

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FARMERS	)	
RURAL ELECTRIC COOPERATIVE	)	CASE NO.
CORPORATION FOR GENERAL ADJUSTMENT	)	2025-00107
OF RATES	)	

ORDER

On May 5, 2025, Farmers Rural Electric Cooperative Corporation (Farmers RECC) pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, filed an application requesting an increase to its rates. In addition, Farmers RECC proposed changes to its tariff.

BACKGROUND

Farmers RECC is a not-for-profit, member-owned, rural electronic distribution cooperative organized under KRS Chapter 279. Farmers RECC is engaged in the business of distributing retail electric power to 26,900 members in Adair, Barren, Edmonson, Grayson, Green, Hardin, Hart, Larue, Metcalfe, Monroe and Warren, counties, Kentucky.<sup>1</sup> Farmers RECC does not own any electric generating facilities and is one of the 16-member cooperatives that receive wholesale power from East Kentucky Power Cooperative, Inc. (EKPC).<sup>2</sup>

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<sup>1</sup> Application at unnumbered PDF page 1.

<sup>2</sup> Application, Exhibit 8, Direct Testimony of Tobias Moss (Moss Direct Testimony) at 3-4.

In its application, Farmers RECC requested an increase in revenues of \$2,365,822, or 3.94 percent, to achieve an Operating Times Interest Earned Ratio (OTIER) of 1.85.<sup>3</sup> Farmers RECC also requested an increase in the monthly residential charge from \$18.12 to \$27.79.<sup>4</sup>

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), is the only intervenor in this matter.<sup>5</sup> By Order entered September 18, 2024, the Commission suspended the proposed rates up to and including March 31, 2025, and established a procedural schedule.

Either in its application or during discovery Farmers RECC filed direct and rebuttal testimony. Farmers RECC filed responses to requests for information on May 19, 2025, June 12, 2025, and July 16, 2025.<sup>6</sup> Farmers RECC also filed supplemental responses updating its rate case expense throughout the proceeding. The Attorney General filed direct testimony and responded to one request for information from Farmers RECC and Commission Staff.<sup>7</sup> A hearing was held on February 18, 2025. On October 1, 2025, Farmers RECC responded to post-hearing requests for information from Commission

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<sup>3</sup> Moss Direct Testimony at 4.

<sup>4</sup> Application at unnumbered PDF page 2.

<sup>5</sup> Order (Ky. PSC May 5, 2025).

<sup>6</sup> Farmers RECC's Response to Commission Staff's First Request for Information (filed May 19, 2025); Farmers RECC's Response to Commission Staff's Second Request for Information (filed June 12, 2025); Farmers RECC's Response to Commission Staff's Third Request for Information (filed July 16, 2025).

<sup>7</sup> Attorney General's Response to Farmers RECC's First Request for Information (filed Sept 2, 2025); Attorney General's Response to Commission Staff's First Request for Information (filed Sept. 2, 2025).

Staff.<sup>8</sup> On October 8, 2025, Farmers RECC and the Attorney General submitted their initial briefs. Farmers RECC submitted a reply brief on October 16, 2025.

On December 10, 2025, Farmers RECC filed Notice of its Intent to Place Rates into Effect on January 1, 2026. On December 22, 2025, the Commission issued an Order requiring Farmers RECC to keep records to allow for a refund, if necessary.

This matter now stands submitted to the Commission for a decision.

### LEGAL STANDARD

Farmers RECC filed its application pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review for a utility's request for a rate increase is whether the proposed rates are "fair, just and reasonable."<sup>9</sup> Farmers RECC bears the burden of proof to show that the proposed rates are fair, just and reasonable under the requirements of KRS 278.190(3). KRS 278.010 states, "an affiliate means a person that controls or that is controlled by, or is under common control with, a utility".

### TEST PERIOD

Farmers RECC used a 12-month historical test period ending December 31, 2024.<sup>10</sup> The Attorney General did not contest the use of this period as the test period. The Commission finds that it is reasonable to use the 12-month period ending December 31, 2024, as the test period in this case based on the timing of Farmers RECC's application.

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<sup>8</sup> Farmers RECC's Response to Commission Staff's First Post-Hearing Request (filed Oct. 2, 2025).

<sup>9</sup> KRS 278.300; *Pub. Serv. Comm'n v. Com. Ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

<sup>10</sup> Application at unnumbered PDF page 2.

## REVENUE REQUIREMENT

Revenues and Expense Adjustments. Farmers RECC proposed several proforma adjustments to normalize its test-year operating revenue and expenses. The Commission finds that ten of the proposed adjustments are reasonable and should be accepted without change. The Attorney General also proposed additional adjustments which will be discussed subsequently. Shown below are the Commission's accepted, uncontested adjustments:

- Fuel Adjustment Clause - \$ (2,488,284)<sup>11</sup>
- Environmental Surcharge - \$ (6,354,826)<sup>12</sup>
- Interest Expense - \$252,699<sup>13</sup>
- G&T Capital Credits - \$ (277,928)<sup>14</sup>
- 401(K) Expense- \$ (22,371)<sup>15</sup>
- Outside Services- \$ (12,064)<sup>16</sup>
- Directors' Expense- \$ (\$7,150)<sup>17</sup>
- Non-Recurring Items- Sale of Property- \$ (410,199)<sup>18</sup>

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<sup>11</sup> Application, Exhibit 10, Direct Testimony of John Wolfram (Wolfram Direct Testimony), Exhibit JW-2.

<sup>12</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>13</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>14</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>15</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>16</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>17</sup> Wolfram Direct Testimony at 12 and Exhibit JW-2.

<sup>18</sup> Wolfram Direct Testimony, Exhibit JW-2.

- Year End Customer Count- \$ 92,759<sup>19</sup>
- Life Insurance- \$ (8,435)<sup>20</sup>

The Commission addresses the remaining proposed adjustments and made other adjustments as discussed in more detail below.

Depreciation Expense. Farmers RECC proposed to increase its depreciation expense by \$75,417 by replacing test-year actual expense with test year-end balances at approved depreciation rates.<sup>21</sup> The Attorney General did not provide testimony on the issue.

In Case No. 2016-00365,<sup>22</sup> the Commission ordered that Farmers RECC complete a depreciation study within five years of the final Order or the next base rate case. On December 16, 2021, Farmers RECC filed a Depreciation Study. Although Farmers RECC has been in for at least two other rate adjustments,<sup>23</sup> the Commission has not specifically issued an Order addressing the filing.

The Commission has reviewed the Depreciation Study and accepts the findings therein. Additionally, the Commission agrees with Farmers RECC's adjustment of a \$75,417 increase to the test year Depreciation Expense. The adjustment proposed by Farmers RECC used the depreciation rates filed in the December 16, 2021, depreciation

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<sup>19</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>20</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>21</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>22</sup> Case No. 2016-00365, *Application of Farmers Rural Electric Cooperative Corporation for an Increase in Retail Rates* (Ky. PSC May 12, 2017), Order at 9.

<sup>23</sup> Case No. 2021-00108, *Electronic Application of Farmers Rural Electric Cooperative Corporation for Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment* (Ky. PSC Oct. 15, 2021); Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Oct. 3, 2023).

study. The Commission also finds that that Farmers RECC should perform a depreciation study and file this study in its next application for any base rate adjustment, whether streamline or general, as it has been over four years since the last study has been filed.

