

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FARMERS)	
RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR A GENERAL)	CASE NO.
ADJUSTMENT OF RATES PURSUANT TO)	2023-00158
STREAMLINED PROCEDURE PILOT PROGRAM)	
ESTABLISHED IN CASE NO. 2018-00407)	

ORDER

On June 16, 2023, Farmers Rural Electric Cooperative Corporation (Farmers RECC), pursuant to the amended “streamlined procedure” established in Case No. 2018-00407,¹ filed an application seeking a general adjustment in its rates, with a proposed effective date of July 16, 2023.² By Order dated August 3, 2023, the Commission accepted Farmers RECC’s application pursuant to the streamlined procedure established in Case No. 2018-00407. The Commission, pursuant to KRS 278.190(2), also suspended the effective date of the proposed rates for five months, up to and including January 19, 2024. In addition, the August 3, 2023 Order established a procedural schedule for processing this case. Pursuant to the streamlined procedure, the Attorney General of the Commonwealth of Kentucky, through the Office of Rate Intervention (Attorney General) was made a party to the case.

¹ Case No. 2018-00407, *A Review of the Rate Case Procedure for Electric Distribution Cooperatives* (Ky. PSC Dec. 20, 2019).

² Application at 5.

The Attorney General is the only intervenor in the case. Farmers RECC responded to one information request from Commission Staff and one information request from the Attorney General. On September 14, 2023, both the Attorney General and Farmers RECC filed comments on Farmers RECC's application.

BACKGROUND

Farmers RECC is a non-profit, member-owned, rural electric distribution cooperative organized and existing under KRS Chapter 279. Farmers RECC is engaged in the business of distributing retail electric power to approximately 26,452 customers in Adair, Barren, Edmonson, Grayson, Green, Hardin, Hart, Larue, Metcalfe, Monroe and Warren counties, Kentucky.³ Farmers RECC does not own any electric generating facilities and is one of the 16-member cooperatives that own and receive wholesale power from East Kentucky Power Cooperative, Inc. Farmers RECC's last general rate adjustment was effective May 12, 2017, in Case No. 2016-00365.⁴

TEST PERIOD

Pursuant to the streamlined procedures established in Case No. 2018-00407, Farmers RECC is using a historical test year ending on December 31, 2022.⁵

FARMERS RECC'S PROPOSAL

Farmers RECC requested an overall increase of 3.99 percent, or \$2,415,704 to its revenue requirement to achieve an Operating Times Interest Earned Ratio (OTIER) of

³ *Annual Report of Farmers RECC to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2022* at 45 and 53.

⁴ Case No. 2016-00365, *Application of Farmers Rural Electric Cooperative Corporation for an Increase in Retail Rates* (Ky. PSC May 12, 2017).

⁵ Application at 5.

1.51.⁶ Farmers RECC proposed to allocate 100 percent of the requested revenue increase to the residential rate class by increasing the residential customer charge. Farmers RECC requested to increase the residential monthly customer charge from \$14.49 to \$19.50, or a 34.58 percent increase.⁷ Farmers RECC also requested to increase the residential energy charge from \$0.087687 to \$0.090673 per kWh. These changes also applied to the net metering rider.⁸

Farmers RECC cited increased costs of conducting business as support for its requested increase.⁹ In particular, Farmers RECC asserted that over the last seven years, it has experienced an average annual growth rate in memberships of 0.7 percent and a similarly flat increase in average energy sales.¹⁰ Farmers RECC also notes that right-of-way management costs, specifically price per mile, has risen by 32 percent since Farmers RECC's last rate case was finalized in 2017.¹¹

Pursuant to the streamline procedure, Farmers RECC filed its cost of service study (COSS) along with the application and Farmers RECC relied on this COSS to allocate the proposed revenue to the rate classes.¹² Farmers RECC supported its proposed rate design by noting that the residential class is the only customer classification not contributing its appropriate share towards Farmers RECC's cost of providing service,

⁶ Application at 3, Direct Testimony of John Wolfram (Wolfram Testimony) at 7.

