

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

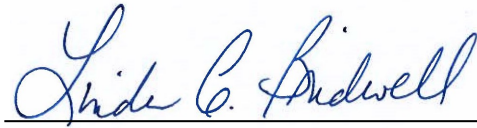
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on May 10, 2022 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on May 10, 2022 in this proceeding;
- A written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on May 10, 2022.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at <https://youtu.be/R-2QF7pLF1Y>.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 16th day of June 2022.

A handwritten signature in blue ink that reads "Linda C. Bridwell". The signature is written in a cursive style with a horizontal line underneath it.

Linda C. Bridwell
Executive Director
Public Service Commission of Kentucky

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ELECTRONIC APPLICATION OF SOUTH)
KENTUCKY RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR A GENERAL)
ADJUSTMENT OF RATES, APPROVAL OF)
DEPRECIATION, AND OTHER GENERAL)
RELIEF)

CASE NO.
2021-00407

CERTIFICATION

I, Candace H. Sacre, hereby certify that:

1. The attached flash drive contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on May 10, 2022. The Formal Hearing Log, Exhibits List, and Exhibits are included with the recording on May 10, 2022;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Formal Hearing of May 10, 2022; and
4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of May 10, 2022, and the time at which each occurred.

Signed this 6th day of June, 2022.



Candace H. Sacre
Administrative Specialist III



Stephanie Schweighardt
Notary Public State at Large ID#: 614400
Commission Expires: January 14, 2023



Date:	Type:	Location:	Department:
5/10/2022	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Michelle Herrman; Lane Kollen; Steve Seelye; Kenneth Simmons
 Judge: Kent Chandler
 Clerk: Candace Sacre

Event Time	Log Event	
9:10:51 AM	Session Started	
9:10:54 AM	Chairman Chandler Note: Sacre, Candace	Good morning. We are on the record in we are on the record in Case No. 2021-00407, the Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief.
9:11:08 AM	Chairman Chandler Note: Sacre, Candace	My name is Kent Chandler. I am Chairman of the Kentucky Public Service Commission and will be presiding today in this matter.
9:11:15 AM	Chairman Chandler Note: Sacre, Candace	Hearing recommendations. (Click on link for further comments.)
9:11:21 AM	Chairman Chandler Note: Sacre, Candace	Entry of appearance of counsel.
9:11:26 AM	Atty Goss South Kentucky RECC Note: Sacre, Candace	Mark David Goss.
9:11:33 AM	Atty Honaker South Kentucky RECC Note: Sacre, Candace	Allyson Honaker.
9:11:40 AM	Asst Atty General Goad Note: Sacre, Candace	Angela Goad.
9:11:46 AM	Staff Atty Temple PSC Note: Sacre, Candace	Heather Temple and Jason Colyer.
9:11:54 AM	Chairman Chandler Note: Sacre, Candace	Public comments. (Click on link for further comments.)
9:13:14 AM	Chairman Chandler Note: Sacre, Candace	Public notice. (Click on link for further comments.)
9:14:02 AM	Chairman Chandler Note: Sacre, Candace	The purpose of today's hearing is to take evidence on South Kentucky's application for a general adjustment of rates as well as their depreciation study.
9:14:18 AM	Chairman Chandler Note: Sacre, Candace	Call first witness.
9:14:23 AM	Atty Goss South Kentucky RECC Note: Sacre, Candace	Kenneth Simmons.
9:14:43 AM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
9:14:52 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Examination. Name and address?
9:15:10 AM	Atty Goss South Kentucky RECC - witness Simmons Note: Sacre, Candace	Direct Examination. Cause be filed prefiled testimony and/or responses?

9:15:31 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Revisions or amendments?

9:15:51 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Adopt prefiled testimony and/or responses for purposes of hearing?

9:16:04 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Asked same questions today, answers be same?

9:16:40 AM Chairman Chandler
Note: Sacre, Candace Questions?

9:16:44 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Cross Examination. South Kentucky requesting revised revenue increase of \$8,669,257 in pending rate case?

9:17:01 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Also asking for residential customer charge be raised from \$13.29 a month to \$24?

9:17:12 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace If Commission grants requested \$24-per-month residential customer charge, have higher charge than 19 other cooperatives in state, only three higher customer charge?

9:17:30 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Aware high poverty rate South Kentucky service area?

9:17:37 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace When look at rates for counties South Kentucky serves, ranges from 17.9 percent, high at 36.2 percent, average approximately 22.1 percent customers live in poverty, sound correct?

9:18:02 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Admit requested revenue increase and customer charge impose financial burden for customers?

9:18:16 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Restate that?

9:18:21 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace State in responses best way to reduce high poverty rates through economic development lead to employment opportunities, remember that?

9:18:34 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Admit low electric rates key to enticing new employer to area?

9:18:43 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace In responses, discuss increased costs that are in part why South Kentucky needs increase?

9:18:53 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace State even though employee head count reduced, total payroll from 2012 to 2021 increased by 41 percent?

9:19:08 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Explain why not tried rein in 41 percent increase total payroll?

9:19:47 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Market rates in area, geographically?

9:19:59 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Accurate South Kentucky contributes 100 percent for employee retirement through NRECA and matching contributions up to two percent of base salary for 401(k) plan, double dipping?

9:20:20 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Also accurate South Kentucky provides yearly raises, vacation, holiday, sick leave, employee assistance, and educational reimbursement opportunities?

9:20:31 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Correct South Kentucky provides dental/vision insurance, 100 percent health insurance, 100 percent life/accidental death benefits, long-term/short-term disability, business travel insurance, and 24-hour accident insurance?

9:20:52 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace South Kentucky provides bonuses, awards, vehicle allowances certain employees as well?

9:21:12 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Refer to you if want, you and Herrman sponsored response but have separated provide bonuses, awards, and vehicle allowances to certain employees?

9:21:32 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace In responses, stated 2017 South Kentucky gave retiring CEO a cooperative-owned vehicle?

9:21:46 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Does South Kentucky give vehicle to every retiring CEO?

9:21:55 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Know why CEO given vehicle?

9:22:03 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Ask Herrman those questions?

9:22:12 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Total payroll last nine years increased 41 percent, still testimony none of benefits discussed could be reined in more reasonable amounts?

9:22:44 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace What opinion on benefits discussed CEO?

9:23:19 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Do give annual raises?

9:23:24 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace In responses, given annual raises every year past ten years except 2020?

9:23:34 AM Asst Atty Gen Goad - witness Simmons
Note: Sacre, Candace But making up for it in 2021 bigger raise?

9:23:42 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Responses, also assert another increased cost due customers using credit cards and other automated means, recall that?

9:23:56 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Due to issue, payment processing fees increased 201.7 percent since last rate case?

9:24:07 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Admit payment processing fees \$515,000 included test year requirement, sound accurate?

9:24:17 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Credit card fees \$478,000?

9:24:28 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace True not require customer pay corresponding fee?

9:24:41 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Allowing some customers pay with credit card not pay fee other customers cash/check free for South Kentucky, those customers subsidizing fees in rates?

9:25:02 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace South Kentucky intend make changes require customer uses credit card pay assessed fee as other utilities do?

9:25:25 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Time frame estimate tell us today think be up and running pass through credit card fees?

9:26:13 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Mean not sure plan to charge hundred percent of fee?

9:26:36 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Know why took this long for South Kentucky to rein in payment processing fees if increased over 200 percent?

9:27:09 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Know when board directed you initiate plan?

9:27:20 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Stated last Order reviewed not see where Commission excluded credit card fees, ever made specific finding credit card fees included reasonable?

9:27:49 AM Asst Atty General Goad - witness Simmons
Note: Sacre, Candace Have no knowledge?

9:28:06 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace Cross Examination. Customer charge from \$13.29 to \$24, subject to check 80.6 percent increase?

9:28:27 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace Aware Commission has stated needs be gradual movement of rates for customer charge?

9:28:42 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace Believe \$13.29 to \$24 gradual?

9:28:59 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace State further what mean, how that plays into gradualism?

9:29:13 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace Stated reviewed Order last rate case?

9:29:21 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace In that, had come through South Kentucky to expand or start new demand side management programs, explain current DSM programs in place?

9:29:45 AM Staff Atty Temple PSC - witness Simmons
Note: Sacre, Candace Have plans create any?

9:29:56 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Examination. Processing cash and check payments free?

9:30:28 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace MSR co-op version of CSR?

9:30:37 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Know difference on-time pay rate be with/without ability use credit cards with fee?

9:30:53 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Agree should be consideration?

9:31:06 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Not dictate what have to do, what considerations looking at based off request of board to review?

9:31:42 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace That only cost side, looking at benefit side people pay may pay earlier with credit cards, not have to pay later, able pay on time, discussion having about cost, what consideration giving to benefits?

9:32:26 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Seems big part of rate case not necessarily increase in revenues but increase in margins or cash flow, increase working capital benefit to utility?