Rate Case Expense. Farmers RECC proposed to increase its test-year Rate Case Expense by \$66,667 based on a three-year amortization of estimated Rate Case Expense of \$200,000.<sup>24</sup> Farmers RECC was directed to file monthly updates to its Rate Case Expenses with invoices,<sup>25</sup> with the last update filed on October 22, 2025, for expenses through that date.<sup>26</sup> Based on the table below and invoices that were filed in the case record, Farmers RECC's Rate Case Expense as of October 22, 2025, was \$69,719.<sup>27</sup>

**Rate Case Expenses**

Item	Expense
Legal - Honaker Law Office PLLC	\$ 47,048
Consulting - Catalyst Consulting LLC	\$ 22,671
Advertising / Notices	\$ -
Total	\$ 69,719

The Attorney General highlighted that the included test-year rate case expense is greater than the rate case expense provided in recent invoices.<sup>28</sup> The Attorney General requested that the Commission only grant Farmer's RECC's actual rate case costs that are deemed reasonable and necessary, and that are supported by sufficient evidence.<sup>29</sup>

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<sup>24</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>25</sup> Staff's First Request, Item 36.

<sup>26</sup> Farmers RECC's Supplemental Filing to Staff's First Request, Item 36 and Attorney General's First Request (filed Oct. 22, 2025), Item 10.

<sup>27</sup> Farmers RECC's Supplemental Filing to Staff's First Request, Item 36 and the Attorney General's First Request, Item 10.

<sup>28</sup> Attorney General's Brief (filed Oct. 8, 2025) at 12.

<sup>29</sup> Attorney General's Brief at 12.

The Commission finds that, based on the summaries and invoices last provided to the Commission, and throughout the pendency of this case, the appropriate Rate Case Expenses are \$69,719. The Commission also finds that the appropriate amortization period is three years. The Commission has historically approved three-year amortization periods for rate case expense.<sup>30</sup> This results in an adjustment of \$23,240 to the test year Rate Case Expense.

Wages and Salaries. Farmers RECC proposed an increase to test-year Wages and Salaries expense of \$96,903.<sup>31</sup> Farmers RECC stated that its proposed pro forma adjustment to normalized Wages and Salaries is intended to account for changes due to wage increases, departures, or new hires for a standard average of 2,080 work hours per year.<sup>32</sup> Farmers RECC has 62 full-time and two part-time employees in its workforce. Overtime expense made up \$466,906 of the salaries and wages expense.<sup>33</sup>

The Attorney General provided testimony that supported using an average of the past three years<sup>34</sup> to calculate the overtime expense.<sup>35</sup> The Attorney General recommended a \$5,683 reduction to overtime wages to bring them to the three year

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<sup>30</sup> See i.e. Case No. 2024-00085, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief, Final Order* (filed Feb. 28, 2025), at 18. Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief* (filed June 30, 2022), final Order at 8.

<sup>31</sup> Wolfram Direct Testimony, Exhibit JW-2 at 2.

<sup>32</sup> Wolfram Direct Testimony at 12-13.

<sup>33</sup> Farmers RECC's Response to Staff's First Request, Item 17, Schedule H.

<sup>34</sup> Direct Testimony of Greg Meyer (Meyer Direct Testimony), Table GRM-3; 2022 \$390,017, 2023 \$569,878, 2024 \$466,906.

<sup>35</sup> Meyer Direct Testimony at 18-21.

average of \$475,600.<sup>36</sup> According to the Attorney General, the costs fluctuated year to year with very little basis for the changes and so he argued that the expenses should be averaged.<sup>37</sup> The Attorney General also argued that Farmers RECC's overtime wages are unreasonable.<sup>38</sup> The Attorney General argued that it is not a reasonable presumption to assume that the costs for overtime compensation will grow in proportion to the average regular time wage rate.<sup>39</sup>

Based on the record, the Commission finds that Farmers RECC's adjustment for regular wages and salaries should be accepted. However, the Commission also finds that the Attorney General's reduction to overtime wages to normalize them over a three-year average should also be accepted, resulting in an increase in pro forma test year wages and salaries of \$91,624. The Commission agrees that Farmers RECC should be funded at full staffing levels. As such, the Commission also believes that normalizing the overtime wages best reflects the changing overtime expense. The Commission has adjusted overtime wages when a utility has been permitted to recover full staffing levels of salaries and wages in its rates.<sup>40</sup>

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<sup>36</sup> Meyer Direct Testimony, Table GRM-1.

<sup>37</sup> Meyer Direct Testimony at 20; *citing* Case No. 2024-00287, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for A General Adjustment of Rates*, (Ky. PSC June 20, 2025), Order at 16.

<sup>38</sup> Attorney General's Brief at 10.

<sup>39</sup> Attorney General's Brief at 10.

<sup>40</sup> Case No. 2024-00287, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for a General Adjustment of Rates* (Ky. PSC June 20, 2025), Order at 14-16; Case No. 2001-00092, *Adjustment of Gas Rates of the Union Light, Heat and Power* (Ky. PSC Jan. 31, 2022), Order at 39-40.



Payroll Taxes. Farmers RECC proposed an increase of \$13,286<sup>41</sup> to payroll taxes to reflect requested increase in Wages and Salaries expense. The Attorney General did not present evidence on the issue.

Farmers RECC proposed an increase of \$13,286 appears to have been calculated pursuant to the Wages and Salaries expense it initially proposed. Pursuant to the Wages and Salaries expense adjustments discussed above, the Commission finds that a corresponding adjustment to reflect the decrease in Wages and Salaries expense from using the three-year average of overtime expense to Payroll Taxes is necessary. Accordingly, the Commission rejects Farmers RECC's adjustment related to the Payroll Taxes and calculated its own increase to Payroll Taxes of \$12,562.

Right-of-Way. Farmers RECC proposed a \$393,820 increase to Right-of-Way (ROW) expense.<sup>42</sup> The proposed increase resulted in a pro forma cost of ROW expense of \$2,489,568.<sup>43</sup> Farmers RECC stated that its proposed increase in costs associated with ROW reflected Farmers RECC's seven-year clearing cycle.<sup>44</sup>

The Attorney General argued that the Commission should actually eliminate the requested increase in its entirety, instead targeting 367 miles.<sup>45</sup> According to the Attorney General, Farmers RECC calculated the ROW expense based on completing 458 miles at

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<sup>41</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>42</sup> Wolfram Direct Testimony, Exhibit JW-2.

<sup>43</sup> Wolfram Direct Testimony, Exhibit JW-2 at 11.

<sup>44</sup> Application, Exhibit 8, Direct Testimony of Jennie Phelps (Phelps Direct Testimony) at 7.

<sup>45</sup> Attorney General's Brief at 7.

