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LA Public Service Commission

BEFORE THE  
LOUISIANA PUBLIC SERVICE COMMISSION

POINTE COUPEE ELECTRIC MEMBERSHIP  
CORPORATION, EX PARTE

DOCKET NO. U-37341

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*In Re: Application for Increase of Base Rates, Interim Rate Relief, Tariff Modification and  
Establishment of a Formula Rate Plan and Emergency Reserve Fund*

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DIRECT TESTIMONY

OF

MYRON LAMBERT

on behalf of

POINTE COUPEE ELECTRIC MEMBERSHIP  
CORPORATION

July 30, 2024

EXHIBIT "A"

1    **I.     INTRODUCTION**

2    **Q.    PLEASE STATE YOUR NAME, BUSINESS ADDRESS, POSITION AND**  
3       **COMPANY TITLE.**

4    A.    Myron Lambert, 2506 False River Drive, New Roads, Louisiana 70760. I am the General  
5       Manager of Pointe Coupee Electric Membership Corporation ("PC Electric").

6    **Q.    PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
7       **EXPERIENCE IN THE ELECTRIC INDUSTRY.**

8    A.    I have been in my current position with PC Electric since July 1, 2016. I have a Bachelor  
9       of Science in Management and a Master of Business Administration both from Louisiana  
10      State University.

11   **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12   A.    I am submitting testimony in support of the application filed by PC Electric. In my  
13       testimony, I will provide an overview of PC Electric and its system, describe the need and  
14       development of this application and provide testimony in support of the plant additions  
15       contained within the revenue requirement calculation.

16       Throughout my testimony, I will introduce the testimony of PC Electric's Chief Financial  
17       Officer, Amanda McDuff, as well as the expert testimony of Rebecca Payne.

18   **Q.    PLEASE PROVIDE A GENERAL OVERVIEW OF PC ELECTRIC.**

19   A.    PC Electric is a rural electric membership cooperative association organized and existing  
20       under the laws of the State of Louisiana pursuant to La. R.S. 12:401, et seq., providing

1 retail electric service to approximately 10,600 meters in three (3) Louisiana parishes  
2 including Pointe Coupee, West Baton Rouge and Iberville located within Zone 9 within  
3 the MISO region. PC Electric is owned by its members.

4 PC Electric currently has thirty-six (36) full-time employees, a reduction of four employees  
5 achieved over the last two years through the implementation of automation and  
6 consolidation of positions through attrition. PC Electric does have employees represented  
7 by a bargaining unit.

8 Residential kWh sales represent approximately 54% of PC Electric's total kWh sales, with  
9 the majority of the remaining kWh sales serving commercial businesses. The Cooperative  
10 has seen limited growth over the past 5 years. Because our load is primarily residential, it  
11 is heavily impacted by weather. A mild winter or wet summer can drastically reduce sales  
12 while our fixed costs remain the same.

13 **Q. WERE YOU INVOLVED IN THE PROCESS UNDERTAKEN BY PC ELECTRIC**  
14 **IN REVIEWING ITS FINANCIAL POSITION AND THE RESULTING ACTIONS**  
15 **WHICH FORMED THE BASIS OF THIS RATE APPLICATION TO THE LPSC?**

16 A. Yes. I have been involved throughout the process and filed this testimony in support of  
17 the application.

18 **Q. WHY IS PC ELECTRIC SEEKING A RATE INCREASE AT THIS TIME?**

19 A. As described in detail in the testimony of Amanda McDuff, the CFO of PC Electric, PC  
20 Electric's prior Formula Rate Plan ("FRP") has expired and the LPSC required PC Electric  
21 to file a new rate case before a new FRP would be established. More importantly, the

1 financial condition of PC Electric has deteriorated due to a number of factors including the  
2 impact of higher costs, higher interest rates, and increasing weather risk resulting in PC  
3 Electric failing to meet its loan covenants in 2023. In addition, our debt-equity ratio has  
4 steadily increased.