9:33:08 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Cost of car for previous CEO one-time expense previous year or ongoing cost?
9:33:30 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Were you person responsible cushion of credit or Herrman?
9:33:41 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Decision what to do with money, you or Herrman?
9:33:50 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Expectation return earn on cushion of credit be in excess of cost of debt at any point?
9:34:10 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	At what point stop using cushion of credit to pay off debt in order maximize amount of principal earns excess interest?
9:34:44 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Today, earning tenth of percent?
9:34:59 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Weighted average cost of debt five and a half percent?
9:35:09 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Got response that says per net present value calculation used something in excess of that reflective of five point seven four percent discount rate net present value calculation for best path forward cushion of credit, reflective weighted average cost of capital?
9:36:38 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Five point seven four percent not weighted average cost of capital, return on net investment rate base will have to ask Herrman, so blended rate is three percent?
9:37:06 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Say earning point one on cushion of credit and three percent cost of debt, at this point pay debt service through RUS with cushion of credit, your testimony believe will earn in excess of blended debt rate, earn higher rate larger amount?
9:37:45 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	At what point stop paying debt service with cushion of credit given expectation?
9:39:02 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Details with Herrman, but asking have determined expectation when make sense?
9:39:35 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Question is, determined point when net beneficial?
9:39:45 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	How much put in I-bond at eight percent?
9:39:57 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Know personal I-bonds \$10,000 a year fixed rate plus CPI, at 9.62 right now?
9:40:14 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	My point read responses made best decision because ran numbers, what were numbers, aware South Kentucky conduct analysis?
9:41:19 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Guess what is confusing, basis for decision it'll make sense; reason, leaving money in cushion of credit greater benefit than alternative?
9:42:04 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Question is, board made decision lock amount in cushion of credit?
9:42:40 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Been at other co-ops in past?

9:42:47 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Oklahoma, Texas, Georgia?

9:42:53 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Either rate regulated?

9:43:01 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Seelye talks about often the case that non-rate-regulated cooperatives use return on investment or rate-based determination for calculating rates?

9:43:22 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Took testimony say six percent usually target, your experience?

9:43:40 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Neither use TIER or OTIER or debt service determine what appropriate rates were?

9:43:48 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Use TIER and OTIER or use net investment rate base?

9:43:55 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Reason was what?

9:44:05 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Both get primary financing from places similar to South Kentucky?

9:44:27 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Redirect Examination. Understanding cushion of credit funds only used pay down RUS/FFB debt?

9:44:40 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Know what blended interest rate for RUS/FFB debt is?

9:45:08 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Know whether decision made two years ago go route based on historical Treasury rate based on?

9:45:37 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Very low right now?

9:45:41 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Know whether historical Treasury rate in normal times much higher?

9:45:55 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Questions Goad asked, payroll, wages, benefits, tell Commission how South Kentucky compensates employees ensure adequately but not overly paid?

9:47:08 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace How wage increases arrived at using study?

9:47:39 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Have employee not at midpoint, determined by study, automatically move to midpoint next pay raise cycle or some gradualism?

9:48:17 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace How often South Kentucky perform wage and salary survey?

9:48:32 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Wage increases and benefits out of line with wage and salary survey performs every other year shows?

9:49:07 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Customer charge, admitted quite an increase, know how long current customer charge been in place?

9:49:34 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Ten years?

9:49:38 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Know what Seelye COSS shows actual customer charge should be?

9:49:58 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Why important customer charge set in way been requested?

9:51:54 AM	Atty Goss South Kentucky RECC - witness Simmons Note: Sacre, Candace	Questions asked by AG on R&S and 401(k) plans, recognize defined benefit plans out of favor nowadays?
9:52:18 AM	Atty Goss South Kentucky RECC - witness Simmons Note: Sacre, Candace	Tell Commission why South Kentucky continues maintain defined contribution and a defined benefit plan?
9:53:09 AM	Atty Goss South Kentucky RECC - witness Simmons Note: Sacre, Candace	Aware at some point decision made eliminate defined benefit plan?
9:53:22 AM	Atty Goss South Kentucky RECC - witness Simmons Note: Sacre, Candace	Reinstated, why that came to be?
9:53:50 AM	Atty Goss South Kentucky RECC - witness Simmons Note: Sacre, Candace	South Kentucky taken out expenses for one of plans?
9:54:40 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Examination. Even without increase not expected out of compliance with debt requirements?
9:54:51 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Agree my reading utility's proposal big part of this increasing cash flow?
9:55:25 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	When calculate TIER/OTIER, remove for determination items Commission removed for ratemaking purposes?
9:55:50 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	When telling somebody in or out of compliance, get to remove 401 (k) contributions what end-of-year OTIER is?
9:56:05 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Reality, attempting to recover from customers enough to meet OTIER and TIER?
9:56:18 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Reality, when calculate OTIER and TIER, things removed for ratemaking, expenses recovering included in calculations?
9:56:31 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Agree mismatch there, 401(k) being used in calculation of end-of-year TIER and OTIER?
9:56:51 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Same thing for if removed car from previous CEO, if that was included test year or increased vegetation management expense, all for determination of rates, at end of year OTIER less?
9:57:16 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Removing things for ratemaking purposes serve to benefit customers rates reduced, at end of day not any good for cooperative own because not able recover entirety expenses incurring?
9:57:40 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Expenses being incurred ratemaking function one thing, reality is ultimately affect OTIER and TIER and cash flow, no expectation recovering test year amount of expenses through rates?
9:59:05 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Who is entity determines compensation as total package, some determination be made as to appropriate level of compensation?
9:59:44 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Been at utility two years?
9:59:52 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	How many people losing to LG&E or Groves, compensation about two things - compensating for work actually done but also paying people enough so stay within reason?

10:00:45 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace What is turnover rate at South Kentucky feel need be midpoint national studies?

10:01:08 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Are paying enough, what saying, to keep people?

10:01:15 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace What is determination paying too much?

10:01:24 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace No evidence made determination this is point people start leaving?

10:01:47 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Seen that attrition?

10:02:08 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Live in service territory?

10:02:17 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Working at South Kentucky one of better opportunities in area?

10:02:52 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace For people have had attrition, going to work other places in area or other places geographically?

10:03:10 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Have people retiring expected age or staying longer?

10:03:22 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Having problems attracting new linemen?

10:03:44 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Blessed in sense in territory or outside have a training facility?

10:04:03 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Redirect Examination (cont'd). Started seeing good deal of attrition, too late?

10:04:20 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace How view wage and salary survey as backstop to attrition?

10:05:18 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace What see in Oklahoma?

10:05:28 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Where going?

10:05:57 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Go to Kentucky Electric Cooperatives managers meeting?

10:06:07 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Go to other meetings, NRCA meetings?

10:06:14 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Employee poaching a big problem?

10:06:26 AM Atty Goss South Kentucky RECC - witness Simmons
Note: Sacre, Candace Talk about wage and salary survey and how used?

10:08:20 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Examination. Looked in record, give me details around it, cost savings in case, what came out less cost savings than how South Kentucky able make it before seeking rate base, (click on link for further comments), what other details give me things done generate cost savings?

10:10:45 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Reducing number of miles of right of way?

10:11:18 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace What is right of way maintenance policy?

10:11:21 AM Chairman Chandler - witness Simmons
Note: Sacre, Candace Going beyond seven years?

10:11:30 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Number of utilities, co-ops and IOUs four- and five-year rotation?
10:11:47 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Going opposite way exact same time costs increasing?
10:11:54 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	What doing to move toward six instead of eight?
10:13:21 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Perspective cooperative indifferent amount electricity customers use, costs utility incurs not indifferent to usage, customers use more generally going to fixed drive costs, jointly allocated or jointly shared fixed costs that increases or decreases in usage effect?
10:14:51 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Even if had rates looked like Glasgow had, direct pass through energy rate, pass through demand rate, customer charge, indifferent to usage of customers in rate design sense, never be indifferent how much customers use electricity in that usage drives other costs?
10:16:15 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Costs are what costs are?
10:16:22 AM	Chairman Chandler - witness Simmons Note: Sacre, Candace	Reality is how much use, drive changes, some customers use electricity differently?
10:17:52 AM	Asst Atty General Goad - witness Simmons Note: Sacre, Candace	Recross Examination. Clarify, hear state South Kentucky perform analysis whether use cushion of credit balance prepaid debt without penalty before Oct 2020?
10:18:29 AM	Asst Atty General Goad - witness Simmons Note: Sacre, Candace	Or internally?
10:18:35 AM	Asst Atty General Goad - witness Simmons Note: Sacre, Candace	Before October 2020?
10:18:44 AM	Chairman Chandler Note: Sacre, Candace	May step down.
10:18:55 AM	Chairman Chandler Note: Sacre, Candace	Recess until 10:35.
10:19:09 AM	Session Paused	
10:41:00 AM	Session Resumed	
10:41:01 AM	Chairman Chandler Note: Sacre, Candace	Back on the record in 2021-00407, the electronic rate application of South Kentucky Rural Electric Cooperative Corporation.
10:41:13 AM	Chairman Chandler Note: Sacre, Candace	Additional witness?
10:41:16 AM	Atty Goss South Kentucky RECC Note: Sacre, Candace	Michelle Herrman.
10:41:28 AM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
10:41:36 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. Name and address?
10:42:03 AM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Direct Examination. Title?
10:42:20 AM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Caused to be filed prefiled testimony and responses?
10:42:24 AM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Revisions amendments or changes?
10:42:37 AM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Adopt all testimony and responses in this case?