\$4,464 per mile.<sup>46</sup> The Attorney General argued that there is no reasonable basis to believe that Farmers RECC can meet its target of providing ROW coverage for 458 miles.<sup>47</sup> The Attorney General argued that setting a mileage goal to an unobtainable level can simply allow the ROW budget to be used a piggy bank for other functions of the utility, rather than for its intended purpose.<sup>48</sup>

In rebuttal, Farmers RECC stated that the Attorney General's proposed recommendation to reduce ROW maintenance costs for setting rates would ensure that Farmers RECC would never catch up to the target trimming cycle.<sup>49</sup> Farmers RECC highlighted that when margins are bad the cooperative must prioritize its spending.<sup>50</sup> Farmers RECC explained the following:

[W]hen margins are bad the cooperative must prioritize its spending. In the 2024 test year, for every \$1.00 of revenue Farmers receives; \$0.71 goes to EKPC for the purchased power, and \$0.29 is remaining for expenses. In 2025, the extremely cold weather in the beginning of the year caused the purchased power expense to rise. This means that for 2025 of the \$1.00 in revenue \$0.73 is going to EKPC for purchased power. Farmers only has \$0.27 of income for its operating expenses.<sup>51</sup>

Farmers RECC explained further that the two biggest costs for any distribution cooperative are wages/benefits and ROW expenses.<sup>52</sup> Farmers RECC averred that it

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<sup>46</sup> Meyer Direct Testimony at 21; *citing* Farmers RECC's Response to Attorney General's First Request, Item 47.

<sup>47</sup> Attorney General's Brief at 7.

<sup>48</sup> Attorney General's Brief at 8.

<sup>49</sup> Rebuttal Testimony of Jennie Phelps (Phelps Rebuttal Testimony) at 9.

<sup>50</sup> Farmers RECC's Brief (filed Oct. 8 2025) at unnumbered PDF page 5.

<sup>51</sup> Farmers RECC's Brief at unnumbered PDF page 5.

<sup>52</sup> Farmers RECC's Brief at unnumbered PDF page 5.

must pay its employees, and the only other expense that Farmers RECC could curtail is ROW expenses.<sup>53</sup> Farmers RECC argued that penalizing Farmers RECC by further reducing its adjustment for ROW would only further exacerbate Farmers ROW issues to the detriment of the members it serves.<sup>54</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds Farmers RECC's proposed increase to ROW expense of \$393,820 reasonable and should be accepted. The Commission finds that Farmers RECC's goal of performing ROW maintenance on a seven-year cycle is both reasonable and necessary for reliability on its system. The Commission recognizes the difficulties that Farmers RECC has had to meet its target miles, based on its expense levels. The Commission hopes with this approved increase, Farmers RECC will be able to better achieve its target miles.

Health Care Costs. Farmers RECC proposed an \$11,189 decrease to health care premium expense, stating that this adjustment adjusts contributions to employee premiums for medical and dental insurance to reflect the recent change in health care plan contribution levels.<sup>55</sup> Farmers RECC contributes 35 percent to employees' dental insurance for all coverage levels.<sup>56</sup> Farmers RECC offers an optional vision plan and does not contribute anything for employees to it.<sup>57</sup>

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<sup>53</sup> Farmers RECC's Brief at unnumbered PDF page 5.

<sup>54</sup> Farmers RECC's Brief at unnumbered PDF page 5.

<sup>55</sup> Phelps Direct Testimony at 8-9.

<sup>56</sup> Phelps Direct Testimony at 8-9.

<sup>57</sup> Phelps Direct Testimony at 9.

The Attorney General noted that traditionally, the Commission has approved employee contribution rates that reflect the current Bureau of Labor Statics (BLS) average, which was noted in the final Order issued in Farmers' previous rate case.<sup>58</sup> The Attorney General cited the 2024 BLS study, which the employer-paid averages for single and family coverages were 80 percent and 68 percent, respectively.<sup>59</sup> The Attorney General argued that adjusting employee contributions to the BLS averages results in a total decrease of \$103,829 in the revenue requirement.<sup>60</sup> The Attorney General urged the Commission to closely review this matter and allow only what is reasonable, so that residential customers are not left responsible for an undue burden.<sup>61</sup>

Farmers RECC disagreed with the Attorney General's proposed adjustment stating that, while Farmers RECC's policy during the test year was to require employees to contribute 10 percent of health insurance premiums, Farmers RECC increased that contribution to 12 percent after the test year.<sup>62</sup> Farmers RECC argued that it does align with the Commission finding that "employee contribution rates of less than 12 percent will be adjusted" to the BLS average.<sup>63</sup>

At the hearing, Tobias Moss, President of Farmers RECC, testified that the benefits offered by Farmers RECC are lower than other RECCs that he was familiar

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<sup>58</sup> Attorney General's Brief at 11.

<sup>59</sup> Meyer Direct Testimony at 23.

<sup>60</sup> Meyer Direct Testimony at 24.

<sup>61</sup> Attorney General's Brief at 11.

<sup>62</sup> Wolfram Rebuttal Testimony at 15.

<sup>63</sup> Wolfram Rebuttal Testimony at 15.

with.<sup>64</sup> In addition, Mr. Moss noted that the sole basis for the adjustment to employee contributions amounts is Commission Orders.<sup>65</sup> In addition, Farmers RECC argued that its benefits were competitive to the market.<sup>66</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that both Farmer RECC's and the Attorney General's proposed adjustment to Farmers RECC's Health Care expenses for the test year should be rejected. This will result in a \$11,889 increase to the revenue requirement. The Commission reviews the reasonableness of benefit expenses on a case-by-case basis.

Farmers Energy Propane Plus. Farmers Energy Propane Plus, LLC (FEPP) was formed as a Kentucky limited liability company in October 1998 under the Kentucky Limited Liability Act with Farmers RECC as the sole member.<sup>67</sup> FEPP is located in Glasgow, Kentucky with a district office in Munfordville, Kentucky and sells propane and related accessories to residential and commercial customers in the surrounding counties.<sup>68</sup> There are two employees of Farmers RECC associated with the subsidiary: the President/CEO and the Vice President, Finance & Accounting.<sup>69</sup> According to Farmers RECC, its role is to serve as a FEPP Board member and provide governance and oversight, rather than manage daily operations.<sup>70</sup>

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<sup>64</sup> Hearing Video Testimony (HVT) of Sept. 18, 2025 Hearing, Tobias Moss at 09:14:00-09:19:23.

<sup>65</sup> HVT of the Sept. 18, 2025 Hearing, Tobias Moss at 09:15:00 – 09:18:00.

<sup>66</sup> HVT of the Sept. 18, 2025 Hearing, Tobias Moss at 09:15:00-09:19:23.

<sup>67</sup> Application, Exhibit 24.

<sup>68</sup> Application, Exhibit 24.

<sup>69</sup> Phelps Rebuttal Testimony at 6.

<sup>70</sup> Phelps Rebuttal Testimony at 6.