5 PC Electric retained the expert services of Rebecca Payne with C. H. Guernsey and  
6 Company (Guernsey) to perform a Cost of Service Study ("COSS") that included the  
7 calculation of an updated revenue requirement. As part of this process, we also reviewed  
8 the current lending practices of PC Electric, seeking alternative methods to increase cash  
9 on hand and reduce PC Electric's use of lines of credit and other short-term loans due to  
10 significantly higher interest rates.

11 The results of Ms. Payne's study showed that PC Electric is not collecting sufficient  
12 revenue to cover its expenses, challenging the Cooperative to meet its financial objectives  
13 and obligations. PC Electric submits this application to increase its base rates as well as  
14 make additional rate changes to mitigate the issues identified through the COSS.

15 **Q. WHAT IS PC ELECTRIC SEEKING IN ITS APPLICATION?**

16 A. Based upon the COSS and Ms. Payne's calculations, PC Electric's application seeks LPSC  
17 approval to implement the following:

- 18 • Base rate adjustment in the amount of \$3,927,857 or 13.93% for the Total System.
- 19 • The rate adjustment with the Emergency Reserve Rider results in an increase in a  
20 monthly bill for the average residential consumer of \$27.32, or 16.51%

- 1           • Authority to implement a phased in rate increase through an interim rate adjustment in
- 2           the amount of sixty (60) percent of the total revenue requirement needed.
- 3           • Adjust PC Electric's tariffs to simplify PC Electric's offerings and re-balance rates
- 4           between classes of customers.
- 5           • Establish a new Formula Rate Plan.
- 6           • Establish a new Emergency Reserve Fund.

7   **Q.   PLEASE DESCRIBE THE PC ELECTRIC SYSTEM**

8   A.   PC Electric has 7 delivery points and operates approximately 1,135 miles of line within

9       their service area which is located in south-central Louisiana. The Cooperative has 51

10      miles of transmission lines, 1,023 miles of overhead lines and 61 miles of underground

11      facilities. We serve load in the three parishes of Pointe Coupee, West Baton Rouge and

12      Iberville.

13   **Q.   PLEASE DESCRIBE PC ELECTRIC'S SAIDI/SAIFI REQUIREMENTS AND**

14      **RESULTS.**

15   A.   PC Electric reports its System Average Interruption Duration Index ("SAIDI") and a

16      System Average Interruption Frequency Index ("SAIFI") annually to the LPSC. PC

17      Electric has undertaken a continuous effort to improve its SAIDI and SAIFI numbers with

18      its SAIDI dropping from 12.32 in 2017 to 3.59 in 2023 with a minimum of 3.17. The

19      reduction has come through investment in maintenance and automation such as tree-

20      trimming, right of way maintenance, investment in an Advanced Metering System and

21      significant investment in our transmission line that started in 2022.

**Q. WHAT IS PC ELECTRIC DOING TO IMPROVE ITS SAIDI/SAIFI RESULTS?**

A. PC Electric is increasing investment in its system through major repair and replacement projects as well as investing in critical spares and advanced systems. For example, in 2021, PC Electric undertook immediate action to replace approximately 195 transmission poles upon discovery of deterioration after an outage. The total cost of the repairs to the transmission system totaled over \$5 million dollars. As described in more detail below, there was no funding remaining in PC Electric's prior Construction Work Plan to fund the emergency project, so a short-term loan that was then converted to long-term financing was used to fund the project. To date, other than a small portion of the project that fell into the last Formula Rate Plan test year, PC Electric has not received recovery for the cost of that emergency repair.