10:42:49 AM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Asked same questions, answers be same?
10:43:00 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cross Examination. Direct testimony, Exhibit MDH-2, provided actual TIER and OTIER calculations for South Kentucky last several years?
10:43:41 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Part of job responsibilities perform similar TIER and OTIER calculations?
10:43:54 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Comparing how you calculated TIER and OTIER versus how Seelye calculated, provide copy of Seelye WSS-2 and WSS-3 and Rebuttal WSS-3, reviewed before?
10:45:44 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Review before filed with Commission?
10:45:51 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Seelye Rebuttal WSS-3 revised revenue requirement based on calculation 2.0 TIER, accepted small adjustments Kollen made in testimony?
10:46:12 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Line 1, WSS-3, per books amount for test year?
10:46:26 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	You or team provided Seelye with revenues/expenses contained in per books test year results?
10:46:35 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	While looking Line 1, look at Column 11, Seelye TIER calculation starts with net operating margin pf \$615,560, see that?
10:46:49 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Exhibit reflects 17 adjustments to net operating margin to come up with adjusted net operating margin?
10:47:06 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	That adjusted net operating margin used in Seelye 2.0 TIER calculation?
10:47:14 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Line 9, adjustment to remove \$1,401,979 interest on cushion of credit from net operating margin?
10:47:35 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Seelye Direct Exhibit WSS-2 original pro forma revenue requirement analysis, just like some of adjustments, just like rebuttal exhibit minus the few adjustments?
10:47:54 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Seelye Direct WSS-3 is test year operating report showing unadjusted results, adjustments, adjustment results?
10:48:17 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Direct Exhibit WSS-3, test year operating report, unadjusted results, adjustments, and adjusted results?
10:48:31 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	You or staff supply unadjusted per books amount shown in first column to Seelye?
10:48:40 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	First column, these are per books amounts for test year ended Mar 31 2020?

10:48:48 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Line 21, shows \$615,560 patronage capital and operating margins, see that, same per-books amount just saw on Rebuttal Exhibit WSS-3 Line 1 as net operating margins?
10:49:12 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Looking at first column, accurate sum of Line 29
10:50:06 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	As walk through, is how you calculate TIER?
10:50:16 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Right, not OTIER?
10:50:22 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Calculating TIER as just walked through result in per books TIER of 2.38, sound roughly right, subject to check?
10:50:42 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Referring MDH-2, your exhibit in which calculated TIER 2.34 in 2018, 2.2 in 2019, and 2.64 in 2020, TIER of 2.38 just calculated walking through falls in line with those results?
10:51:36 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Looking at Seelye Direct Exhibit WSS-3 Line 26, G&T capital credits, if want compute South Kentucky TIER excluding G&T capital credits, correct would take sum Line 29 patronage capital or margins \$7.6 million minus G&T capital credits \$5 million plus long-term debt \$5.5 million and divide by long-term debt again?
10:52:16 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Summarize what walked through, compute TIER not start with net operating margin amount reflected in Line 21?
10:53:19 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	When be calculating TIER, like Exhibit MDH-2, would start with net operating amount reflected in Line 21 if calculating TIER?
10:53:52 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. When say benchmark requirements, the 1.25 and the 1.1, respectively?
10:53:59 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). Make sure understanding, true only start with net operating amount when computing OTIER not TIER?
10:54:37 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Explain differences in TIER and OTIER?
10:55:14 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Say calculation of OTIER more calculation of cash available to service debt payments?
10:55:42 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	When looking at Seelye Direct Exhibit WSS-3, four amounts on Lines 22, 25, 26, and 27 not be included in OTIER calculation because noncash amounts not available use for operations?
10:56:11 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Line 22, nonoperating margins interest, line on operating report that includes interest income associated with cushion of credit?
10:56:40 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Does South Kentucky receive cash from RUS when cushion of credit income is recorded?
10:56:56 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Not really cash receiving?
10:57:17 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	When interest recorded, balance of cushion of credit just get increased?

10:57:25 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	See adjustment amount remove \$1,401,979 of the cushion of credit interest from per books amount Line 22?
10:57:37 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Same adjustment looked at Seelye Rebuttal Exhibit WSS-3?
10:57:45 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Seelye removed adjustment from starting net operating margins amount?
10:58:12 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Think removing credit interest of \$1.4 million appropriate since non-cash amount below line 21?
10:58:36 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	When calculate OTIER, consider all interest income associated with cushion of credit?
10:59:14 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. If cushion of credit not restricted and provided to South Kentucky in cash form, still be nonoperating income?
10:59:41 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	If South Kentucky had a CD at one percent for a year, income be operating income or this nonoperating income?
11:00:16 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). South Kentucky pro forma amount long-term debt interest originally set \$5,814,280, sound correct?
11:00:31 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Also correct Kollen stated long-term debt interest expense too high and discussed errors in determining pro forma amount?
11:00:46 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	In rebuttal, South Kentucky agreed on a few adjustments and revised long-term interest expense down to \$5.78 million, correct?
11:00:58 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Calculation of 2.0 TIER in revised revenue requirement uses \$5.78 million long-term debt interest expense?
11:01:12 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Want to discuss what happened with level of long-term debt and related interest expense since end of test year, recall discovery response stated amount of long-term debt interest expense for 12 months ended Dec 31 2021 approximately \$5.24 million?
11:01:36 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Reference, South Kentucky Response, AG Second, Item 32, you sponsored?
11:02:39 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Amount of long-term debt interest expense over half-million dollars less pro forma amount of \$5.78 million?
11:03:24 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Rebuttal testimony, South Kentucky drew down note \$10 million Jan 20 2022 interest rate 2.098 percent?
11:03:40 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Also rebuttal \$10 million loan draw down on \$40 million note executed Sept 30 2020?
11:03:55 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Dates on which remaining \$30 million be drawn down and in what increments?

11:04:27 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Recall Kollen discussing prefiled testimony South Kentucky test year methodology not reflect long-term debt principal reduction during test year and after end of test year?
11:05:05 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	In rebuttal discussed long-term debt principal increase of \$10 million draw down but not see discussed long-term debt principal reductions test year or since test year, discuss reductions?
11:05:37 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. Basing interest income on test year?
11:06:01 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	If same, it's the same, if same also be same on normalized or annualized basis?
11:06:30 AM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Want to make sure have appreciation picked up from test year and not move it, kept as nonadjustment or adjusted for payoffs updated, have a bit of debt has variable interest rate, if been updated for variable interest rate since?
11:07:04 AM	Asst Atty Gen Goad - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). Refer AG First Item 36, looking at April 5 2022, principal and annualized interest expense through Mar 2022?
11:07:45 AM	Chairman Chandler Note: Sacre, Candace	Take a short recess.
11:07:54 AM	Session Paused	
11:08:08 AM	Session Resumed	
11:08:17 AM	Session Paused	
11:15:16 AM	Session Resumed	
11:15:23 AM	Chairman Chandler Note: Sacre, Candace	Back on the record. (Click on link for further comments.)
11:15:46 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). Sponsored supplemental response and attachment filed with Commission?
11:16:01 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	First page and attachment shows principal interest expense Mar 2020, see that?
11:16:26 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Total principal amount outstanding long-term debt end of Mar 2020, end of test year?
11:16:41 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Annualized interest expense as of March 2020?
11:17:00 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	As flip through 2020, appears outstanding long-term debt and interest expense both continue to decrease, agree?
11:17:28 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Dec 2020 total principal amount at end of Dec 2020?
11:17:47 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	What was annualized interest expense as of Dec 2020?
11:17:57 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Flip through 2021, outstanding long-term debt and interest expense continue decrease until Dec 2021, annualized interest expense here?
11:18:35 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	What principal amount long-term debt?
11:18:53 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Jan 2020 when \$10 million draw down added Line 29?

11:19:11 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	When \$10 million draw down was added and caused principal go up and annualized interest go up?
11:19:22 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Couple months later, Feb-Mar 2022, same pattern principal amount long-term debt going down as well as annualized interest expense reducing again?
11:19:39 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Yesterday, South Kentucky filed another update to this request, what principal amount on outstanding loans?
11:20:37 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Annualized interest expense April 2022?
11:20:47 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Accurate state principal balance Apr 2022 over \$5 million lower than was end of test year Mar 2020?
11:21:11 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Approximately \$5.67 million less?
11:21:17 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Annualized interest expense Apr 2022 lower by almost \$400,000 when compared end of test year?
11:21:34 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Most updated long-term debt interest expense Apr 2022 considerably less than revised \$5,780,462 long-term debt South Kentucky including in proposed rates?
11:23:14 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Testimony Commission not use most recent long-term debt that South Kentucky filed into record?
11:23:50 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cushion of credit deposits, RUS allowed eligible cooperatives prepay RUS debt with cushion of credit funds without penalty before Oct 1 2020?
11:24:13 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	South Kentucky chose not to repay before October 21
11:24:26 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Before Oct 1 2020, South Kentucky aware allowed prepay without penalty?
11:24:39 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Did have direct knowledge option?
11:24:44 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Who made decision not prepay without penalty?
11:24:57 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Went to board for vote?
11:25:04 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cushion of credit deposit balance \$30 million end of test year?
11:25:12 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Rebuttal discussed analysis prepared help justify Kentucky's decision not use cushion of credit balance to prepay debt?
11:25:30 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	True performed analysis in Feb 2022 directly in response to Staff discovery question?
11:25:57 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	From discovery responses in totality appeared South Kentucky not done analysis?
11:26:09 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	What kind analysis perform before Oct 1 2020?