The Attorney General stated that it believes that Farmers RECC's relationship with FEPP warrants evaluation.<sup>71</sup> The Attorney General recommended that five percent of Farmers RECC's management/administrative team salaries be assigned to the subsidiary, representing time spent assisting in the operations of the company.<sup>72</sup> The Attorney General stated that no additional calculations were used to determine the five percent adjustment in the absence of any support provided by Farmers RECC for the inclusion of the full salaries for management employees.<sup>73</sup> The effect of this recommendation would constitute lowering the revenue requirement by \$38,639.<sup>74</sup> Additionally, the Attorney General suggested that Farmers RECC perform a time study of a typical week for its employees, highlighting any time spent assisting the subsidiary.<sup>75</sup>

Farmers RECC argued that it provided evidence in support of its position.<sup>76</sup> Farmers RECC denies that it provided incorrect information and maintained the level of time its CEO and Vice President spend on FEPP.<sup>77</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that the Attorney General's recommendation be denied. Based on the information provided in the record, including the rebuttal testimony of Jennie Phelps, the Commission finds that Farmers RECC has provided sufficient evidence that FEPP is run

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<sup>71</sup> Attorney General Brief at 12.

<sup>72</sup> Meyer Direct Testimony at 17-18.

<sup>73</sup> The Attorney General's Response to Staff's First Request, Item 1.

<sup>74</sup> Meyer Direct Testimony at 18.

<sup>75</sup> Attorney General's Brief at 13.

<sup>76</sup> Farmer RECC's Brief at unnumbered PDF 6.

<sup>77</sup> Farmer RECC's Brief at unnumbered PDF page 6.

as an affiliate. In addition, the Commission must make adjustments based on known and measurable criteria. The five percent reduction to the revenue requirement is based upon neither factual information nor analysis; it's an estimation at best.

Rate Revenue. The Attorney General recommended a \$558,284 reduction to the revenue requirement as a result of an error where Farmer RECC's billing determinants do not match the revenue requirement calculation.<sup>78</sup> The Attorney General stated that the revenues used in calculating the revenue requirement must match the revenues achieved in the rate design phase of the rate case. The Attorney General went on to argue that when Farmers RECC discovered the level of revenues contained in Mr. Wolfram's rate design workpapers did not match what was included in the revenue requirement, Mr. Wolfram should have performed a revenue reconciliation to identify the root causes for the understated revenues.<sup>79</sup> The Attorney General explained that some of the possible reasons for the revenue shortfall could be billing errors, customer bill credits, 365 days of customer usage, and the effects of unbilled revenues.<sup>80</sup>

Farmers RECC disagreed with this adjustment, explaining that the revenue requirement is an absolute analysis, but the proposed rates is a relative or incremental analysis.<sup>81</sup> Farmers RECC further explained that the revenue requirement is determined for the test period based on test year adjusted amounts; the revenue deficiency stems from the adjusted annual revenues and expenses and target margins.<sup>82</sup>

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<sup>78</sup> Meyer Direct Testimony at 14-15.

<sup>79</sup> Meyer Direct Testimony at 12 and 15.

<sup>80</sup> Meyer Direct Testimony at 15.

<sup>81</sup> Wolfram Rebuttal Testimony at 11.

<sup>82</sup> Wolfram Rebuttal Testimony at 11.

The Attorney General argued Mr. Wolfram's rebuttal does not resolve the clear inconsistency between Farmers RECC's rate design and its revenue requirement, nor does it provide any credible reconciliation of the disparities Mr. Meyer identified and that Farmers RECC has overstated its financial needs and fails to reconcile its revenues in the rate design and revenue requirements.<sup>83</sup>

Having considered the record, and being otherwise sufficiently advised, the Commission accepts the explanation provided by Farmers RECC at the hearing as to why the revenues may not match the billing determinants.<sup>84</sup> The Commission therefore finds that the Attorney General's adjustment should not be accepted.

Donations, Promotional Advertising & Dues. Farmers RECC proposed to remove \$300,623 in Donations, Promotional Advertising & Dues expense pursuant to 807 KAR 5:016.<sup>85</sup> The Attorney General recommended removing another \$300,623 from the margin for punitive purposes.<sup>86</sup> The Attorney General argued that Farmers RECC should be encouraged to limit its miscellaneous expenses, and that even though these expenses are excluded from rates in this pending case, it does not change the fact that the expenses are still being paid with customer funds, as Farmers RECC acknowledged.<sup>87</sup>

Farmers RECC pointed to its membership in National Rural Electric Cooperatives Association, and highlighted the principles of member democratic control and giving back

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<sup>83</sup> Attorney General's Brief at 9.

<sup>84</sup> HVT of the Sept. 18, 2025 Hearing, John Wolfram at 11:10:30-11:13:55. Exhibit 9 and Exhibit 2 of his testimony were not intended to represent the same thing or "match".

<sup>85</sup> Application, Exhibit 14.

<sup>86</sup> Meyer Direct Testimony at 11.

<sup>87</sup> Attorney General's Brief at 11.



to the community.<sup>88</sup> Farmers RECC stated that if Farmers RECC's members dislike the decisions being made by the Cooperative, they can elect different board members to fulfill their wishes.<sup>89</sup> Farmers RECC also highlighted its memberships in Kentucky Electric Cooperatives (KEC).<sup>90</sup> Farmers RECC argued that one benefit of being a member of KEC means that it has access to safety and compliance training, that would be of great cost if Farmers RECC would need to pay for the training itself.<sup>91</sup> Furthermore, Farmers RECC argued that membership in KEC allows Farmers access to *Kentucky Living* to communicate important information to its members.<sup>92</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that Farmers RECC's adjustment should be approved consistent with 807 KAR 5:016. The Commission does not take issue with Farmers RECC's spending related to Donations, Promotional Advertising & Dues, and finds that Farmers RECC appropriately removed these expenses from the revenue requirement. If the Commission found that Farmers RECC was in violation of its Orders, statutes, or regulations, the appropriate vehicle to do so would be pursuing penalties pursuant to KRS 278.990, not disallowing additional expense as a punitive measure.

The Table below shows the net impact of the Commission's operating expenses and adjustments.

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<sup>88</sup> Farmers RECCs Brief at unnumbered PDF page 7.

<sup>89</sup> Farmers RECC's Brief at unnumbered PDF page 7.

<sup>90</sup> Farmers RECC's Brief at unnumbered PDF page 7.

<sup>91</sup> Farmers RECC's Brief at unnumbered PDF page 7.

<sup>92</sup> Farmers RECC's Brief at unnumbered PDF page 7.

	Farmers RECC	Final	Difference
Revenues			
Fuel Adjustment Clause	\$ (2,488,284)	\$ (2,488,284)	-
Environmental Surcharge	(6,354,826)	(6,354,826)	-
Year End Customers	272,503	272,503	-
	<u>(8,570,607)</u>	<u>(8,570,607)</u>	-
Operating Expenses			
Fuel Adjustment Clause	(2,488,284)	(2,488,284)	-
Environmental Surcharge	(6,354,826)	(6,354,826)	-
Interest	252,699	252,699	-
Depreciation Expense	75,417	75,417	-
Right of Way	393,820	393,820	-
Year End Customer	179,744	179,744	-
Health Insurance Premiums	(11,189)	-	11,189
Donations, Promotional Advertising, & Dues	(300,623)	(300,623)	-
Directors Expense	(7,150)	(7,150)	-
Wages & Salaries	96,903	91,624	(5,279)
401k Contributions	(12,675)	(12,675)	-
Life Insurance	(8,435)	(8,435)	-
Rate Case Costs	66,667	23,240	(43,427)
Outside Services	(12,064)	(12,064)	-
Payroll Taxes	13,286	12,562	(724)
Total	<u>(8,116,710)</u>	<u>(8,154,951)</u>	<u>(38,241)</u>
Operating Margins Impact	<u>(453,897)</u>	<u>(415,656)</u>	<u>38,241</u>
Non-Operating Income			
Generation and Transmission Capital Credits	(277,928)	(277,928)	-
Non-Recurring Items	(410,199)	(410,199)	-
Net Margins Impact	<u>\$ (864,096)</u>	<u>\$ (825,855)</u>	<u>\$ 38,241</u>

Times Earned Ratio (TIER) Calculation. Farmers RECC requested a 1.85 OTIER in its application.<sup>93</sup> This translates into a TIER of 2.10.<sup>94</sup> Farmers RECC explained that

<sup>93</sup> Application, Exhibit JW-2.