⁷ Application, Exhibit 4, Customer Notice.

⁸ Wolfram Testimony at 24–26.

⁹ Application at 2.

¹⁰ Moss Testimony at 5–6.

¹¹ Farmers RECC's Comments (filed Sept. 14, 2023) at 4.

¹² Wolfram Testimony at 23.

resulting in a cross-subsidization from all other customer groups.¹³ Farmers RECC averred that not only does the proposed rate design help to address the subsidization between rate classes, but it will also move Farmers RECC's rate structures in the direction of cost based rates.¹⁴

COST CONTAINMENT

Farmers RECC discussed several of its cost-containment measures in order to avoid or minimize rate adjustments throughout the application. Farmers RECC largely focused on financing. First, it was noted that on April 15, 2020, Farmers RECC obtained a Small Business Administration Payroll Protection Program loan in the amount of \$1,096,767.50 to help cover a portion of its labor costs during the 2020-2021 COVID pandemic. Forgiveness of the loan was awarded on February 2, 2021, and the forgiven amount was recognized as miscellaneous non-operating income.¹⁵ Additionally, Farmers RECC noted that on November 20, 2017, it refinanced its remaining Rural Utilities Services (RUS) debt with National Rural Utilities Cooperative Finance Corporation (CFC) with a fixed rate of 3.50 percent, for an estimated savings of \$502,393 over the 13-year life of the new loan.¹⁶ Farmers RECC has reorganized and created positions to ensure more efficient management of the cooperative, including outsourcing a lockbox service, and creating a purchasing manager position focusing on implementing better strategies

¹³ Wolfram Testimony at 23.

¹⁴ Wolfram Testimony at 26.

¹⁵ Moss Testimony at 7.

¹⁶ Application, Exhibit 20.

for competitively quoting bids, minimizing waste, and improving the utilization of material workflow.¹⁷

INTERVENOR COMMENTS

The Attorney General requested that the Commission limit any rate increase granted to Farmers RECC to what Farmers RECC has proven with known and measurable evidence to be fair, just, and reasonable.¹⁸ The Attorney General expressed concern that the entirety of the proposed rate increase is applied to the residential class and that this proposed increase is placed entirely upon the customer charge. The Attorney General argued that Farmers RECC's service area has high poverty rates and that if the requested increase were granted that the residential class will be paying a higher energy charge than the commercial and industrial rate class using less than 50 kW per month.¹⁹ The Attorney General suggested mitigating the rate increase to the residential class by considering increasing the customer charges for other classes and sharing the burden of the proposed increase across the rate classes, as well as following principles of gradualism with a two-phased approach for any increase in the residential customer charge.²⁰

The Attorney General requested that the Commission carefully review Farmers RECC's employee compensation and benefit plans.²¹ The Attorney General further

¹⁷ Application Exhibit 20.

¹⁸ Attorney General's Comments (filed Sept. 14, 2023) at 16.

¹⁹ Attorney General's Comments at 3 and 5. Although the Attorney General's comments specify "50 kWh" the rate classes that are referenced are based on demands of less than 50 kW.

²⁰ Attorney General's Comments at 4–5.

²¹ Attorney General's Comments at 6–7.

asked that the Commission pay particular attention to the compensation of Farmers RECC's Chief Executive Officer (CEO) and commented that increases to the CEO salary and benefits are unjustified and should be kept within the bounds of reason. The Attorney General encouraged the Commission to fully evaluate the benefits offered by Farmers RECC such as the retirement plans (including supplemental executive retirement plans), and health insurance premium costs for all coverages, including single and family coverage, to ensure the plans and coverage allow what is reasonable, which will lead to fair, just and reasonable rates.²²

The Attorney General argued that Farmers RECC should evaluate and reduce its miscellaneous expenses. Among other things, miscellaneous expenses include meeting costs, donations, dues, and community support.²³ The Attorney General averred that Farmers RECC should strive to better utilize ratepayers' money by reducing expenditures that are not directly related to providing safe and reliable electric service, in order to stall future rate increases.²⁴

The Attorney General argued that the inclusion of unfilled and vacant positions, specifically a currently unfilled engineering manager position, in the revenue requirement asks the customers to pay an electric rate that includes the salary and benefits associated with this vacant position.²⁵ The Attorney General requested the removal of costs associated with the vacant position from the requested rate increase.