11:26:38 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Asked in discovery AG First, Item 28-G, supported, stated not researched into prepaying of RUS/FFB debt, explain?
11:27:56 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Recently conducted that analysis?
11:28:09 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	When asked if South Kentucky performed research into prepaying RUS/FFB debt, and answer no?
11:28:32 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Not do formal study before Oct 2020 deadline?
11:28:46 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Discuss potential prepayment of debt with cushion of credit funds with other cooperatives that did use cushion of credit pay off higher interest debts?
11:30:20 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	In analysis conducted before Oct 2020, interest rates low?
11:31:03 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	In proposed revenue request, South Kentucky made adjustment to cushion of credit income restate based on 0.09 percent interest rate Oct 1 2021?
11:31:30 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Direct, page 8, line 13, read to end of page?
11:33:10 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	South Kentucky pro form adjustment to set interest income rate for cushion of credit deposits at 0.09 percent, one-year variable treasury rate on Oct 1 2021?
11:33:24 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Interest rate cushion of credit deposits change annually on Oct 1?
11:33:36 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	In Rebuttal state one-year treasury interest rate for Apr 1 2022 1.72 percent?
11:33:53 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Also state rebuttal average historic one-year variable treasury rate is 2.86 percent?
11:34:13 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Is 2.86 percent interest rate what relied upon Feb 2022 analysis justify South Kentucky past decision not use cushion of credit prepay debt?
11:34:36 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Response, Staff Fourth, Item 1, helped draft and cosponsored response?
11:35:53 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Item 1(e)(3) state one-year variable treasury rate 1.84 percent on Apr 14 2022?
11:36:27 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Further state interest rates increasing during 2022, strong evidence one-year rate trending toward mean value calculated in your net present value analysis of 2.86 percent?
11:36:52 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Further state federal reserve indicated plans implement several rate increases for 2022, one-year treasury rate reach 2.86 percent by Jun 29 2022?
11:37:25 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Think one-year treasury rate interest be higher by June than 2.86?

11:37:40 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Did co-sponsor response?

11:37:51 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Why should Commission set interest rate for cushion of credit at 0.09 percent as South Kentucky proposes and not one of the higher interest rates by actual higher interest rates in May 2.08 percent?

11:38:45 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Same response (b), page 2 and 3 of 15 pages, state South Kentucky began using cushion of credit funds make debt service payments Dec 2021?

11:39:37 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Debt service payments mean principal and interest?

11:39:47 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Know approximate amount of monthly debt service payments making since Dec 2021?

11:40:20 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Response (b) state South Kentucky taking funds normally use debt service payments and investing Cooperative Finance Corporation commercial paper program?

11:40:37 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace What interest rate funds invested in CFC commercial paper program now?

11:41:12 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Amounts at monthly, quarterly, yearly, how set?

11:41:42 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Think interest rate for CFC commercial paper program increase?

11:41:52 AM Atty Goss South Kentucky RECC
Note: Sacre, Candace Objection, speculative.

11:41:56 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace AG's Office ask post-hearing date request South Kentucky provide schedule CFC commercial paper program interest rates available during Dec 2021 as well as each month by day, will put in writing.

11:42:04 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace ASST ATTY GENERAL GOAD - WITNESS HERRMAN
Note: Sacre, Candace SCHEDULE OF CFC COMMERCIAL PAPER PROGRAM INTEREST RATES DEC 2021 AND EACH MONTH THEREAFTER BY DAY

11:42:23 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Interest South Kentucky receiving from CFC commercial paper program included in South Kentucky revenue requirement in pending case?

11:42:51 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Interest South Kentucky receiving from CFC commercial paper program included in revenue requirement in pending case?

11:43:13 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Not included?

11:43:21 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Do you know why?

11:43:22 AM Chairman Chandler - witness Herrman
Note: Sacre, Candace Examination. CFC program, is that program nonoperating income?

11:43:30 AM Chairman Chandler - witness Herrman
Note: Sacre, Candace Company explicitly not added nonoperating income as adjustment to revenue requirement, used calculate TIER but not revenue requirement?

11:43:50 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). When South Kentucky gets interest CFC commercial paper program, cash payments?
11:44:14 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	As post-hearing data request, schedule amount of cushion of credit deposits before Dec 2021 debt service payments began, each debt service payments to date and changes in balance after each payment?
11:44:15 AM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	ASST ATTY GENERAL GOAD - WITNESS HERRMAN SCHEDULE OF CUSHION OF CREDIT DEPOSITS BEGINNING PRIOR TO DEC 2021, EACH DEBT SERVICE PAYMENT TO DATE, AND CHANGES IN BALANCE AFTER EACH PAYMENT
11:44:38 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Temporary staffing adjustment proposed by Kollen, disagree with proposed reduction temporary staff of \$107,000, not believe be reflected in revenue requirement?
11:45:02 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Further state rebuttal rehire temporary staffing in future?
11:45:48 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Has South Kentucky rehired same level temporary staffing had prior to pandemic?
11:46:29 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Post-hearing data request about one rehire, expense associated with position?
11:46:30 AM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	ASST ATTY GENERAL GOAD - WITNESS HERRMAN INFORMATION ON ONE REHIRE INCLUDING EXPENSES ASSOCIATED WITH POSITION
11:46:42 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Just one been rehired?
11:47:14 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Vacant positions, state AG discovery South Kentucky included cost of four vacant positions proposed revenue requirement?
11:47:51 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	South Kentucky Response to AG Second Item 21(a), have stated four?
11:48:02 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Amount four vacant positions \$515,000?
11:48:13 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Any been filled as of today?
11:48:30 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Post-hearing data request asking for specific expense associated with position as well as date will begin working?
11:48:31 AM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	ASST ATTY GENERAL GOAD - WITNESS HERRMAN EXPENSES ASSOCIATED WITH DIRECTOR OF CORPORATE AFFAIRS POSITION AND DATE EMPLOYEE TO BEGIN
11:48:50 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Total wages and salaries allocated between expense and capital?
11:49:04 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Amount expense translated into equivalent revenue requirement?
11:49:30 AM	Asst Atty General Goad - witness Herrman Note: Sacre, Candace	Capitalized amounts included in plant and depreciated over service life plant assets?

11:49:45 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Company proposed adjustment to increase wages and salaries?

11:49:57 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Company calculated adjustment total wages and salaries?

11:49:57 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Calculated adjustment on total wages and salaries?

11:50:09 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Know why not include overtime?

11:50:31 AM Asst Atty General Goad - witness Herrman
Note: Sacre, Candace Based on adjustments total wages and salaries made, included both expense portion and capitalized portion as if expense in adjustment?

11:52:09 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Cross Examination. Tariff revisions, Exhibit 4 Application, Revised Sheet R-14, interest on deposits, subpart (b), Section 5.42, changing date interest is paid, explain why change being made?

11:54:19 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Has deposit for over a year, interest be for 15 months first year and 12 months thereafter?

11:54:57 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Section 4.53, additional change from 12 consecutive payments to 18 consecutive payments, why change made?

11:55:31 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Back to long-term debt annualization, other changes made like wages normalized, why not decide normalize long-term debt annualization?

11:56:15 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Explain why used one-year treasury rate all months even though interest income based on October 1 rate?

11:57:14 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Post-hearing data request test year margins from cushion of credit assuming interest rate earned 2.86 percent?

11:57:15 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace ASST ATTY GENERAL GOAD - WITNESS HERRMAN
Note: Sacre, Candace TEST YEAR MARGINS FROM CUSHION OF CREDIT ASSUMING 2.86 PERCENT INTEREST RATE

11:57:26 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace And another post-hearing data request, for test year and for 2021, provided detailed description of all nonoperating margins, capital credits, and dividends; for capital credits, state whether cash payments?

11:57:27 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace ASST ATTY GENERAL GOAD - WITNESS HERRMAN
Note: Sacre, Candace FOR TEST YEAR AND FOR 2021, DETAILED DESCRIPTION OF ALL NONOPERATING MARGINS, CAPITAL CREDITS, AND DIVIDENDS AND, FOR CAPITAL CREDITS, STATE WHETHER CASH PAYMENTS

11:57:55 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Confirm regular and overtime salary/wages included in base rates?

11:58:22 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace And that South Kentucky employee labor expenses included in rate case expense?

11:58:35 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Explain why included in rate case expense when already included in wages and salaries?

11:59:03 AM Staff Atty Temple PSC - witness Herrman
Note: Sacre, Candace Back to salary study, only one used to make salary adjustments?

11:59:42 AM	Staff Atty Temple PSC - witness Herrman Note: Sacre, Candace	One have only includes base wages, is there one that addresses benefits?
12:00:23 PM	Staff Atty Temple PSC - witness Herrman Note: Sacre, Candace	Stated as Response South Kentucky not have written policy about wage and salary increases?
12:00:44 PM	Staff Atty Temple PSC - witness Herrman Note: Sacre, Candace	Simmons said pot of money allocated for increases, how parceled out, specific policy used every year?
12:01:34 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. What three percent from?
12:01:43 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Referred to as cost of living adjustment, seems like three percent increase every year whether cost of living increased or decreased?
12:02:41 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	But cost of living is reflect reduced purchasing power of \$1, is it based on objective measure of CPI or other inflation measure, adjustment government agency actually uses, or based on subjective determination by utility or by consultant?
12:04:11 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Benchmarking adjustment to other wage increases other places and other jobs?
12:04:21 PM	Staff Atty Temple PSC - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). Along with that how determine who gets that increase?
12:05:52 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. Management or board determination that employees be paid the midpoint?
12:06:43 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Written policy employees at South Kentucky be paid midpoint?
12:06:52 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	But implemented practice?
12:07:09 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Want to pay employees midpoint, serve places may require higher pay, cost of living higher, reasonable people required make more, places significantly lower, what
12:10:59 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Everybody thinks employees should make median, self-serving, moves median upward?
12:12:53 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Provide merit in addition to cost of living?
12:13:25 PM	Staff Atty Temple PSC - witness Herrman Note: Sacre, Candace	Cross Examination (cont'd). Post-hearing data request would like from 2017 to 2021 overall cost of living and merit and salary increases for all employees, not doing merit increases now but if you had been?
12:13:26 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	ASST ATTY GENERAL GOAD - WITNESS HERRMAN COST OF LIVING AND MERIT AND SALARY INCREASES FOR ALL EMPLOYEES FROM 2017 TO 2021
12:14:08 PM	Atty Goss South Kentucky RECC Note: Sacre, Candace	If different than what responded to, if same will just refer to it. (Click on link for further comments.)