<sup>94</sup> Application, Exhibit JW-2.

it calculated target margins at an OTIER of 1.85 because the Commission has authorized rates based on that level in its recently promulgated regulation for “streamlined” rate filings<sup>95</sup> and because Farmers RECC considers this metric to be a meaningful measure of the financial condition of the cooperative’s electric operations.<sup>96</sup> Farmers RECC also stated OTIER is a performance metric with minimum requirements set by the lenders.<sup>97</sup> Farmers RECC explained that, while 2024 resulted in an OTIER above the Rural Utilities Service lender’s (RUS) threshold ratio of 1.10, the average best two of three years fell below 1.10, and therefore, Farmers RECC was not in compliance with its RUS loan covenant requirement for 2024.<sup>98</sup>

The Attorney General argued that by requesting an OTIER of 1.85, Farmers RECC is improperly inflating the revenue requirement in this case, which in turn results in an unreasonable burden for residential customers.<sup>99</sup> The Attorney General argued that Farmers RECC’s request, if granted, would serve to disincentive it from controlling its discretionary spending.<sup>100</sup> The Attorney General argued that, in base rate cases, the Commission traditionally grants TIERs of 2.0.<sup>101</sup> The Attorney General averred that, while the Commission has approved 1.85 OTIERs in streamlined rate cases, the procedures

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<sup>95</sup> 807 KAR 5:078.

<sup>96</sup> Wolfram Direct Testimony at 8.

<sup>97</sup> Wolfram Direct Testimony at 8.

<sup>98</sup> Phelps Direct Testimony at 7.

<sup>99</sup> Attorney General’s Brief at 5.

<sup>100</sup> Attorney General’s Brief at 4-5.

<sup>101</sup> Attorney General’s Brief at 5.

and requirements of these cases are strikingly distinct from a traditional rate case, Farmers RECC instead only cited cases that support awarding of a 2.0 TIER.<sup>102</sup>

The Attorney General noted that a 2.0 TIER in the context of this rate case, would translate to a OTIER of 1.75, which is well over the covenant requirements.<sup>103</sup> The Attorney General also noted that as Farmers RECC's proposal would see a revenue increase from only residential customers, the burden of this increase falls solely on them.<sup>104</sup> The Attorney General argued that with Farmers RECC seeking a 1.85 OTIER, it is essentially asking for an additional \$254,895 from its residential customers, which creates an unreasonable and disproportionate burden on residential customers with no discernable benefits.<sup>105</sup>

The Commission finds that Farmer RECC's proposed request of an OTIER of 1.85 is reasonable which results in a TIER of 2.10. If the Commission were to authorize an OTIER lower than 1.85, considering Famers RECC's balance sheet, Farmers RECC would have a lower margin and would be more likely to have insufficient cash flow to cover expenses in the event of fluctuations in revenue caused by unpredictable weather and unexpected changes in expenses. The Commission is concerned that this could prevent Famers RECC from meeting its debt service obligation requirements, which could negatively affect its ability to obtain debt and could require Farmers RECC to file more frequent rate cases at customers' expense. Additionally, the Commission notes that at

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<sup>102</sup> Attorney General's Brief at 5-6.

<sup>103</sup> Attorney General's Brief at 6.

<sup>104</sup> Attorney General's Brief at 6.

<sup>105</sup> Attorney General's Brief at 6.

the hearing Farmers RECC testified that it was currently waiting on Federal Emergency Management Agency (FEMA) reimbursement for storm damage expenses with no specific expected reimbursement date.<sup>106</sup> Until such reimbursement is received, those expenses must be absorbed by the utility.<sup>107</sup> Narrow margins as noted in the discussion of right of way expenses coupled with unexpected and unavoidable expenses may cause unnecessary stress to the financial stability of the RECC.

Revenue Requirement Summary. The Commission authorizes a rate increase of \$2,327,595, which represents a 3.90 percent increase. The pro forma adjustments and revenue requirement calculation are found in Appendix A. The effects of the adjustments on Farmers RECC's net income results in utility operating margins of \$2,255,785 based upon total operating revenues of \$54,167,548, a total cost of electric service of \$51,911,764, and resulting net margins of \$2,920,724. The resulting credit metrics are a 2.10 TIER, a 1.85 OTIER, and a debt service coverage ratio of 1.76, all of which will give Farmers RECC a reasonable margin to achieve its debt covenants.

## RATE DESIGN

### Cost of Service Study (COSS)

Farmers RECC filed a fully allocated COSS based upon the 12 Coincident Peak (12 CP) methodology, to mirror the basis of cost allocation used in the applicable EKPC wholesale tariff, to determine the cost to serve each customer class.<sup>108</sup> With the 12 CP

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<sup>106</sup> HVT of the Sept. 18, 2025 Hearing, Jennie Phelps at 09:49:42–09:59:43 and 10:00:57–10:07:03.

<sup>107</sup> HVT of the Sept. 18, 2025 Hearing, Jennie Phelps at 09:49:42–09:59:43 and 10:00:57–10:07:03.

<sup>108</sup> Wolfram Direct Testimony at 18.

methodology, Farmers RECC explained that demand related costs are allocated on the basis of the demand for each rate class at the time of EKPC's system peak CP for each of the twelve months and customer related costs are allocated on the basis of the average number of customers served in each rate class during the test year.<sup>109</sup>

The zero-intercept method was used for the distribution components to determine the customer components of overhead conductor, underground conductor, and line transformers.<sup>110</sup> The COSS determined Farmers RECC's overall rate of return (ROR) on rate base and used to determine the relative rates of return that Farmers RECC is earning from each rate class.<sup>111</sup> The proposed Revenue Allocation for each rate class with the current ROR is illustrated below:<sup>112</sup>

<b>Rate Class</b>	<b>Revenue Increase</b>	<b>Return on Rate Base</b>	<b>Unitized Return on Rate Base</b>
Schedule R – Residential Service	\$2,356,923	0.74%	0.15
Schedule R – Time-of-Day – Residential Service	\$46	3.23%	0.65
Schedule NM – Net Metering	\$7,001	(29.39%)	(4.28)
Schedule RM – Residential Off-Peak Marketing - ETS	\$1,852	(12.55%)	(2.51)
Schedule C – Commercial & Industrial Service <50kW	\$0	8.68%	1.74
Schedule C – Commercial &	\$0	42.87%	8.58

<sup>109</sup> Wolfram Direct Testimony at 18.