²² Attorney General's Comments at 7.

²³ Attorney General's Comments at 8.

²⁴ Attorney General's Comments at 8.

²⁵ Attorney General's Comments at 9.

The Attorney General argued that Farmers RECC's request to more than double the right-of-way expense is unreasonable based on comparison to the company's right-of-way costs in previous years. The Attorney General recommended basing the right-of-way expense upon Farmers RECC's actual expenditures from the past three years (2020-2022).²⁶ The Attorney General also requested that the Commission require Farmers RECC to pursue opportunities with regional electric utilities, as well as the Kentucky Transportation Cabinet/Kentucky Department of Highways, to attempt to reduce right-of-way expense.²⁷

The Attorney General argued that Farmers RECC's propane income, interest income, or any other revenue generating investments should be included in the pending rate case to offset the proposed rate increase.²⁸ The Attorney General further stated that processing fees for credit cards should be removed from the revenue requirement out of concern that the inclusion of credit card processing fees in the electric rates are ultimately being subsidized and borne by those customers who can least afford it.²⁹ The Attorney General also recommended a five-year period to amortize rates as opposed to the three-year period proposed by Farmers RECC based on the fact that it has been over seven years since the utility's last general rate case.³⁰ The Attorney General stated that the 1.51 OTIER and 1.86 TIER is not necessary for Farmers RECC to provide safe and

²⁶ Attorney General's Comments at 10.

²⁷ Attorney General's Comments at 10–11.

²⁸ Attorney General's Comments at 11.

²⁹ Attorney General's Comments at 12.

³⁰ Attorney General's Comments at 13.

reliable electric service and asks the Commission to only award an OTIER and TIER that will lead to fair, just and reasonable rates.³¹

Finally, the Attorney General asked the Commission to address a potential conflict of interest that Farmers RECC's Nepotism Policy fails to rectify. A hired service manager, who is the son-in-law of an appointed board member was employed prior to the enactment of the policy in 2017. The current policy does not address already existing conflicts. The Attorney General asks the Commission to take steps to resolve the conflict.³²

DISCUSSION

Revenue and Expense Adjustments

Farmers RECC proposed 16 adjustments to normalize its test-year operating revenues and expenses per the streamlined application. The Commission finds that 15 of the adjustments proposed by Farmers RECC are reasonable and should be accepted without change. Shown below are the Commission approved adjustments:

³¹ Attorney General's Comments at 15.

³² Attorney General's Comments at 16–17.

<u>Description</u>	<u>Amount</u>
Fuel Adjustment Clause	\$ (98,601)
Environmental Surcharge	44,642
Interest Expense	(284,255)
Depreciation Normalization	(126,592)
Year End Customers	62,894
FEMA Credit	(66,995)
Donations, Promo Ads & Dues	284,932
Directors Expenses	30,534
Wages & Salaries	(23,561)
401k Contributions	14,594
Life Insurance	7,748
Rate Case Costs	(23,333)
Outside Services	78,516
G&T Capital Credits	(1,516,655)
Payroll Taxes	(1,639)
Total	<u>\$ (1,617,771)</u>

Salaries and Benefits – Farmers RECC hired a new CEO in January 2023 who is paid less than the previous CEO.³³ While Farmers RECC does not include the CEO in its wage benchmarking studies, the overall adjustment to the test-year was a decrease in expenses and there is no information in the record which indicates that the total salary and benefits package is excessive. The Commission finds that Farmers RECC should include the CEO position in its future benchmarking studies but that no adjustment is necessary at this time.

