is clarification that these deficiencies will be identified as such by Commission Staff upon the filing of any application. The deficiencies will be required to be cured for the application to be accepted for filing. Commission Staff will review each application for strict adherence to the applicable statutes and regulations. The utility filing an application is ultimately responsible for complying with the requirements of the applicable statutes and regulations.

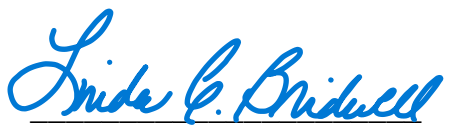
IT IS HEREBY ORDERED that:

1. South Kentucky RECC shall submit information to cure the deficiencies in the tariff and notice submitted with its application, within ten days of the date of this Order.
2. South Kentucky RECC's application in this matter is deemed filed as of December 14, 2021.

By the Commission



ATTEST:



Executive Director

Case No. 2021-00407

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