

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF JACKSON	)	
ENERGY COOPERATIVE CORPORATION FOR A	)	CASE NO.
GENERAL ADJUSTMENT OF RATES PURSUANT	)	2024-00324
TO 807 KAR 5:078	)	

ORDER

On November 25, 2024,<sup>1</sup> Jackson Energy Cooperative Corporation (Jackson Energy) filed an amended application to cure deficiencies identified in the Commission's November 22, 2024 Order<sup>2</sup> rejecting its initial application<sup>3</sup> for a rate adjustment pursuant to 807 KAR 5:078.<sup>4</sup> The Commission has reviewed the amended application and finds that fundamental issues remain that prevent its acceptance for filing.

LEGAL STANDARD

Administrative regulation 807 KAR 5:078 establishes an alternative procedure for rural electric cooperatives to apply for rate adjustments. The regulation allows cooperatives to request modest rate increases or revenue neutral adjustments to rate structures under specific conditions and outlines the necessary documentation and procedures for filing such applications.

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<sup>1</sup> Amended Application (filed Nov. 25, 2024).

<sup>2</sup> Order (Ky. PSC Nov. 22, 2024).

<sup>3</sup> Application (filed Nov. 8, 2024).

<sup>4</sup> 807 KAR 5:078.

## DISCUSSION AND FINDINGS

The Commission finds that Jackson Energy's amended application must be rejected for the following reasons:

1. Characterization of Case No. 2019-00066. Jackson Energy asserts that its 2019 revenue neutral rate design adjustment<sup>5</sup> qualifies as a "base rate adjustment." Section 1(4) of 807 KAR 5:078 defines a "base rate adjustment" as either a general rate adjustment filed pursuant to 807 KAR 5:001, Section 16<sup>6</sup> or an application filed pursuant to 807 KAR 5:078, Section 2. The 2019 adjustment falls into neither category; it was a revenue neutral rate design change processed under the Commission's pilot program for streamlined rate cases.<sup>7</sup> Since that time, the pilot program was codified in a regulation.<sup>8</sup> As part of the regulation, changes were made to the original pilot program. A utility must now comply with 807 KAR 5:078 for its application to be accepted, and Jackson Energy's prior revenue neutral application, filed pursuant to the streamline pilot program established in Case No. 2018-00407 does not meet the definition of, a "base rate adjustment" as defined in 807 KAR 5:078, Section 1(4).

2. Revenue Neutral Adjustments. Revenue neutral rate design changes are materially distinct from general rate adjustments. Revenue neutral adjustments were specifically designed to allow cooperatives to make "a change in rate design so as to

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<sup>5</sup> Case No. 2019-00066, *Electronic Application of Jackson Energy Cooperative Corporation for A General Adjustment in Existing Rates* (filed Mar. 28, 2019).

<sup>6</sup> 807 KAR 5:001, Section 16.

<sup>7</sup> Case No. 2018-00407, *A Review of The Rate Case Procedure for Electric Distribution Cooperatives* (Ky. PSC Dec. 20, 2019).

<sup>8</sup> 807 KAR 5:078.

more accurately recover fixed costs"<sup>9</sup> without the comprehensive financial review required for rate increases. This distinction is most notably evidenced by the numerous examples of financial information required to be filed in support of general rate adjustments from which revenue neutral applications are exempt, including filings from fifteen categories of financial records.<sup>10</sup> The explicit differences between the procedures and required evidence necessary to support a general rate adjustment, in contrast to a revenue neutral adjustment, evidences the fundamentally different purpose and limited scope of review associated with revenue neutral adjustments, supporting their exclusion from qualifying as a base rate adjustment.

3. Ten-Year Review Requirement. The Commission implemented the requirement that a utility's last base rate adjustment occur within ten years of their streamlined application in the amended pilot program, and in codifying 807 KAR 5:078, to ensure regular, thorough examination of cooperatives' financial records. Revenue neutral rate design changes, which focus solely on rate structure modifications, without scrutinizing financial health, do not satisfy this regulatory requirement. The Commission strives to balance the time and expense of a general rate adjustment while recognizing that it is important to review an electric cooperatives' financials thoroughly to ensure customers are being charged fair, just and reasonable rates while receiving adequate, efficient and reliable service.<sup>11</sup> Jackson Energy's last comprehensive financial review,

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<sup>9</sup> Case No. 2018-00407, Dec. 11, 2018 Order at 11.

<sup>10</sup> Case No. 2018-00407, Dec. 11, 2018 Order at 13.

<sup>11</sup> KRS 278.030.

which would qualify as a base rate adjustment, occurred in 2013.<sup>12</sup> The 2019 revenue neutral adjustment did not include the level of financial scrutiny necessary to qualify as a base rate adjustment under the current regulation.

Consequently, the Commission finds that Jackson Energy failed to meet the eligibility requirement under 807 KAR 5:078 Section 2(1) regarding the ten-year review period since the effective date of its most recent base rate adjustment. The Commission further finds that the application has not met the requirements under 807 KAR 5:078, Section 3(2) to provide an adequate explanation for why five or more years have elapsed since its most recent general rate adjustment.

The Commission acknowledges that Jackson Energy has successfully addressed the remaining filing deficiencies identified in the November 22, 2024 Order.

IT IS THEREFORE ORDERED that:

1. Jackson Energy's application is rejected for filing pursuant to 807 KAR 5:078 Section 2(1).
2. Jackson Energy's application is rejected for filing pursuant to 807 KAR 5:078, Section 3(2).
3. Jackson Energy shall take one of the following actions within 60 days of service of this Order:
  - a. Amend its application to seek a general rate case under 807 KAR 5:001, Section 16, including all required supplemental documentation and compliance with all applicable regulations;

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<sup>12</sup> *Case No. 2013-00219, Application of Jackson Energy Cooperative Corporation for an Adjustment of Rates* (Ky. PSC Feb. 27, 2014).

b. Amend its application to include a request for deviation, pursuant 807 KAR 5:078, Section 10, seeking an exception to the requirements established in 807 KAR 5:078, Section 2(1); or

c. Withdraw application by notifying the Commission, in writing, if it elects not to proceed.

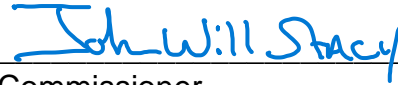
4. The statutory or administrative processing deadlines applicable to any type of rate adjustment application will not begin until such time an application has been accepted for filing.

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PUBLIC SERVICE COMMISSION



Chairman



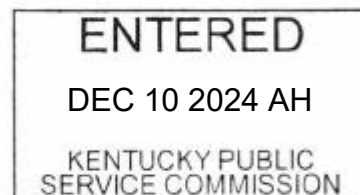
Commissioner



Commissioner

ATTEST:

  
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