Farmers RECC does not make employer contributions to its Supplemental Executive Retirement Plan (SERP) but does pay an annual administration fee of \$1,000.³⁴

³³ Farmers RECC's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed Sept. 7, 2023), Item 22.

³⁴ Farmers RECC's Response to the Attorney General's First Request, Item 59.

The Commission finds that this expense should be removed from the test-year, consistent with Commission precedent.³⁵

While the streamlined procedure only requires an adjustment if employees do not contribute to health insurance premiums, the Commission has since maintained the position that employee contribution rates of less than 12 percent will be adjusted to the Bureau of Labor Statistics (BLS) average.³⁶ Farmers RECC's employees contribute 10 percent of their health insurance premiums so the Commission finds that an adjustment is necessary. Reducing the employer contribution rates to the BLS average results in a test-year expense reduction of \$108,699.

The Attorney General recommended removing expenses related to a vacant engineering manager position. Farmers RECC stated that the position was vacated on June 23, 2023, well after the end of the test-year.³⁷ However, Farmers RECC also included expenses for an employee that was hired on April 3, 2023, well after the end of the test-year.³⁸ A vacancy that occurs after the test year should not be excluded and the vacancy filled after the test year should not be included. The Commission finds that the

³⁵ Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates For Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2023), Order at 15–17.

³⁶ Case No. Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 9; Case No. 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Mar. 16, 2023), Order at 5–6.

³⁷ Farmers RECC's Response to the Attorney General's First Request, Item 46.

³⁸ Farmers RECC's Response to Commission Staff's First Request (Staff's First Request) (filed Sept. 7, 2023), Item 8(a). While Farmers RECC's response identified employees H52 and H54, the employees identified as hired after 2022 were H52 and H53.

expenses for the position that was filled after the end of the test-year should be removed, an expense reduction of \$31,411.³⁹

Right-of-Way – Farmers RECC proposed an adjustment to increase test-year right-of-way expenses of \$1,015,237 by \$1,284,762, for a total test-year expense of \$2,300,000.⁴⁰ Farmers RECC stated that the right-of-way expense was estimated based on bids received for 2024 and increased miles cleared to achieve a maintenance cycle of 7-8 years.⁴¹ The Attorney General recommended an adjustment to reduce the test-year expense to \$1,399,540, Farmers RECC’s average expenditures from 2020-2022.⁴²

Farmers RECC’s adjustment was not based on known and measurable changes to the right-of-way expenses as Farmers RECC used an average of bids and not an executed contract. Although Farmers RECC stated that a 7-8 year cycle would require clearing 400-500 miles per year, the total miles maintained are 2,990, which would require 374 to 427 miles per year.⁴³ The proposed adjustment was also based on estimated costs from two years after the test year. However, the Attorney General’s adjustment would not allow Farmers RECC reasonable expenses to achieve an appropriate maintenance cycle. While Farmers RECC did not meet the full budget in every year, the total actual expenses for 2012-2022 are greater than the budgeted amount by \$189,163

³⁹ Application, Exhibit JW-2 at 18 and 27. The adjusted test-year wages for H53 were \$50,835 and payroll taxes were \$3,964, for a total of \$54,799. The expense allocation used to both expenses was 57.32%. The total expense adjustment is a reduction of \$31,411.

⁴⁰ Application, Exhibit JW-2 at 11.

⁴¹ Farmers RECC’s Response to Staff’s First Request, Item 2(d).

⁴² Attorney General’s Comments at 10.

⁴³ Farmers RECC’s Response to Staff’s First Request, Items 2(c) and 2(d).

and Farmers RECC was over or at budget for 4 of the last 5 years.⁴⁴ The Commission finds that right-of-way expenses should be normalized based on the 2022 expense per mile and the 5-year average miles cleared for a total cost of \$2,074,615, an expense reduction of \$225,385.