<sup>110</sup> Wolfram Direct Testimony at 16.

<sup>111</sup> Wolfram Direct Testimony at 19-20.

<sup>112</sup> Wolfram Direct Testimony, Exhibit JW-3 at 1 and Exhibit JW-9 at 1.

Industrial Service >50kW			
Schedule C – Time- of-Day – Commercial Service – Three Phase	\$0	30.45%	6.09
Schedule C – Commercial & Industrial Service – Primary Discount	\$0	37.22%	7.44
Schedule D- Large Commercial / Industrial Optional Time-of-Day Rate	\$0	52.41%	10.48
Schedule E – Large Industrial Rate	\$0	31.41%	6.28
Schedule LPC-2 – Large Power	\$0	42.07%	8.42
Schedule LPE-4 – Large Power Time- of-Day	\$0	25.66%	5.13
Schedule SL – Street Lighting Service	\$0	25.27%	5.05
Total	\$2,365,822	5.00%	1.00

Having reviewed Farmers RECC's COSS, the Commission accepts Farmers RECC's proposal to use the 12 CP method as a guide to determine the class revenue allocation. However, the Commission made additional adjustments to the revenue requirement that require changes to the rates, as discussed in more detail below.

#### Revenue Allocation and Rate Design

Based upon the results of the COSS, there is an indication that the current rates illustrate a certain degree of subsidization between rate classes. Schedule NM – Net Metering and Schedule RM – Residential Off-Peak Marketing – ETS both carry a negative ROR on rate base, while Schedule R – Residential Service and Farmers RECC's Time-

of-Day offering carry a ROR on rate base less than the overall system, indicating that those classes are producing less revenues than the cost to serve. Farmers RECC explained that the proposed revenue increase was allocated in greater proportion to the rate classes whose returns are more negative and in less proportion to those classes whose return are less negative.<sup>113</sup>

Based on the COSS, Farmers RECC's Schedule R – Residential Service shows the actual cost to serve per customer is \$27.79 per month, with a volumetric energy charge of \$0.099452 per kWh.<sup>114</sup> Farmers RECC explained that the Schedule R-Residential Service customer charge was set to the cost-based customer charge, while the energy charge was adjusted to meet the target revenue increase, resulting in a rate proposal for the class of \$27.79 fixed charge per month and \$0.099057 per kWh.<sup>115</sup>

The Attorney General presented concerns regarding the increase in the fixed Schedule R – Residential Service customer charge of 53.37 percent.<sup>116</sup> The Attorney General explained the increase in the Schedule R – Residential Service customer charge could diminish customer control over their monthly utility bills.<sup>117</sup> Additionally, the Attorney General stated that Farmers RECC received an increase in the Schedule R – Residential Service customer charge to \$18.12 in its 2023 rate case.<sup>118</sup> The Attorney General

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<sup>113</sup> Wolfram Direct Testimony at 22.

<sup>114</sup> Wolfram Direct Testimony, Exhibit JW-3 at 2.

<sup>115</sup> Wolfram Direct Testimony at 23-24.

<sup>116</sup> Attorney General Brief at 3.

<sup>117</sup> Attorney General Brief at 3.

<sup>118</sup> Attorney General Brief at 3; citing Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Oct. 3, 2023), Order at 17.



explained that if the Commission were to award Farmers RECC the \$27.79 customer charge, then Schedule R – Residential Service customers will see an approximate 91.79 percent increase in under three years.<sup>119</sup> The Attorney General stated that the Commission should continue to rely upon the principle of gradualism when awarding any increase to the monthly customer charge.<sup>120</sup>

The Commission gives substantial weight to the evidence from the COSS that indicates rate classes with proposed revisions are earning a rate of return less relative to their cost of service. The Commission also recognizes that, for an electric distribution cooperative, there is merit in providing a means to guard against revenue erosion. However, the Commission agrees with the Attorney General that a 53.37 percent increase to the Schedule R – Residential Service customer charge could present financial hardships for Farmers RECC's customers. The Commission must weigh these factors and strike a balance between the customers' financial interest and the utility's ability to provide adequate, reliable service.

Based upon the Commission-approved revenue increase of \$2,327,595, the Commission finds the proposed allocation of revenue to the classes of service is not reasonable. The Commission notes it has consistently found it reasonable to raise the customer charge in utility rate cases to better reflect the fixed costs inherent in providing utility service.<sup>121</sup> However, the Commission has also found it reasonable to embrace the principle of gradualism in ratemaking, which mitigates the financial impact of rate

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<sup>119</sup> Attorney General's Brief at 3.

<sup>120</sup> Attorney General's Brief at 4.

<sup>121</sup> See Case No. 2024-00324, *Electronic Application for An Alternative Rate Adjustment for Jackson Energy Cooperative Pursuant to 807 KAR 5:078* (Ky. PSC Mar. 11, 2025), final Order at 14-15.

increases on customers while providing reasonable rates.<sup>122</sup> Therefore, the rate design of the classes with proposed rate revisions needs to be addressed.

In regard to Schedule R – Residential Service, the Commission finds the proposed customer charge of \$27.79 to not be reasonable. The Commission, however, finds that the increase should be to \$23.00, which is an approximate 26.93 percent increase. By increasing the customer charge by \$4.88, Farmers RECC is able to recover an additional \$1,442,016 in fixed revenue.<sup>123</sup> The energy charge will increase from \$0.100666 per kWh to \$0.103125 per kWh to reflect the Commission’s approval of a lower-than-requested customer charge. For a Schedule R – Residential Service customer with an average monthly usage of 1,053 kWh,<sup>124</sup> the average base bill increase will be \$7.47, or 5.54 percent, from \$124.09 to \$132.31. The changes in the rate design reflect a \$2,206,940, or 5.54 percent revenue increase for the Schedule R – Residential Service class.

The Commission finds that the Schedule R – Time-of-Day – Residential Service and Schedule NM – Net Metering customer charges should mirror the Commission-approved customer charge for the Schedule R – Residential Service class, as proposed by Farmers RECC.<sup>125</sup> The Commission finds that Schedule NM – Net Metering should have an energy charge of \$0.103125 per kWh. The Commission also finds the Schedule R – Time-of-Day – Residential Service energy charges should increase as follows:

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<sup>122</sup> See Case No. 2023-00147, *Electronic Application of Taylor County Rural Electric Cooperative Corporation for A General Adjustment of Rates* (Ky. PSC Apr. 5, 2024), final Order at 23.

<sup>123</sup> Additional fixed revenue is calculated by the following equation: (Billing Units x Approved Customer Charge) - (Billing Units x Current Customer Charge).

<sup>124</sup> Wolfram Direct Testimony, Table 5 at 25-26.

<sup>125</sup> Wolfram Direct Testimony at 24.