**Q. PLEASE EXPLAIN HOW PC ELECTRIC'S RELIABILITY PLANNING IS REFLECTED IN THIS APPLICATION.**

The testimony of Ms. Payne describes the process used to calculate the annual revenue requirement for PC Electric. Included in that calculation is the annual revenue required to support plant additions. As the evidence demonstrates, the amount of plant additions included by Ms. Payne ties directly to PC Electric's latest Construction Work Plan<sup>1</sup> ("CWP") that has been prepared in accordance with the requirements of and submitted and approved by the United States Department of Agriculture Rural Utilities Service. The CWP is the result of long-term planning of the maintenance and investment needed over a

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<sup>1</sup> PC Electric has requested from the LPSC a letter of non-opposition to borrow funds from RUS related to the CWP that is currently pending in LPSC Docket No. S-37227 Pointe Coupee Electric Membership Corporation, ex parte. *In Re: Request for Letter of Non-Opposition to Borrow for the Cooperative's Construction Work Plan.*

1 multi-year period with the CWP addressing the first five years of planning. The CWP  
2 process is used to determine and document an RUS borrower's construction needs. As  
3 such, the CWP is used to inform RUS and receive RUS's approval of proposed new  
4 construction items. The CWP analysis is performed to determine plant investments for  
5 each of the next ten years with an action plan for the first five years, 2024-2028. The plant  
6 additions included in the development of the annual revenue requirement reflect and equal  
7 division of the total CWP amount divided by the five years of the plan.

8 **Q. THE PLANT ADDITIONS ARE HIGHER THAN SEEN IN THE PAST. PLEASE**  
9 **EXPLAIN.**

10 **A.** Simply stated, the cost of equipment and labor have greatly increased since the last CWP  
11 that was approved by the LPSC in 2018.<sup>2</sup> Increased costs combined with a system that has  
12 continued to age resulted in a more robust CWP with a higher total cost.

13 The plant addition total reflects a combination of projects that have been approved and  
14 completed but were unfunded in the prior CWP and has not been subject to any recovery  
15 from the members due to the gap in timing between the last FRP test year filing and the  
16 filing of this rate case. As referenced above, the majority of the cost of the transmission  
17 line repair project fell outside of the last FRP test year and therefore, PC Electric has had  
18 no mechanism to recover the loan payments it is currently making related to that  
19 expenditure. Likewise, the Advanced Meter System ("AMI") project that was approved  
20 by the LPSC did not begin to incur significant costs until after the end of available funding

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<sup>2</sup> LPSC Docket No. S-34750 Pointe Coupee Electric Membership Corporation, ex parte: Application for approval of a Letter of Non-Opposition for a RUS Loan Commitment in the amount of \$14,926,000.00 approved by the LPSC on April 18, 2018.

1 in the prior CWP and, again, outside the last FRP test year. Therefore, like the transmission  
2 line project, PC Electric has been carrying over 80% of the costs of that system investment  
3 without revenue recovery. The AMI project will be included in the new CWP to be  
4 converted to long term debt and more favorable interest rates.

5 The continuation of the transmission line replacement project is also included in the CWP  
6 that is reflected in the plant additions of the revenue requirement calculation.

7 **Q. IS THE LEVEL OF PLANT ADDITIONS CONSISTENT WITH THE GOAL OF**  
8 **INCREASED RESILIENCE AND RELIABILITY DEMONSTRATED THROUGH**  
9 **THE RECENT AND ONGOING LPSC RULEMAKING DOCKETS?**

10 A. Yes. The LPSC has been clear that it expects its power utilities to improve reliability and  
11 resilience. The PC Electric plant additions have been developed to improve reliability and  
12 resilience of its system for the direct benefit of its members.

13 **Q. IS IT YOUR TESTIMONY THAT THE PLANT ADDITIONS ARE PRUDENT**  
14 **AND IN THE BEST INTEREST OF THE PC ELECTRIC MEMBERS?**

15 A. Yes. PC Electric has been able to improve its SAIDI/SAIFI numbers through increased  
16 investment in its system. The section of transmission that was recently repaired and  
17 replaced has shown reduced and shorter outages despite direct impact by high winds and  
18 extreme weather.

19 **Q. DO YOU BELIEVE THAT THE RATE INCREASE IS FAIR, JUST AND**  
20 **REASONABLE?**



1 A. Yes. As the testimony of Ms. Payne and Ms. McDuff demonstrates, the rate increase is  
2 fair, just and reasonable to its members while allowing the Cooperative to meet not only  
3 its financial objectives but also its financial obligations to its lender.