Payment Processing Fees – Farmers RECC does not pass the transaction costs for payment processing through to its ratepayers and incurred \$217,668 in the test-year for card processing fees.⁴⁵ The Attorney General recommended that the entire expense be removed from the test-year because other payment options such as cash and checks do not incur costs for Farmers RECC, some customers receive points and rewards related to paying with credit cards, and low income customers have more difficulty obtaining credit cards and bank accounts.⁴⁶ The study referenced by the Attorney General stated that credit card balances increased for people who were laid off in the prior year, only 5 percent of people did not have a bank account, and the majority of low income people have access to a bank or credit card.⁴⁷ The Commission finds that card processing fees should not be removed from base rates because there are costs to all payment processing methods and passing through the costs for one specific payment could have unintended consequences on late and returned payments.

⁴⁴ Farmers RECC's Response to the Attorney General's First Request, Item 25.

⁴⁵ Farmers RECC's Response to the Attorney General's First Request, Item 36.

⁴⁶ Attorney General's Comments at 12.

⁴⁷ Board of Governors of the Federal Reserve System, Economic Well-Being of U.S. Households in 2020 - May 2021 (<https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-banking-and-credit.htm>).

Non-utility Income – Farmers RECC recorded margins from non-utility revenue streams of \$750,255 in the test-year.⁴⁸ Farmers RECC stated that the OTIER formula does not consider non-utility margins because it is based on operating margins.⁴⁹ The Attorney General recommended that the non-utility margins be included in the revenue requirement. The Commission finds that Farmers RECC's rates should be based on a 2.0 TIER, which will include the non-utility margins in base rates because TIER is based on net margins.

Rate Case Expense – Farmers RECC amortized estimated rate case expenses of \$70,000 over three years. The Attorney General recommended that rate case expenses be amortized over five years because Farmers RECC's last rate case was filed seven years ago. The Commission finds that a three-year amortization period is an appropriate amortization period because the purpose of the streamlined process is to encourage cooperatives to file more frequent rate cases.

Pro Forma Adjustments Summary

The pro forma adjustments are found in Appendix A. The effects of the adjustments on Farmers RECC's net income results in utility operating margins of \$1,334,708 based upon a total revenue of \$51,079,100, a total cost of electric service of \$ 49,744,392 and resulting net margins of \$2,084,963. The resulting cretic metrics are a 2.0 TIER, a 1.65 OTIER, and a debt service coverage ratio of 1.77, all of which will give Farmers RECC a reasonable margin to achieve its debt covenants.

⁴⁸ Application, Exhibit JW-2 at 1, lines 26-29, column 4.

⁴⁹ Farmers RECC's Response to Staff's First Request, Item 1.

Cost of Service

Farmers RECC filed a fully allocated COSS based upon the 12 Coincident Peak methodology in order to determine the cost to serve each customer class. This COSS determined Farmer RECC's overall rate of return on rate base and the relative rates of return from each rate class and was used as a guide in the proposed rate design.⁵⁰ Having reviewed Farmers RECC's COSS, the Commission finds it to be acceptable for use as a guide in allocating the revenue increase granted herein.

Revenue Allocation and Rate Design

Based on the results of the COSS, there is indication that the current rates illustrate a certain degree of subsidization between the rate classes, and, at current rates, the residential rate is providing less than the cost to serve while it is over-recovering its costs with regard to other customer classes. Farmers RECC explained that the need to increase rates is limited to the Residential Rate R, TOD Residential, Residential ETS, and Net Metering because they are the only rate classes being subsidized by the collective other rate classes.⁵¹ Farmers RECC proposed to apply 100 percent of the rate increase to the residential rate schedule. The Revenue Allocation is illustrated below:⁵²

⁵⁰ Wolfram Testimony at 16.