12:14:23 PM	Staff Atty Temple PSC - witness Herrman Note: Sacre, Candace	Post-hearing data request provide salary for CEO last seven years, starting and ending date or current salary current CEO, if severance pay or the car include separately in response?
12:14:24 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	ASST ATTY GENERAL GOAD - WITNESS HERRMAN PROVIDE CEO SALARY LAST SEVEN YEARS AND STARTING AND ENDING DATE AND SALARY OF CURRENT CEO AND, IF SEVERANCE PACKAGE, PROVIDE SEPARATELY IN RESPONSE
12:15:01 PM	Chairman Chandler Note: Sacre, Candace	Recess until 1:15.
12:15:19 PM	Session Paused	
1:22:43 PM	Session Resumed	
1:22:53 PM	Chairman Chandler Note: Sacre, Candace	Back on the record in Case No. 2021-00407.
1:22:57 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Examination. For purposes of planning, what are parameters around what think happen around what might be, what cushion of credit might be, (click on link for further comments), have plan depending on where one-year treasury turns out?
1:24:28 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Yield curve affect decision making, (click on link for further comments), when say long-term borrowing rate, rate at which anticipate borrow own money or prevailing rate at time?
1:25:13 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Have expectation amount can earn through cushion of credit more than can borrow long term from RUS?
1:26:27 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Prevailing rate 2.09, 2.06 was your testimony?
1:26:38 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	In excess of that a couple of years ago?
1:26:57 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Borrow anything from RUS other than fund construction plans approved by RUS?
1:27:29 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	If built new headquarters, have to update construction work plan include that or separately request funding?
1:27:41 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Like nonoperational capital costs, request separately to borrow specific amount from RUS?
1:28:07 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Have expectation borrow from RUS short term for anything other than items in work plan?
1:28:30 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Draw down RUS debt, when come up with work plan four years, borrow entirety of principal or drawn down as necessary RUS debt?
1:29:49 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Have to get work plan amended?
1:30:15 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Fund working capital, fund operations from short-term instrument ahead of seeking reimbursement or funding from RUS?
1:30:39 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Line of credits for short-term borrowing, cannot use cushion of credit to pay line of credits?

1:30:58 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Can use for working capital then repay once receive money from RUS?
1:31:09 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Can repay those lines of credit with RUS debt and then can use cushion of credit to pay debt service on RUS debt?
1:31:49 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Put in \$10 million worth of poles, use line of credit fund distribution investment, then go to RUS draw ten for that and pay off \$10 million from line of credit?
1:32:11 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Have specified amortization schedule know what expected debt service be in which pay using cushion of credit?
1:32:56 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Know what cushion of credit amount is, forecast what return get on cushion of credit, find out each October for next year, know five years out what debt service use cushion of credit to pay?
1:33:36 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Absent new debt?
1:33:43 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Anticipate using cushion of credit to pay amortization next five years?
1:34:06 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	What are inputs subject to change check again in October?
1:34:39 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	New debt, or is that a use of current cash flow?
1:35:43 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	1970s, 1980s, 17 percent T-bills, interest rates high good time to be a saver and not a borrower, rising interest rates get in position where net saver, is that idea?
1:36:58 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	If debt rate 10 percent and cushion of credit earning seven, cushion of credit save money?
1:37:41 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Not know compound at return on net investment rate base, even compound at something less than that, better than zero?
1:37:56 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	For determination of debt covenants, interest expense not just consideration, TIER and OTIER revolve around interest expense?
1:38:24 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Interest expense operations related, aware nonoperation interest expense co-op incurs?
1:38:53 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	WSS-2 Seelye Direct exhibit, lines 22 25 26 27 28, nonoperating income accounts, all interest expense operating, investment accounts all nonoperating accounts, no consideration interest income nonoperating in determination revenue requirement?
1:39:45 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Any of debt covenants require minimum modified debt service coverage as exclusive requirement?
1:40:18 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	If Commission sets rates at 2.0 TIER, that determination of revenue requirement not include nonoperating income?

1:41:01 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	For purposes of revenue requirement not included, compliance with debt covenants do include nonoperating interest income?
1:41:21 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Knowing what know about plans next few years, expect majority borrowings come from four primary places, one or more primary lender?
1:41:49 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Which one?
1:42:22 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	When say test, modified DSC calculation?
1:42:39 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Getting a loan, debt covenants TIER and OTIER, not single year failure, it's two out of three?
1:42:56 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Get a loan, more of a snapshot?
1:43:30 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Just RUS and FFB use cushion of credit to pay debt service coverage?
1:43:48 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Prepayment penalties, aware any debt forbids prepayment of debt, allows but requires pay entirety of interest as would be under normal amortization?
1:44:32 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Forget source of funds, know of any debt have not allow pay debt early or pay debt early and just pay net present value expected interest payments, same as staying with the debt?
1:45:22 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Appreciate Response says can't just pay some of RUS, use entire cushion of credit, not just reduce some of RUS debt, have to stop being RUS borrower, clear out account?
1:45:46 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Forget cushion of credit, some say prepayment penalty, some say cannot pay, some allow pay off early but calculated as net present value of expected amortization schedule, pay off loan plus what expected to get, common in commercial lending?
1:46:41 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Then are some debts can pay off any time, pay off without interest penalty, know if any debt falls into lending documents do not allow prepayment at all, or require prepayment entire amortization schedule net present value basis?
1:47:56 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Look at lost opportunity cost and what are missing, their lost opportunity costs either letting borrow it or letting somebody else borrow?
1:48:07 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Part of reason not formulaic?
1:48:55 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	RUS, FFB, and CFC, but not necessarily Cobank?
1:49:10 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Other nonoperating income, get other than interest income, own for-profit entities, ignoring capital credits?
1:50:00 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Dividends, know what dividends are from nonoperating income?

1:51:09 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Nonoperating income another line of business, allowed have nonregulated affiliate, go into different line of business?
1:51:39 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Home security systems, nonoperating income?
1:52:08 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	On net present value analysis, part of responses related to analysis, 30-year historical average one-year T-bill, provided as context for response or one of metrics about 2019-2020, 30-year T-bill reversion to mean, or thinking of other metrics?
1:53:36 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Come October, data points, what were considerations looking at 2019-2020 making decision around cushion of credit, which path to take?
1:54:56 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Any other considerations, what expected to happen with it?
1:55:51 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Other liabilities, only pay debt service?
1:56:17 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Had expected interest rates to go down and stay down below two percent, changed decision?
1:57:31 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Cushion of credit still exists, anticipation seek additional flexibility, talked to NRECA any conversation around additional flexibility?
1:58:09 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	In record what return earning on other investments?
1:58:18 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Know what other investments earning?
1:58:52 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	What total amount invested?
1:59:01 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Funded by cash that would have gone to debt service able to use cushion of credit to pay RUS?
1:59:15 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	For last year, been able pay debt off with money earning .09 percent and take cash and put into accounts earn half and one percent?
1:59:43 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	\$3.3 million above or below what debt service been used cushion of credit to pay?
2:00:26 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Put more into investment account than paid in debt service from cushion of credit, or put less into investments account than paid debt service from cushion of credit?
2:00:51 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Internally, thought process every dollar otherwise put toward RUS/FFB debt, instead will replace it one for one cushion of credit cash, take dollar saved is unrestricted in separate account, idea moving forward as well?
2:01:34 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	Depend on one-year treasury rate in October and use of current cash, part of consideration looking at come October?
2:01:50 PM	Chairman Chandler - witness Herrman Note: Sacre, Candace	They being?

2:01:55 PM Chairman Chandler - witness Herrman
Note: Sacre, Candace Surprised by Simmons comment another ten years before next rate case?

2:02:06 PM Chairman Chandler - witness Herrman
Note: Sacre, Candace Have expectation policy what do with excess savings finalized prior next rate proceeding?

2:02:31 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Redirect Examination. Even having discussion today if current one-year treasury rates not at historic lows?

2:02:44 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Seems to me easy decision been South Kentucky take cushion of credit funds and pay and be done with it?

2:03:13 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Why choose hard route not easy route?

2:03:59 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Questions asked co-ops use cushion of credit funds to pay debt off, remember?

2:04:23 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Implies one size fits all approach is reliable or valuable, is that the case?

2:04:45 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Explain why not?

2:05:03 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace When last time South Kentucky came in and asked for approval for large refinancing of debt?

