

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-36254

DIXIE ELECTRIC MEMBERSHIP CORPORATION, D/B/A DEMCO,
EX PARTE

Docket No. U-36254, In re: Application for Interim and Final Emergency Rate Relief Pursuant to the Extraordinary Cost Provision of its Formula Rate Plan and Request for Order of the Commission Directing DEMCO Recognize Paycheck Protection Plan Loan Forgiveness in 2022.

(Decided at the February 23, 2022 Business and Executive Session.)

ORDER

I. DEMCO'S APPLICATION

On January 18, 2022, Dixie Electric Membership Corporation ("DEMCO") filed its Application for Interim and Final Emergency Rate Relief with supporting testimony ("Application") with the Louisiana Public Service Commission ("Commission"). Notice of DEMCO's Application was published in the Commission's Official Bulletin on January 21, 2022 for a 15-day intervention period. DEMCO also published notice of the filing of the Application in the Official Journals of the seven parishes in which it operates. No parties intervened.

As set forth in DEMCO's Application, its electrical distribution system suffered heavy damage from hurricanes and other storms, most recently with Hurricane Ida but dating back to Hurricane Katrina. In 2022, DEMCO will experience numerous extraordinary expenses associated with the costs of repairing the damage to its system caused by these hurricanes and other storms. Details regarding the nature of these extraordinary expenses were provided and explained in the sworn testimonies of DEMCO's General Manager and CEO, Randall C. Pierce, and DEMCO's Vice President, Finance, Peggy A. Maranan, which were submitted by DEMCO in support of its Application. At the same time DEMCO will experience extraordinary expenses in 2022 associated with hurricanes and other storms, it will also incur extraordinary expenses due to the COVID pandemic. Material scarcity, supply chain issues, and labor shortages have caused extraordinary increases in costs to DEMCO on several fronts. Details regarding the specific nature of the extraordinary expenses DEMCO will incur in 2022 due to the COVID pandemic were provided and explained in the supporting testimonies of Mr. Pierce and Ms. Maranan.

DEMCO's rates are set by a Commission-approved Formula Rate Plan ("FRP") per Order No. U-35359 dated December 29, 2020, which allows DEMCO to seek recovery of extraordinary expenses outside of its annual FRP filing. Due to the timing of DEMCO's FRP filings, the extraordinary expenses that will be incurred by DEMCO in 2022 would not be addressed until DEMCO's 2023 FRP filing in May of 2023 and would be recovered by DEMCO no sooner than January 1, 2024. These extraordinary expenses would have reduced DEMCO's times interest earned ratio ("TIER") below the 1.25 required by DEMCO's loan covenants and cause DEMCO to breach its loan covenants. This could adversely affect DEMCO's ability to borrow the money

it needs to operate, cause the interest rates to be higher on the money it is allowed to borrow, and potentially lead to even more drastic actions by its lenders.

DEMCO's Application identified extraordinary expenses of approximately \$8,200,000.00, which translates to an additional revenue requirement of \$11,500,000.00. DEMCO sought to recover this revenue amount in 2022 on an interim basis, subject to a final decision by the Commission and with the understanding that DEMCO would have to post security in order to ensure any rates not ultimately approved by the Commission would be refunded to its members, via an interim rate increase of 6.24 mills per kWh.

II. COMMISSION AUTHORITY

The Commission exercises jurisdiction in this proceeding pursuant to Article IV, Section 21 of the Louisiana Constitution. La. Const. Art. IV, Sec. 21 provides in pertinent part:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

III. COMMISSION CONSIDERATION

This matter was placed on the Commission's February 23, 2022 Business and Executive Session Agenda at the request of Commissioner Greene. On motion of Commissioner Greene, seconded by Vice Chairman Francis, the Commission asserted its original and primary jurisdiction and took the matter up pursuant to Rule 57 of the Rules of Practice and Procedure of the Louisiana Public Service Commission.

On motion of Commissioner Greene (as read into the record), seconded by Chairman Boissiere, with Vice Chairman Francis and Commissioner Campbell concurring and Commissioner Skrmetta abstaining, the Commission voted to approve DEMCO's request for interim rate relief, subject to the conditions, as set forth below.

IT IS THEREFORE ORDERED:

DEMCO's request for an interim rate increase in the amount 6.24 mills per kWh is granted subject to the following conditions:

1. DEMCO shall file into the record of this proceeding a revised tariff reflecting the interim rates in compliance with the Commission's Electric Tariff Filing Rules within (5) business days;
2. DEMCO shall submit to the Executive Secretary and file into the record of this proceeding a protective bond or security in the amount of \$11,500,000 to ensure refund of the interim rates, if necessary; and
3. The interim rates shall be effective upon the first billing cycle after the Commission's

receipt and acceptance of items (2) and (3) and shall remain in effect pending the issuance of a final Commission Order on the merits of DEMCO's Application filed January 18, 2022 or December 31, 2022, whichever is sooner.

This Order is effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
February 25, 2022



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BRANDON M. FREY
SECRETARY

A handwritten signature in blue ink, appearing to read "Lambert C. Boissiere, III".

DISTRICT III
CHAIRMAN LAMBERT C. BOISSIERE, III

A handwritten signature in blue ink, appearing to read "Mike Francis".

DISTRICT IV
VICE CHAIRMAN MIKE FRANCIS

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DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

ABSTAINED

DISTRICT I
COMMISSIONER ERIC F. SKRMETTA

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DISTRICT II
COMMISSIONER CRAIG GREENE