⁵¹ Wolfram Testimony at 22–23.

⁵² Wolfram Testimony at 21–22 and Farmers RECC Response to Staff's First Request, Item 10, Attachment Farmers-COS-2022-PSC1-10v0.xlsx.

Rate	Return on Rate Base	Unitized Return on Rate Base	Return After Rate Revision	Unitized Return After Rate Revision
Schedule R – Residential Rate	(1.20%)	(1.72)	0.70%	0.30
Schedule R – Residential Time of Day Rate	(3.37%)	(4.83)	(2.38%)	(1.04)
Schedule C - Comm. & Indust. Service Rate < 50 kW	6.58%	9.44	6.58%	2.87
Schedule C - Comm. & Indust. Service Rate > 50 kW	14.65%	21.01	14.65%	6.39
Residential Off Peak Electric Thermal Storage Tariff	(10.04%)	(14.40)	(10.04%)	(4.38)
Schedule C - Large Commercial 10% Discount	3.76%	5.40	3.76%	1.64
Schedule E - Large Industrial Rate	11.29%	16.19	11.29%	4.93
Schedule LPC-2 Large Power Rate Tariff	4.83%	6.93	4.83%	2.11
Schedule D - Large Comm/Ind Opt Time of Day Rate	15.21%	21.82	15.21%	6.64
Net Metering Tariff	(16.03%)	(22.98)	(14.47%)	(6.32)
Schedule LPE-4 Large Power Time of Day Rate Tariff	22.30%	31.99	22.30%	9.73
Schedule C - TOD Comm - Three Phase	10.38%	14.89	10.38%	4.53
Lighting	12.50%	17.93	12.50%	5.46
TOTAL	0.70%	1.00	2.29%	1.00

Farmers RECC asserted that the COSS supports a fixed customer charge of \$25.50 for the residential class but proposed only to close the gap between the current customer

charge of \$14.49 to \$19.50 per month.⁵³ Additionally, Farmers RECC stated that the proposed \$19.50 customer charge will close about 46 percent of the gap, while keeping the customer charge below \$20 and that this movement of less than halfway across the gap between current and cost-based rates is consistent with the ratemaking principle of gradualism.⁵⁴

The Commission finds that while the COSS supports the proposed increase to the residential class because, at the current rates, the residential class is contributing to the rate of return less than its cost to serve, the proposed increase will be attributable to the residential rate classes for a 10 percent decrease in subsidies. The Commission gives substantial weight to the evidence from the COSS that indicates other classes are earning considerably more than the residential class relative to their cost of service. However, in regard to rate design, the Commission finds that, for an electric cooperative that is strictly a distribution utility, there is merit in providing a means to guard against revenue erosion that often occurs due to the decrease in sale volumes that accompanies poor regional economies, changes in weather patterns, and the implementation or expansion of demand-side management and energy-efficiency programs. These factors are present in this matter, and applicable to Farmers RECC. The Commission also agrees with the Attorney General in the fact that Farmers RECC's service territory has a high poverty rate and a rate increase of this size to only the residential class could present financial hardships for Farmers RECC's customers.⁵⁵ Again, the Commission gives considerable

⁵³ Wolfram Testimony at 25.

⁵⁴ Wolfram Testimony at 25.

⁵⁵ Attorney General's Comments at 3–4.

weight to the COSS, which supports a customer charge of \$25.50 and the proposed customer charge is within what is calculated in the COSS.

However, based upon the Commission-approved revenue requirement and increase of \$2,342,890, the Commission finds that the proposed increase will be attributable to the residential rate classes for a 10 percent decrease in subsidies. Additionally, the Commission finds the customer charge to be unreasonable and that it should only be increased from \$14.49 to \$18.12 and that the additional residential increase should be applied to the energy charge. The Commission also finds that the remainder of the revenue increase will be equitably allocated to all remaining classes as a fixed percentage increase to the energy charges.