2:05:20 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace What was result, benefits to South Kentucky?

2:05:48 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Had South Kentucky not take proactive step, decision made in 2019 different?

2:06:30 PM Chairman Chandler - witness Herrman
Note: Sacre, Candace Examination. Question about tariff cancelling No. 17, Second Revised Sheet R-14?

2:06:53 PM Chairman Chandler - witness Herrman
Note: Sacre, Candace Subsequent question about bottom of page where something was 18 months?

2:07:08 PM Chairman Chandler - witness Herrman
Note: Sacre, Candace Post-hearing data request, mismatch what read, 5.43(b) about line says cooperative may refund any deposit when change of 18 months no consecutive, 18 months maintaining deposit, change from 12 to 18, not seem 18 is regulation referring to good payment history, ask what basis of change?

2:07:09 PM POST-HEARING DATA REQUEST
Note: Sacre, Candace CHAIRMAN CHANDLER - WITNESS HERRMAN
Note: Sacre, Candace BASIS FOR CHANGE IN TARIFF SECOND REVISED SHEET R-14 FROM 12 MONTHS TO 18 MONTHS

2:08:38 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Redirect Examination (cont'd). Prior CEO being awarded vehicle, at South Kentucky when that happened?

2:09:03 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace Explain circumstances of that and whether ongoing policy at South Kentucky?

2:09:32 PM Atty Goss South Kentucky RECC - witness Herrman
Note: Sacre, Candace CEO retired and got severance and value of vehicle, how long been on board at South Kentucky?

2:09:55 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Any kind of policy at South Kentucky retiring CEOs to get \$70,000 or \$80,000 vehicles?
2:10:21 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Goad asked questions long-term debt, current less now than what being requested in pro forma adjustment, remember?
2:10:45 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Your answer was yes?
2:10:48 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Another side to that coin?
2:11:13 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Long-term debt, take into account future draws on lines of credit or further borrowing?
2:11:30 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Why what she asked you as well as possible future borrowing thrown into hat and mixed up and pro forma adjustment provided?
2:12:07 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Wage and salary study, lot of inputs, from principal inputs for wages and salaries, consultant looks at national wage information?
2:12:50 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	What other components?
2:13:04 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	There is South Kentucky territory specific data included in wage and salary survey provided on annual basis?
2:13:29 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	Why important?
2:13:49 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	One of things Kollen points out has to do with pro forma adjustment for inability recover interest income cushion of credit?
2:14:21 PM	Atty Goss South Kentucky RECC - witness Herrman Note: Sacre, Candace	What think about that?
2:14:52 PM	Chairman Chandler Note: Sacre, Candace	You may step down.
2:14:57 PM	Chairman Chandler Note: Sacre, Candace	Recess until 2:25.
2:15:21 PM	Session Paused	
2:27:55 PM	Session Resumed	
2:28:06 PM	Chairman Chandler Note: Sacre, Candace	Back on record.
2:28:08 PM	Chairman Chandler Note: Sacre, Candace	Next witness?
2:28:10 PM	Atty Honaker South Kentucky RECC Note: Sacre, Candace	Steve Seelye.
2:28:13 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
2:28:20 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Examination. Name and address?
2:28:32 PM	Atty Honaker South Kentucky RECC - witness Seelye Note: Sacre, Candace	Direct Examination. Title?
2:28:42 PM	Atty Honaker South Kentucky RECC - witness Seelye Note: Sacre, Candace	Cause testimony be filed?
2:28:48 PM	Atty Honaker South Kentucky RECC - witness Seelye Note: Sacre, Candace	Sponsor responses?

2:28:52 PM Atty Honaker South Kentucky RECC - witness Seelye
Note: Sacre, Candace Additions or corrections?

2:28:56 PM Atty Honaker South Kentucky RECC - witness Seelye
Note: Sacre, Candace Ask same questions, responses be same?

2:29:00 PM Atty Honaker South Kentucky RECC - witness Seelye
Note: Sacre, Candace Desire and intent incorporate into record?

2:29:19 PM Chairman Chandler
Note: Sacre, Candace Questions?

2:29:34 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Cross Examination. In direct, stated South Kentucky wanted keep total percentage increase to residential class under ten percent, why target chosen?

2:30:10 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace If Commission grants different increase than South Kentucky seeking, ten percent still be target, or different allocation plan?

2:31:04 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Proposed rate design relied on COSS to develop recommendations?

2:31:13 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Confirm rate components all increased?

2:31:43 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Intend keeping phase-in process regardless what rates are?

2:32:28 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Believe proposed rate design departure from current rate design?

2:33:08 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Which classes most negatively affected by changes?

2:33:55 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace In responses Staff Third 1-4 discuss demand charges compared wholesale rate demand charge, post-hearing provide cost-based demand charges?

2:33:56 PM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY COLYER PSC - WITNESS SEELYE
Note: Sacre, Candace COST-BASED DEMAND CHARGES

2:35:01 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Post-hearing data request provide number of occurrences and total revenue for pole attachments for the test year?

2:35:02 PM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY COLYER PSC - WITNESS SEELYE
Note: Sacre, Candace PROVIDE NUMBER OF OCCURRENCES AND TOTAL REVENUE FOR POLE ATTACHMENTS FOR TEST YEAR

2:35:52 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Response Staff Second Item 31, Annual Expenses, line item for depreciation, tell me what depreciation rate applied?

2:37:17 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace What was rate used here?

2:38:12 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Also as a part of post-hearing data request ask for Excel copy of that information?

2:38:13 PM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY COLYER PSC - WITNESS SEELYE
Note: Sacre, Candace PROVIDE DEPRECIATION RATE APPLIED TO ANNUAL EXPENSES IN EXCEL FORMAT

2:38:25 PM Staff Atty Colyer PSC - witness Seelye
Note: Sacre, Candace Monthly charge for prepaid metering \$9, current cost support filed justifies rates of \$13?

2:38:39 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Why important charging monthly fee for prepaid service and not include in overall cost to provide service?
2:39:20 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Both?
2:41:05 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Post-hearing data request able provide information on number of occurrences of billing that fee and revenue from fees?
2:41:06 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY COLYER PSC - WITNESS BRADLEY PROVIDE INFORMATION ON NUMBER OF OCCURRENCES OF BILLING OF PREPAID METERING FEES AND REVENUE FROM THOSE FEES
2:41:21 PM	Staff Atty Colyer PSC Note: Sacre, Candace	Introduce document provided as an exhibit.
2:41:27 PM	Chairman Chandler Note: Sacre, Candace	Objection?
2:41:31 PM	Chairman Chandler Note: Sacre, Candace	Mark as PSC Staff Hearing Exhibit 1.
2:41:35 PM	PSC STAFF HEARING EXHIBIT 1 Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY COLYER PSC - WITNESS SEELYE RESPONSE STAFF SECOND ITEM 31 PREPAY METERING PROGRAM TARIFF SHEET T-38 STEVE SEELYE
2:41:51 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Examination. This is half a million dollars in annual revenues?
2:42:04 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Second page Response, 3,976 participants in prepay, call it 4,000?
2:42:14 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	4,000 times 12 months times \$9 a month?
2:42:22 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	About \$450,000?
2:42:30 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Is that offset to revenue, operating revenues?
2:43:40 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Agree with prepay no calculation any benefit prepay may provide, just calculation of costs?
2:44:38 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Pole attachments not have same offsetting benefits?
2:45:10 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Cross Examination (cont'd). Two documents, Item 15 Response Staff Third, other one Tariff Sheet No. 7, third page of response, bottom of page, present charge meter tests, \$120 overtime trip charge?
2:46:08 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Look at Tariff Sheet No. 7, see 260(c) indicates \$138?
2:46:29 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Charging for same thing?
2:47:03 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Know how \$120 figure arrived at?
2:47:16 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	So the tariff?
2:47:49 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Intending to keep \$138 fee as is in tariff?

2:49:12 PM	Staff Atty Colyer PSC Note: Sacre, Candace	Introduce two documents as exhibits.
2:49:17 PM	Chairman Chandler Note: Sacre, Candace	Any objection?
2:49:23 PM	Chairman Chandler Note: Sacre, Candace	Response is 2 and Tariff is 3.
2:49:23 PM	PSC STAFF HEARING EXHIBIT 2 Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY COLYER PSC - WITNESS SEELYE RESPONSE STAFF THIRD ITEM 15 NONRECURRING CHARGES UPDATE STEVE SEELYE
2:49:24 PM	PSC STAFF HEARING EXHIBIT 3 Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY COLYER PSC - WITNESS SEELYE SOUTH KENTUCKY RECC PSC KY NO 7 2ND REVISED SHEET NO R-5 CANCELING PSC KY NO 7 1ST REVISED SHEET NO R-5
2:49:31 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Rebuttal testimony discussion of TIER calculation, confirm interest income included in RUS formula for TIER?
2:49:49 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Rebuttal testimony discussed TIER calculation, confirm interest income included in RUS formula for TIER?
2:50:01 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Explain why South Kentucky proposes use TIER calculation differs from what required in loan covenants?
2:51:51 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Discussion of TIER calculation rebuttal states TIER calculated excluding noncash operating income, tell me what other nonoperating credits were?
2:52:52 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	CFC capital credits cash receipt to South Kentucky?
2:53:37 PM	Staff Atty Colyer PSC - witness Seelye Note: Sacre, Candace	Post-hearing data request on what is and what is not a cash receipt?
2:53:38 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	STAFF ATTY COLYER PSC - WITNESS SEELYE IDENTIFY WHAT IS AND WHAT IS NOT A CASH RECEIPT
2:54:00 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Examination. Provided support for updated pole attachment rates?
2:54:07 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Following Commission's decades-old formula?
2:54:27 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Do consulting for regulated/nonregulated utilities?
2:54:34 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Have done pole attachment rates for Kentucky utilities for a while, different investor-owned and cooperatives?
2:54:44 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Formulas used precedent in Kentucky recovering more or less of fixed costs related to distribution system used by pole attachers than rates being calculated in other states worked in?
2:55:30 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	For those not rate regulated by state PSC?
2:56:20 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	FCC amount be lower, anything included struggle to understand why not included in Kentucky?
2:57:59 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	And attachers been consistent participant in rate cases that have led to those rates?