4 **Q. IS PC ELECTRIC REQUESTING AN INTERIM RATE INCREASE?**

5 A. Yes. The results of Ms. Payne's study show that PC Electric requires an immediate  
6 increase in revenue. However, as described in the testimony of Ms. McDuff, PC Electric  
7 is proposing to phase in the rate increase to mitigate the impact on its members. The initial  
8 interim rate increase requested is approximately 60% of the total revenue requirement  
9 determined to be needed. The remaining 40% of the rate increase would be implemented  
10 upon final LPSC approval.

11 **Q. DO YOU BELIEVE THAT AN INTERIM RATE INCREASE IS FAIR, JUST AND**  
12 **REASONABLE?**

13 A. Yes.

14 **Q. PLEASE INTRODUCE THE TARIFF MODIFICATIONS SOUGHT.**

15 A. As part of this process, PC Electric reviewed its current tariffs and rate schedules to  
16 determine if changes were required due to the expiration of its current wholesale power  
17 supply contract, the number of customers on the tariff and the balance of costs between  
18 classes and tariffs. The testimony of Ms. Payne describes in detail the proposed  
19 modifications to each tariff and the justification for each change.

20 **Q. IS PC ELECTRIC REQUESTING THE ESTABLISHMENT OF A FORMULA**  
21 **RATE PLAN?**

1 A. Yes. PC Electric is seeking to re-establish a Formula Rate Plan with the modifications  
2 described in the testimony of Ms. Payne and Ms. McDuff.

3 **Q. DO YOU BELIEVE THAT THE ESTABLISHMENT OF A NEW FRP IS FAIR**  
4 **JUST AND REASONABLE FOR PC ELECTRIC MEMBERS?**

5 A. With the requested modifications to create a more consistent funding that is less weather  
6 dependent, and the cash reserves sought combined with the creation of the Emergency  
7 Reserve Fund, a FRP should produce fair, just and reasonable rates.

8 **Q. PLEASE EXPLAIN PC ELECTRIC'S NEED FOR AN EMERGENCY RESERVE**  
9 **FUND?**

10 A. As described in the testimony of Ms. McDuff, PC Electric has had to rely on short-term  
11 loans and lines of credit to address emergency expenditures due to the lack of cash on hand  
12 or a dedicated emergency fund. In April and May of 2024, severe thunderstorms impacted  
13 the PC Electric service area including strong winds and tornadic activity, resulting in  
14 numerous outages. The costs of those emergency restoration efforts were funded through  
15 short term emergency loans. PC Electric asserts that the creation of an Emergency Reserve  
16 Fund would provide a dedicated source of cash to respond to emergency events.

17 **Q. DO YOU BELIEVE THAT THE PC APPLICATION REQUESTS ARE FAIR, JUST**  
18 **AND REASONABLE?**

19 A. Yes.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

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CORPORATION, EX PARTE

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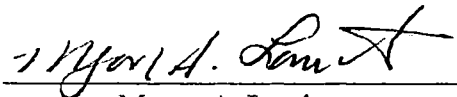
*In Re: Application for Increase of Base Rates, Interim Rate Relief, Tariff Modification and  
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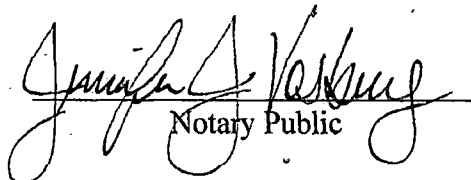
**AFFIDAVIT OF WITNESS**

**MYRON A. LAMBERT**

I, Myron A. Lambert, being duly sworn, depose that the Direct Testimony in the above referenced matter on behalf of Pointe Coupee Electric Membership Corporation, is true and correct to the best of my knowledge, information and belief.

  
Myron A. Lambert

Subscribed and sworn before me this 30<sup>th</sup> day of July, 2024.

  
Notary Public

My commission expires: Death