SUMMARY

The Commission recognizes the Attorney General's concern regarding the compensation and benefits, the changes to the customer charge, and use of ratepayer funds for miscellaneous expenses. The Commission also recognizes Farmers RECC's cost containment measures in the midst of decreased margins and limited growth. The Commission evaluated the wage and salary information and encourages Farmers RECC to maintain support and documentation of all wage and salary increases and bonuses and to continue evaluating budgetary constraints and economic conditions prior to awarding these increases. The Commission urges Farmers RECC to evaluate its right-of-way spending and explore all options, including regional bidding with other cooperatives and bringing the service in house, to limit the expense while achieving an appropriate clearing cycle. The Commission also requests that Farmers RECC be cognizant of its miscellaneous spending and be prudent in its spending of money that is

not directly related to providing electric service. Finally, the Commission reminds all parties that the purpose of the Streamline Pilot Program is to encourage electric cooperatives to come in for more frequent, smaller rate increases so to ensure financial stability.

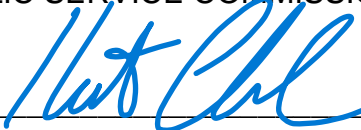
After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The rates proposed by Farmers RECC should be denied.
2. The rates set forth in Appendix B to this Order are the fair, just and reasonable rates for Farmers RECC to charge for service rendered on and after the date of this Order and should be approved.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Farmers RECC are denied.
2. The rates set forth in Appendix B to this Order are approved for services rendered by Farmers RECC on and after the date of this Order.
3. Within 20 days of the date of entry of this Order, Farmers RECC shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and reflecting its effective date and that it was authorized by this Order.
4. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
OCT 03 2023
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00158 DATED OCT 03 2023

Description	Actual Rates Actual Test Yr	Pro Forma Adjustment	Present Rates Adjusted TY	Increase	Final Rates Adjusted TY
<u>Operating Revenues</u>					
Total Sales of Electric Energy	60,386,323	(12,390,898)	47,995,425	2,342,890	50,338,315
Other Electric Revenue	740,785	-	740,785		740,785
Total Operating Revenue	61,127,108	(12,390,898)	48,736,210	2,342,890	51,079,100
<u>Operating Expenses:</u>					
Purchased Power	45,844,519	(12,399,832)	33,444,687		33,444,687
Distribution Operations	1,762,215	-	1,762,215		1,762,215
Distribution Maintenance	3,383,090	1,126,373	4,509,463		4,509,463
Customer Accounts	1,377,839	-	1,377,839		1,377,839
Customer Service	117,260	-	117,260		117,260
Sales Expense	-	-	-		-
A&G	2,176,147	(508,900)	1,667,247		1,667,247
Total O&M Expense	54,661,070	(11,782,360)	42,878,710		42,878,710
Depreciation	3,728,106	126,592	3,854,698		3,854,698
Taxes - Property & Gross Recpts	817,969	-	817,969		817,969
Taxes - Other	55,623	-	55,623	3,493	59,116
Interest on LTD	1,800,708	284,255	2,084,963		2,084,963
Interest - Other	38,836	-	38,836		38,836
Other Deductions	10,100	-	10,100		10,100
Total Cost of Electric Service	61,112,412	(11,371,513)	49,740,899	3,493	49,744,392
Utility Operating Margins	14,696	(1,019,385)	(1,004,689)	2,339,397	1,334,708
Non-Operating Margins - Interest	59,725	-	59,725		59,725
Income(Loss) from Equity Investments	484,635	-	484,635		484,635
Non-Operating Margins - Other	41,944	-	41,944		41,944
G&T Capital Credits	1,516,655	(1,516,655)	-		-
Other Capital Credits	163,951	-	163,951		163,951
Net Margins	2,281,606	(2,536,040)	(254,434)	2,339,397	2,084,963
Cash Receipts from Lenders	27,070		27,070		27,070
OTIER	1.02		0.53		1.65
TIER	2.27		0.88		2.00
TIER excluding GTCC	1.42		0.88		2.00
Target TIER	2.00		2.00		2.00
Margins at Target TIER	1,800,708		2,084,963		2,084,963
Revenue Requirement at Target TIER	62,913,120		51,825,862		51,829,355
Revenue Deficiency at Target TIER	(480,898)		2,342,890		-
Variance from Target TIER			(1.12)		-
Target OTIER	1.85		1.85		1.85
Margins at Target OTIER	3,770,442		2,495,404		2,495,404
Revenue Requirement at Target OTIER	64,882,854		52,236,303		52,239,795
Revenue Deficiency at Target OTIER	1,488,836		2,749,838		410,441
Variance from Target OTIER			(1.32)		(0.20)
Debt Service Coverage Ratio					1.77
Increase \$					2,342,890
Increase %					3.88%