2:58:16 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Proposal in tariff \$9 or \$13?
2:58:47 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Staff Hearing Exhibit 1, your calculations, couple assumptions not seem very many stones not turned over, anything this touches allocated some portion costs, prepaid customers different meter than ordinary customers?
3:00:09 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Post-hearing data request different meter disconnection/reconnection abilities, time it takes to do a transaction and what process is?
3:00:10 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Sacre, Candace	CHAIRMAN CHANDLER - WITNESS SEELYE PREPAID CUSTOMERS DIFFERENT DISCONNECTION/RECONNECTION ABILITIES, TIME IT TAKES TO DO TRANSACTION, AND THE PROCESS
3:00:27 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Heard expectation South Kentucky file additional rate adjustment next few years?
3:00:35 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Think this calculation updated to reflect experiences with prepaid program?
3:01:08 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Certain programs incentivizing usage of, agree, enrollment in program?
3:02:35 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Just cost side of ledger, determination what monthly charge be?
3:02:45 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Have expectation prepaid customers deriving benefits not being included in this?
3:03:12 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Heard from Herrman utility uses CFC do short-term borrowings for operations?
3:03:22 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Bad debt expenses, nothing for prepay program?
3:04:11 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Know how much depreciation study cost in this case?
3:04:48 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Between \$10,000 to \$15,000?
3:05:12 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Rate case expense this case a little higher than others, anything did in this case not ordinarily done?
3:06:24 PM	Chairman Chandler - witness Seelye Note: Sacre, Candace	Not that many?
3:06:43 PM	Chairman Chandler Note: Sacre, Candace	Redirect?
3:06:59 PM	Chairman Chandler Note: Sacre, Candace	Anything else from South Kentucky?
3:07:18 PM	Chairman Chandler Note: Sacre, Candace	Recess until 3:20.
3:07:38 PM	Session Paused	
3:22:05 PM	Session Resumed	
3:22:19 PM	Chairman Chandler Note: Sacre, Candace	Back on the record in Case No. 2021-00407.

3:22:24 PM	Chairman Chandler Note: Sacre, Candace	Like to call your witness?
3:22:26 PM	Asst Atty General Goad Note: Sacre, Candace	Lane Kollen.
3:22:28 PM	Chairman Chandler Note: Sacre, Candace	Witness is sworn.
3:22:37 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	Examination. Name and address?
3:22:54 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Direct Examination. Occupation?
3:23:07 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Cause be filed direct?
3:23:11 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Additions or corrections?
3:23:19 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Errata filing?
3:23:27 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Responses to discovery requests?
3:23:34 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Asked same questions, answers be same?
3:23:39 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Adopt as testimony in this matter?
3:23:46 PM	Asst Atty General Goad Note: Sacre, Candace	Discussed with counsel, ask two questions think is new evidence filed after direct, advised they are going to object. (Click on link for further comments.)
3:26:29 PM	Chairman Chandler Note: Sacre, Candace	Overrule objection. (Click on link for further comments.)
3:26:40 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Direct Examination (cont'd). Herrman rebuttal prepay long-term debt require pay off all RUS/FFB long-term debt, as well exit RUS borrower program, attaches email, recall that?
3:27:01 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Change your recommendation concerning cushion of credit?
3:28:03 PM	Asst Atty General Goad - witness Kollen Note: Sacre, Candace	Herrman states in rebuttal one-year treasury rate rising, examples April 2022, still believe in original recommendation South Kentucky better financial position use cushion of credit funds pay off highest interest debt no penalty before Oct 1 deadline?
3:30:38 PM	Staff Atty Colyer PSC - witness Kollen Note: Sacre, Candace	Cross Examination. Handed a document, South Kentucky RECC revenue requirement, adjustments listed, Adjustment 1, remove double count, \$14,937, Adjustment 4, new debt issues \$14,031.97, tell me if adjustments overlap or difference between adjustments?
3:32:32 PM	Staff Atty Colyer PSC - witness Kollen Note: Sacre, Candace	Herrman rebuttal capitalized wages not include overtime hours, any reason capitalization ratio exclude overtime hours?
3:34:13 PM	Staff Atty Colyer PSC Note: Sacre, Candace	Introduce document provided to Kollen?
3:34:20 PM	Chairman Chandler Note: Sacre, Candace	Objection? (Click on link for further comments.)
3:34:24 PM	Chairman Chandler Note: Sacre, Candace	PSC Staff Hearing Exhibit 4.
3:34:25 PM	PSC STAFF HEARING EXHIBIT 4 Note: Sacre, Candace	STAFF ATTY COLYER PSC - WITNESS KOLLEN

	Note: Sacre, Candace	AG RECOMMENDATIONS TO DECREASE LONG-TERM DEBT INTEREST EXPENSE
3:34:38 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	Examination. Talking about significant amount of money start talking about capitalization ratios?
3:35:26 PM	Chairman Chandler - witness Kollen Note: Sacre, Candace	\$119 million annual revenues, twenty of it distribution exclusive, less than \$100?
3:35:35 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:35:42 PM	Chairman Chandler Note: Sacre, Candace	Off the record a minute.
3:35:46 PM	Session Paused	
3:37:51 PM	Session Resumed	
3:38:07 PM	Chairman Chandler Note: Sacre, Candace	Questions?
3:38:14 PM	Chairman Chandler Note: Sacre, Candace	Redirect?
3:38:18 PM	Chairman Chandler Note: Sacre, Candace	Witness excused.
3:38:23 PM	Chairman Chandler Note: Sacre, Candace	Anything else from AG's Office?
3:38:28 PM	Chairman Chandler Note: Sacre, Candace	Anything from either of the parties?
3:38:38 PM	Chairman Chandler Note: Sacre, Candace	Briefs. (Click on link for further comments.)
3:40:35 PM	Chairman Chandler Note: Sacre, Candace	Post-hearing data requests. (Click on link for further comments.)
3:44:21 PM	Chairman Chandler Note: Sacre, Candace	Outstanding petitions, motions. (Click on link for further comments.)
3:44:55 PM	Chairman Chandler Note: Sacre, Candace	Hearing adjourned.
3:45:05 PM	Session Ended	



Exhibit List Report

2021-00407 10May2022

**South Kentucky Rural Electric
Cooperative Corporation (South
Kentucky RECC)**

Name:	Description:
PSC STAFF EXHIBIT 1	RESPONSE STAFF SECOND ITEM 31 PREPAY METERING PROGRAM TARIFF SHEET T-38 STEVE SEELYE
PSC STAFF EXHIBIT 2	RESPONSE STAFF THIRD ITEM 15 NONRECURRING CHARGES UPDATE STEVE SEELYE
PSC STAFF EXHIBIT 3	SOUTH KENTUCKY RECC PSC KY NO 7 2ND REVISED SHEET NO R-5 CANCELING PSC KY NO 7 1ST REVISED SHEET NO R-5
PSC STAFF EXHIBIT 4	AG RECOMMENDATIONS TO DECREASE LONG-TERM DEBT INTEREST EXPENSE

**SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
SECOND REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION—01/19/22
REQUEST 31**

RESPONSIBLE PERSON: Steve Seelye

COMPANY: South Kentucky RECC

Request 31. Refer to South Kentucky RECC's Prepay Metering Program, Tariff Sheet T-38. Also refer to the Application filed in Case No. 2013-00198, Exhibit E.

- a. Provide an update to the cost justification to the monthly program fee.
- b. Provide an update to the cost justification to the transaction fee.
- c. Provide the monthly average number of transactions of a prepay customer.

Response 31.

- a. Please see attached. The updated program fee would be \$13.00 per month (\$0.43 per day) versus the \$9.00 per month (\$0.30 per day) current charge.
- b. Please see attached.
- c. The monthly average number of transactions of a prepay member for 2021 is 4.7.