Charge	Current	Commission-Approved
On-Peak Energy Charge	\$0.122041 per kWh	\$0.123041 per kWh
Off-Peak Energy Charge	\$0.073193 per kWh	\$0.074193 per kWh

Additionally, the Commission finds that the Schedule RM – Residential Off-Peak Marketing – ETS energy charge should increase from \$0.065808 per kWh to \$0.074193 per kWh, to correspond with the changes made to Schedule R – Time-of-Day – Residential Service, as requested by Farmers RECC.<sup>126</sup>

In regard to Schedule C – Commercial & Industrial <50kW class, the Commission finds the proposed revenue-neutral revisions to not be reasonable. The Commission finds that in order to maintain the current customer charge differential between the Schedule C – Commercial & Industrial <50kW customer charge and Schedule R – Residential Service customer charge, the Schedule C – Commercial & Industrial <50kW customer charge should increase from \$23.39 to \$28.27. However, the energy charge will remain the current charge of \$0.099582 per kWh, resulting in a class revenue increase of \$109,463. Although an increase to the rate is not warranted by the results of the COSS, the Commission acknowledges the need to mitigate the financial burden of the Schedule R – Residential Service rate by diverting a portion of the revenue increase to a class that is only producing a minor subsidy in comparison to other rate schedules. A Schedule C – Commercial & Industrial <50kW customer with an average monthly usage of 1,622 kWh<sup>127</sup>, will see an increase of \$5.16, or 2.44 percent, from \$211.34 to \$216.50.

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<sup>126</sup> Wolfram Direct Testimony at 12.

<sup>127</sup> Wolfram Direct Testimony, Exhibit JW-9 at 3.

Additionally, the Commission finds that the revisions to the Schedule C – Commercial & Industrial <50kW customer charge should also apply to the Schedule C – Time-of-Day – Commercial Service Single Phase customer charge, as these charges are mirrored in Farmers RECC's tariff. The Commission notes that the revision to the Schedule C – Time-of-Day – Commercial Service Single Phase customer charge will have no impact on the allocation of revenue as the class does not serve any customers at the time of filing.<sup>128</sup>

The Commission finds that all other proposed rate revisions, which at the time of filing did not serve any customers,<sup>129</sup> are reasonable, and finds that those rates, which are reflected in Appendix B to this Order, should be approved as filed.

### TARIFF ISSUES

Schedule RM – Residential Off-Peak Marketing – ETS. Farmers RECC proposed to change the time zone for the off-peak hours from Eastern to Central time in its Schedule RM – Residential Off-Peak Marketing – ETS and to close that tariff to new members.<sup>130</sup> Farmers RECC noted that, although EKPC has updated this rate, Farmers RECC had not and proposed to update the rate as well as discussed above.<sup>131</sup> The Commission finds the proposal to change the time zone from Eastern to Central time, as well as closing the tariff to new members is reasonable and should be approved. The change in time will more accurately reflect the standard of time for Farmers RECC's service territory.<sup>132</sup>

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<sup>128</sup> Farmers RECC's Response to Staff's Second Request, Item 3.

<sup>129</sup> Farmers-PresProposedRates-2024-Filed.xlsx, "Billing Detail" tab, row 288.

<sup>130</sup> Phelps Direct Testimony at 12.

<sup>131</sup> Phelps Direct Testimony at 12.

<sup>132</sup> HVT of the Sept. 18, 2025 Hearing, John Wolfram at 10:46:20–10:49:31.

Schedule CM – Small Commercial Off-Peak Marketing – ETS Tariff. Farmers RECC proposed to withdraw Schedule CM – Small Commercial Off-Peak Marketing – ETS Tariff.<sup>133</sup> Farmers RECC explained that historically, the rate class has had one active member but no usage.<sup>134</sup> According to Farmers RECC, this member disconnected its service in February 2025.<sup>135</sup> The Commission finds that since there are no active members under the tariff, then the tariff may be withdrawn, as requested.

P.S.C. Ky No. 10, First Revised Sheet No. 2 – Reconnection Fee. Farmers RECC has a current Reconnection Fee of \$30.00 per reconnection.<sup>136</sup> Farmers RECC stated that roughly 76 percent of meters do not have the capability to remote reconnect; however, the remaining meters do.<sup>137</sup> Farmers RECC stated that, regardless of whether or not the meter has the ability to reconnect remotely, the \$30.00 reconnection fee is still applicable to the customer.<sup>138</sup>

The Commission notes that the costs to reconnect a customer is *de minimis* if a customer has a meter capable of remote reconnection. It does not appear that Farmers RECC has an opt-out provision in its tariff for customers wishing to decline installation of advanced metering infrastructure (AMI).<sup>139</sup> The Commission finds that Farmers RECC

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<sup>133</sup> Phelps Direct Testimony at 12.

<sup>134</sup> Phelps Direct Testimony at 12.

<sup>135</sup> Phelps Direct Testimony at 12.

<sup>136</sup> P.S.C. KY No. 10 First Revised Sheet No. 2.

<sup>137</sup> Farmers RECC's Response to Staff's Third Request, Item 6.

<sup>138</sup> Farmers RECC's Response to Staff's Second Request, Item 7b.

<sup>139</sup> See Salt River Electric Rural Electric Cooperative Corporation has an AMI opt-out tariff provision. Shelby Energy Rural Electric Cooperative Corporation has an exception for customers with AMI for reconnection fees.

should add language to the tariff stating that customers with meters capable of remote reconnection will not be subject to the \$30.00 reconnection fee. In addition, the Commission encourages Farmers RECC to review its tariff to ensure that it accurately reflects fees that are attributable to corresponding utility expenses.

P.S.C. Ky No. 10, First Revised Sheet No. 3 – Meter Test Charge. Farmers RECC has a current Meter Test Charge of \$40 per meter test. Farmers RECC stated that it utilizes a third-party vendor to conduct its meter testing.<sup>140</sup> Farmers RECC further stated that it is subject to charges in excess of \$160 per meter test from the third-party vendor and that it absorbs the remaining \$120.<sup>141</sup> Farmers RECC also stated that only five meter test requests were made in the test year.<sup>142</sup>

The Commission is concerned with the amount Farmers RECC absorbs in regard to the cost per meter test, as under-recovering expenses over time may erode the financial viability of a utility. The Commission encourages Farmers RECC to issue Request for Proposals if the costs of the meter tests were to increase. Additionally, the Commission encourages Farmers RECC to consider a tiered approach to the Meter Test Charge. For example, if a customer were to request meter tests excessively, more than one in a 12 month period for example, then the customer would have to move to the cost-based charge of \$160.

P.S.C. Ky. No. 10, First Revised Sheet No. 6 – Disconnection and Trip Fee. Farmers RECC has a current Disconnection and Trip Fee of \$30 per disconnection.

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<sup>140</sup> Farmers RECC's Response to Staff's Second Request, Item 6.

<sup>141</sup> Farmers RECC's Response to Staff's Second Request, Item 6.

<sup>142</sup> Farmers RECC's Response to Staff's Third Request, Item 4a.

Farmers RECC stated that all meters on its system are capable of remote disconnection.<sup>143</sup>

The Commission notes that the costs to disconnect a customer is *de minimis* since all meters are capable of remote disconnection. The Commission finds that that Farmers RECC should add language to the tariff stating that customers with meters capable of remote disconnection will not be subject to the \$30 disconnection fee. However, if a customer were to opt-out of having a meter with remote disconnection capability, then that customer should be subject to the \$30 disconnect fee.