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00158 DATED OCT 03 2023

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

Schedule R – Residential Service

Customer Charge per Month	\$ 18.12
Energy Charge per kWh	\$ 0.088816

Schedule R – Time-of-Day – Residential Service

Customer Charge	\$ 23.97
Energy Charge – On Peak per kWh	\$ 0.110191
Energy Charge – Off Peak per kWh	\$ 0.061343

Net Metering

Customer Charge per Month	\$ 18.12
Energy Charge per kWh	\$ 0.088816

Schedule RM – Residential Off-Peak Marketing - ETS

Energy Charge – Off Peak per kWh	\$ 0.053958
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Schedule C – Commercial and Industrial Service Rate <50 kW

Customer Charge per Month	\$ 23.39
Energy Charge per kWh	\$ 0.087732

Schedule C – Commercial and Industrial Service Rate >50 kW

Customer Charge per Month	\$ 115.18
Energy Charge per kWh	\$ 0.066690
Demand Charge per kW	\$ 8.66

Schedule E – Large Industrial Rate

Customer Charge per Month	\$ 1,253.27
Energy Charge per kWh	\$ 0.052032
Demand Charge per kW	\$ 8.66

Schedule LPC-2 - Large Power

Customer Charge per Month	\$ 1,412.92
Energy Charge per kWh	\$ 0.056677
Demand Charge per kW	\$ 8.66

Schedule D - Large Commercial/Industrial Service Optional Time-of-Day Rate

Customer Charge per Month	\$ 115.18
Energy Charge per kWh	\$ 0.066697
Demand Charge per kW	\$ 8.66

Schedule LPE-4 - Large Power Time-of-Day

Customer Charge	\$ 3,526.81
Energy Charge - On Peak per kWh	\$ 0.063515
Energy Charge - Off Peak per kWh	\$ 0.054272
Demand Charge per kW	\$ 7.26

Schedule C – Time-of-Day Commercial – Three Phase Service

Customer Charge Single Phase	\$ 23.39
Customer Charge Three Phase	\$ 115.18
Energy Charge - On Peak per kWh	\$ 0.124794
Energy Charge - Off Peak per kWh	\$ 0.061343

Schedule OL – Outdoor Lighting Service

Mercury Vapor 175 Watt	\$ 10.35
Mercury Vapor 175 Watt (shared)	\$ 3.45
Mercury Vapor 250 Watt	\$ 11.77
Mercury Vapor 400 Watt	\$ 17.88
Mercury Vapor 1000 Watt	\$ 31.35
Sodium Vapor 100 Watt	\$ 10.78
Sodium Vapor 150 Watt	\$ 12.55
Sodium Vapor 250 Watt	\$ 17.02
Sodium Vapor 400 Watt	\$ 21.86
Sodium Vapor 1000 Watt	\$ 47.29
LED Light 70 Watt	\$ 10.71
LED Light 105 Watt	\$ 16.46
LED Light 145 Watt	\$ 18.11
LED Flood Light 199 Watt	\$ 23.24

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