Investment in Equipment			
			<u>Per Member</u>
Equipment Costs			
1. Hardware			
Substation Hardware	\$ 77,510 ÷ 3976 participants =		\$ 19.49
Collar			<u>\$ 198.00</u>
Subtotal			<u>\$ 217.49</u>
Installation Cost			
2. CSR set up per member:			
Labor	15 min. \$ 24.01		\$ 6.00
Benefits	59.17%		\$ 3.55
OH	10.85%		\$ 0.65
3. Serviceman meter change per member:			
Labor	45 min. \$ 40.63		\$ 30.47
	59.17%		\$ 18.03
	10.85%		<u>\$ 3.31</u>
Subtotal			<u>\$ 62.01</u>
Investment per Member			<u><u>\$ 279.51</u></u>

Annual Expenses	
1. Depreciation	\$ 18.63
2. Interest & Margin 5%	\$ 13.98
3. O&M	
Hardware - 10%	<u>\$ 27.95</u>
4. Annual Expenses	<u>\$ 60.56</u>
5. Monthly Expense per member	<u>\$ 5.05</u>

Monthly Charge	
1. Monthly expense per member	\$ 5.05
2. Monthly software support	\$ 4,700.00 ÷ 3976 participants = \$ 1.18
3. Communication Fees	4 notices \$ 0.16
4. Transaction Fees; 5 average per month, one free	\$ 1.70 * 4 <u>\$ 6.80</u>
5. Monthly Expnse per Member	<u>\$ 13.19</u>
6. Updated Monthly Program Fee (Rounded)	\$ 13.00

Transaction Fee Processing		
One CS will average approximately three minutes per transaction		
1. Labor	\$ 24.01	\$ 24.01
2. Bnefits	59.17%	\$ 14.21
3. OH	10.85%	\$ 2.61
		<u>\$ 40.82</u>
4. Number of transaction per hour		24
5. Cost per Transaction		<u>\$ 1.70</u>
6. Updated		<u>\$ 1.70</u>

**SOUTH KENTUCKY RECC
PSC CASE NO. 2021-00407
THIRD REQUEST FOR INFORMATION RESPONSE**

**COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION—02/16/22
REQUEST 15**

RESPONSIBLE PERSON: Steve Seelye

COMPANY: South Kentucky RECC

Request 15. Refer to South Kentucky RECC's response to Staff's Second Request, Item 27. For each non-recurring charge, provide an update using current data.

Response 15. Please see attached.

South Kentucky Rural Electric Cooperative Corporation
Miscellaneous Charges
February 2022

<u><i>Return Check Charge:</i></u>		Per	
		<u>Hour</u>	<u>Amount</u>
Number of Minutes	<u>20</u>		
Direct labor charge	<u>\$26.95</u>	\$26.95	\$8.98
Other cost based on labor per hour		61.25%	\$5.50
Other direct cost per hour (mailing, printing & envelopes, return mailings)		\$1.80	\$0.60
Bank charges			<u>\$5.60</u>
Total charges			<u><u>\$20.69</u></u>
Updated charge			<u><u>\$21.00</u></u>
Present charge			<u><u>\$17.00</u></u>

South Kentucky Rural Electric Cooperative Corporation
Miscellaneous Charges
February 2022

Special Charges. Meter Tests

	<u>Per</u> <u>Hour</u>	<u>Special Trip Charges</u>		<u>Meter</u> <u>Tests</u>
		<u>Regular</u>	<u>Overtime</u>	
Serviceman:				
Number of minutes		<u>45</u>	<u>240</u>	<u>75</u>
Direct labor charge	\$38.76	\$29.07	\$232.55	\$21.80
Other cost based on labor	61.25%	17.80	94.96	29.67
Mileage	<u>30</u>	\$0.59	17.55	17.55
Office Clerical:				
Number of minutes		<u>20</u>	<u>20</u>	<u>20</u>
Direct labor charge	\$26.95	\$8.98	\$8.98	\$8.98
Direct wage expense	\$0.00	0.00	0.00	0.00
Other cost based on labor	61.25%	5.50	5.50	5.50
Other direct cost	\$0.00	0.00	0.00	0.00
<hr/>				
Total		<u>\$78.91</u>	<u>\$359.54</u>	<u>\$83.51</u>
<hr/>				
Updated Charge		<u>\$79.00</u>	<u>\$360.00</u>	<u>\$84.00</u>
Present charge		<u>\$36.00</u>	<u>\$120.00</u>	<u>\$48.00</u>

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

FOR: ENTIRE TERRITORY SERVED
P.S.C. KY. NO. 7
2nd REVISED SHEET NO. R-5
CANCELING P.S.C. KY. NO.7
1ST REVISED SHEET NO.R-5

RULES AND REGULATIONS

2.60 CONNECT, RECONNECT, COLLECTION AND METER READING CHARGES

- (a) The Cooperative will make no charge for connecting service to the new member's installation of service provided the connection is made during regular working hours.
- (b) The Cooperative may make a service charge of \$36.00 for the following:
 - 1. A trip to either disconnect a past due account, collect the past due amount, or if utility representative agrees to delay termination based on customers agreement to pay delinquent bill by specific date. (T) (T) (T)
 - 2. A trip to reconnect an account that has been disconnected for delinquent bill or to reconnect an account that is seasonal that was disconnected within the previous 12 months. (T) (T) (T)
 - 3. If due to consumers negligence or refusal to grant an identified Cooperative agent or contract meter reader access for meter reading and a Cooperative employee is dispatched to read the meter and/or disconnect.
- (c) In lieu of (a) and (b) above, a charge of \$138.00 shall apply if the consumer requests service before or after regular working hours. (T) (I) (T)

2.70 RETURN CHECK CHARGE

The Cooperative will make a charge of \$17.00 for each check returned unpaid by the bank for any reason. The returned check charge will be added to the amount of the return check and be subject to the conditions set forth in Section 5.50, Unpaid Checks from Consumers. (I)

2.80 SERVICE CHARGES FOR TEMPORARY SERVICE

Consumers requiring temporary service may be required to pay all costs of connecting and disconnecting incidental to the supplying and removing of service. In addition to this, an amount will be required to cover estimated consumption of electricity. All such costs will be paid in advance. Any balance remaining at the end of temporary service will be refunded. (This rule applies, but not limited, to carnivals, fairs, voting booths, temporary construction projects, etc.) Temporary line extension requirements are in Section 6.

OFFICE OF THE PUBLIC SERVICE COMMISSION
JAN 15 2000
PUBLISHED BY THE COMMISSION
12-22-99
BY _____
Secretary of the Commission

DATE OF ISSUE: December 22, 1999 DATE EFFECTIVE: January 15, 2000

ISSUED BY: Dary Cairns GENERAL MANAGER & C.E.O.
SOUTH KENTUCKY R.E.C.C. P.O. BOX 910 SOMERSET, KENTUCKY 42502. Issued
by authority of an order of the Public Service Commission of Kentucky
in Case No. 99-380 dated December 15, 1999. **PSC STAFF EXHIBIT 3**

South Kentucky Rural Electric Cooperative Corporation
AG Recommendations to Decrease Long-Term Debt Interest Expense
Case Number 2021-00407
(\$)

Source: Staff 1-3 Exhibit 3, Schedule B-1, Response to AG 1-46

	LTD Int Expense	2.0 TIER
Adjustment 1 - Remove Double Count of Interest Expense for Feb 2020 Issuance This amount already in test year expense and not removed from Sch 2.08 Proforma	(14,937)	(29,874)
Adjustment 2 - Reflect Annualization of March 31, 2020 Debt Company Computed Annualized Interest Exp Without Annual Section 9 Interest Based on Debt Outstanding at March 31, 2020 (Sch B-1 page 2 of 2)	5,403,328	
Less: Company Computed Annualized Interest Expense for Two New Debt Issuances in Feb and Mar of 2020 (Subject to Sch 2.08 Proforma Adjustment)	(231,060)	
Company Computed Annualized Interest Exp Without Annual Section 9 Interest and Without Feb and March 2020 New Debt Issuances Based on Debt Outstanding at March 31, 2020 (Sch B-1 page 2 of 2)		5,172,268
Outstanding RUS/FFB Debt at March 31, 2020 - Without Proforma (Sch 2.08) Issuances Annual Section 9 Interest Expense Rate Added to Coupon Rate	102,205,579 0.125%	
Annual Section 9 Interest Expense Added to Coupon Rate Interest Expense		127,757
Total Annualized Interest Expense Without Feb and March 2020 Issuances That Are The Subject of the Sch 2.08 Proforma Adjustment		5,300,025
Test Year LTD Interest Expense	5,533,865	
Feb 2020 Interest Expense Included in Test Year - Already Removed Above	(14,937)	
Test Year Interest Expense (After removal of Test Year Amount for February 2020 Debt Issuance)		5,518,928
Adjustment Required to Annualized All Debt Outstanding Other Than Feb and Mar 2020 Issuances	(218,902)	(437,805)
Adjustment 3 - Reflect Company Admitted Error in the Interest Expense Annualization for New Debt Issues Sch 2.08 Calculated by the Company in Response to AG 1-46	(15,942)	(31,883)

Adjustment 4 - Correct Further Company Interest Expense Annualization for New Debt Issues

Company's Calculation of Annualized Interest Expense provided in AG 1-46

	FFB 5-6	7-Feb-20		FFB 5-7	24-Mar-20
	3/31/2020	14,031.97	3/31/2020	2,940.49	Accrual
	6/30/2020	24,092.62	6/30/2020	35,922.62	
	9/30/2020	24,211.41	9/30/2020	33,499.78	
	12/31/2020	24,066.03	12/31/2020	33,269.48	
	3/31/2021	23,464.05	3/31/2021	32,408.85	
Annual Section 9 Interest	6,250.00	Annual Section 9 Interest	15,000.00		
	116,116.08		153,041.22		

Remove Amounts in Quarter Ended 3/31/20 as Outside of Annual Period
Adjustment 3 (14,031.97) (2,940.49)

Adjustment 3 - Correct Further Company Interest Expense Annualization for New Debt Issues

	(16,972)	(33,945)
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