P.S.C. Ky. No. 10, First Revised Sheet No. 7 – Return Check Fee. Farmers RECC has a current Return Check Fee of \$25 per returned check. The fee included the following costs:<sup>144</sup>

NONRECURRING CHARGE COST JUSTIFICATION		
Type of Charge: <u>\$25 Return Check Fee</u>		
Labor & Benefits	Member Service Rep	\$ 20.14
	Average Time: .5 hour	
Other	Bank Fee	5.00
	Postage	0.69
	Total Cost	\$ 25.83

The Commission found in Case No. 2020-00141 that calculation of non-recurring charges related to services performed during normal business hours should exclude labor costs, as those are recovered as part of the salaries and wages expense.<sup>145</sup> By removing

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<sup>143</sup> Farmers RECC's Response to Staff's Second Request, Item 7a.

<sup>144</sup> Farmers RECC's Response to Staff's Second Request, Item 10.

<sup>145</sup> Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020), Order at 19-20.

the \$20.14 of approximated labor and benefits from the calculation of the charge, the Commission finds that the Returned Check Fee should be \$5.69 to accurately reflect the costs of banking and postage incurred by Farmers RECC.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Farmers RECC are denied.
2. The rates and charges, as set forth in Appendix B to this Order, are approved as fair, just and reasonable for Farmers RECC, and these rates and charges are approved for service rendered on and after the date of the entry of this Order.
3. In its next base rate application, Farmers RECC shall file an updated depreciation study.
4. Farmers RECC's proposed tariff changes are denied, in part and granted, in part, as set forth in this Order.
5. Within 20 days of the date of the 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 effect date and that it was authorized by this Order.
6. Within 60 days of the date of service of this Order, Farmers RECC shall refund to its customers all amounts collected for service rendered after January 1, 2026, through the date of entry of this Order that are in excess of the rates set forth in Appendix B attached to this Order.
7. Within 75 days of the date of service of this Order, Farmers RECC shall submit a written report to the Commission in which it describes its efforts to refund all monies collected in excess of the rates that are set forth in Appendix B to this Order.



8. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00107 DATED JAN 29 2026

Description	Actual Rates Actual Test Yr	Pro Forma Adjustment	Present Rates Adj Test Yr	Adj Test Yr
<u>Operating Revenues</u>				
Total Sales of Electric Energy	59,636,496	(8,570,607)	51,065,889	53,393,485
Other Electric Revenue	774,064	-	774,064	774,064
Total Operating Revenue	60,410,560	(8,570,607)	51,839,953	54,167,548
<u>Operating Expenses:</u>				
Purchased Power	42,568,609	(8,663,366)	33,905,243	33,905,243
Distribution Operations	1,653,671	-	1,653,671	1,653,671
Distribution Maintenance	4,409,342	393,820	4,803,162	4,803,162
Customer Accounts	1,553,057	-	1,553,057	1,553,057
Customer Service	185,557	-	185,557	185,557
Sales Expense	-	-	-	-
A&G	2,200,276	(213,522)	1,986,754	1,986,754
Total O&M Expense	52,570,512	(8,483,068)	44,087,444	44,087,444
Depreciation	4,080,703	75,417	4,156,120	4,156,120
Taxes - Property & Gross Recpts	849,647		849,647	849,647
Taxes - Other	52,771		52,771	52,771
Interest on LTD	2,413,130	252,699	2,665,829	2,665,829
Interest - Other	96,409		96,409	96,409
Other Deductions	3,543		3,543	3,543
Total Cost of Electric Service	60,066,715	(8,154,951)	51,911,764	51,911,764
Utility Operating Margins	343,845	(415,656)	(71,811)	2,255,785
Non-Operating Margins - Interest	74,695		74,695	74,695
Income(Loss) from Equity Investments	289,153		289,153	289,153
Non-Operating Margins - Other	440,187	(410,199)	29,988	29,988
G&T Capital Credits	277,928	(277,928)	-	-
Other Capital Credits	271,104		271,104	271,104
Net Margins	1,696,912	(1,103,783)	593,129	2,920,724
Cash Receipts from Lenders	10,170		10,170	10,170
OTIER	1.15		0.98	1.85
TIER	1.70		1.22	2.10
TIER excluding GTCC	1.59		1.22	2.10
Target OTIER	1.85		1.85	1.85
Margins at Target OTIER	3,394,058		2,920,724	2,920,724
Revenue Requirement at Target OTIER	63,460,773		54,832,488	54,832,488
Revenue Deficiency at Target OTIER	1,697,146		2,327,595	-
Variance from Target OTIER			(0.87)	-
<u>Based on OTIER</u>				
Increase \$			\$	2,327,595
Increase %				3.90%

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00107 DATED JAN 29 2026

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	\$23.00 per Month
Energy Charge	\$0.103125 per kWh

#### Schedule R – Time-of-Day

Customer Charge	\$23.00 per Month
On-Peak Energy Charge	\$0.123041 per kWh
Off-Peak Energy Charge	\$0.074193 per kWh

#### Schedule NM – Net Metering

Customer Charge	\$23.00 per Month
Energy Charge	\$0.103125 per kWh

#### Schedule RM – Residential Off-Peak Marketing – ETS

Energy Charge	\$0.074193 per kWh
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Schedule C – Commercial & Industrial <50kW

Customer Charge \$28.27 per Month

Energy Charge \$0.099582 per kWh

Schedule C – Time-of-Day – Commercial Service

Single Phase Customer Charge \$28.27 per Month

Schedule LPC-1 – Large Power

Customer Charge \$1,114.92 per Month

Demand Charge \$8.66 per kW

Energy Charge \$0.071447 per kWh

Schedule LPC-3 – Large Power

Customer Charge \$3,222.96 per Month

Demand Charge \$8.66 per kW

Energy Charge \$0.067616 per kWh

Schedule LPC-4 – Large Power

Customer Charge \$3,528.03 per Month

Demand Charge \$8.66 per kW

Energy Charge \$0.064879 per kWh

Schedule LPC-5 – Large Power

Customer Charge	\$4,939.24 per Month
Demand Charge	\$8.66 per kW
Energy Charge	\$0.062143 per kWh

Schedule LPE-1 – Large Power Time-of-Day

Customer Charge	\$1,114.92 per Month
Demand Charge	\$7.26 per kW
On-Peak Energy Charge	\$0.082650 per kWh
Off-Peak Energy Charge	\$0.073436 per kWh

Schedule LPE-2 – Large Power Time-of-Day

Customer Charge	\$1,413.40 per Month
Demand Charge	\$7.26 per kW
On-Peak Energy Charge	\$0.080467 per kWh
Off-Peak Energy Charge	\$0.071242 per kWh

Schedule LPE-3 – Large Power Time-of-Day

Customer Charge	\$3,222.96 per Month
Demand Charge	\$7.26 per kW
On-Peak Energy Charge	\$0.078829 per kWh
Off-Peak Energy Charge	\$0.069595 per kWh

Schedule LPE-5 – Large Power Time-of-Day

Customer Charge	\$4,939.24 per Month
Demand Charge	\$7.26 per kW
On-Peak Energy Charge	\$0.078829 per kWh
Off-Peak Energy Charge	\$0.064109 per kWh

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