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BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

LA Public Service Commission

POINTE COUPEE ELECTRIC MEMBERSHIP
CORPORATION, EX PARTE

DOCKET NO. U-37341

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

DIRECT TESTIMONY

OF

AMANDA MCDUFF

on behalf of

POINTE COUPEE ELECTRIC MEMBERSHIP
CORPORATION

July 30, 2024

EXHIBIT "B"

1 **I. INTRODUCTION**

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

4 A. My name is Amanda H. McDuff. My business address is 2506 False River Drive, New
5 Roads, Louisiana 70760. My position is Chief Financial Officer (“CFO”) of Pointe Coupee
6 Electric Membership Corporation (“PC Electric”).

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

9 A. I have a Bachelor of Science in Finance from Louisiana State University with a
10 concentration in internal audit. I have over twenty years of professional experience as a
11 manager in the accounting, finance, and audit field. I am a certified internal auditor with
12 over ten years of experience managing audits in public accounting and private industry.
13 For the last seven years, I have been working specifically in the electric industry primarily
14 on the wholesale side of the business. My most recent experience prior to PC Electric was
15 as the Accounting Manager at Cleco overseeing the Cleco Cajun accounting and billing
16 departments. I had oversight and responsibility for generating monthly wholesale invoices.
17 I was also responsible for key financial business analysis and oversight to ensure
18 accounting records were accurately reported. Prior to the Cleco acquisition, I was a
19 Regional Financial Analyst at NRG for its South Central assets.

20 As CFO of PC Electric, I am responsible for the management of the overall sound fiscal
21 operation of the cooperative, ensuring that PC Electric embodies a cost-conscious culture
22 regarding the impact to its members and directing the activities of the finance and

1 accounting department that includes the functions of accounting, treasury, billing, financial
2 forecasting, and budget.

3 **II. PURPOSE AND SUMMARY OF DIRECT TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my testimony is to provide an overview of PC Electric's financial structure
7 and current financial position. This will include describing how PC Electric has
8 historically funded its system improvements and PC Electric's desire to maintain a
9 financially sound capital structure in future financing. Finally, I will express to the LPSC
10 the need for the revenue adjustment contained in this application in a timely manner and
11 the justification for an interim rate increase and Emergency Reserve Fund.

12 **Q. PLEASE PROVIDE AN OVERVIEW OF THE FINANCIAL STRUCTURE OF PC**
13 **ELECTRIC?**

14 A. PC Electric currently services over 10,600 members. PC Electric is a rural electric
15 cooperative and as such our members are the owners of the system and the ratepayers. As
16 a cooperative, PC Electric has no stock and obtains long-term debt financing from the Rural
17 Utilities Service ("RUS"), Federal Financial Bank ("FFB"), the National Rural Utilities
18 Cooperative Finance Corporation ("CFC") and CoBank, ACB. At the end of 2023, PC
19 Electric's capitalization was approximately 62% debt and 38% equity. PC Electric is
20 required to maintain its financial performance ratios, particularly TIER and DSC, at levels
21 which will provide its long-term debt providers adequate assurances of its ability to repay
22 the debt.

1 **Q. WHAT ARE THE SOURCES OF EQUITY CAPITAL FOR PC ELECTRIC?**

2 A. As a Cooperative, PC Electric's only source of equity is its own net cash flow. PC
3 Electric's cash flow is a result of its operating margins. From the cash flow, principal
4 payments on long-term debt and purchases of certain equipment are made with the net
5 remaining amount able to be used for equity plant investment.

6 **Q. WHAT ARE THE SOURCES OF LONG-TERM DEBT FINANCING FOR PC**
7 **ELECTRIC?**

8 A. PC Electric obtains most long-term debt financing (83%) from RUS and FFB both of which
9 offer the Cooperative favorable interest rates. Notes payable to RUS consist of fixed rates
10 of 3.7% to 5% mortgage notes payable in monthly and quarterly payments maturing in
11 various years through 2041. Notes Payable to FFB consists of mortgage notes payable in
12 quarterly payments bearing fixed rates of 1.035% to 5.410% maturing in various years
13 through 2046. PC Electric also borrows from CFC and CoBank. See attached to my
14 testimony as AM Exhibit 1 a table that provides an overview of PC Electric's current long-
15 term debt. As with all loans, the terms and conditions of each loan place certain financial
16 obligations, minimum debt covenant coverage ratios, on PC Electric that it must meet.

17 **Q. EXPLAIN WHAT THE MINIMUM DEBT COVENANT COVERAGE**
18 **MEASURES?**

19 A. The minimum coverage ratios are set as default levels for existing loans and minimum
20 sustained level for new loans. They are simply a metric measuring the minimum financial
21 performance of a Cooperative for consideration of current ability to meet current and future

debt obligations. Below is a definition of each of the minimum debt covenant coverage ratios:

- **“TIER”** refers to Time Interest Earned Ratio: $\text{= (Interest on Long-Term Debt + Net Margin) / Interest on Long Term Debt}$
 - Tier is a measurement of the system’s annual ability to earn margins sufficient to cover the interest expense on long-term debt.
- **“OTIER”** refers to Operating Time Interest Earned Ratio: $\text{(Interest on Long—Term Debt + Operating Margin) / Interest on Long-Term Debt}$
 - Operating Tier is a measure of the Cooperative’s ability to generate sufficient revenues from electric operations to repay the interest on its long-term debt.
- **“DSC”** refers to Debt Service Coverage Ratio: $\text{(Depreciation + Interest on Long-Term Debt + Net Margin) / (Principal + Interest on Long—Term Debt)}$
 - DSC is a measurement of the system’s ability to generate sufficient funds to cover the cash requirements of its long-term debt service (principal and interest) on an annual basis.
- **“ODSC”** refers to Operating Debt Service Coverage Ratio: $\text{= (Depreciation + Interest on Long-Term Debt + Operating Margin) / (Principal + Interest on Long-Term Debt)}$
 - Operating DSC indicates the cooperative’s ability to generate sufficient operating margins, excluding capital credit allocations, to cover the annual debt service payments on its total long-term principal and interest due.

Q. WHAT ARE THE CURRENT MINIMUM DEBT COVENANT COVERAGE RATIOS FOR EACH OF PC ELECTRIC LENDERS?

A. The table below identifies the current minimum debt covenant coverage ratios for each of PC Electric’s lenders.

<u>RATIO</u>	<u>RUS</u>	<u>CoBank</u>	<u>CFC</u>
OTIER	1.10		
Net TIER	1.25		
ODSC	1.10		
DSC	1.25	1.25-1.00	MDSC 1.35
EQUITY TO TOTAL ASSETS		.30 – 1.00	

1 The minimum debt coverage ratios should be achieved in the 2 best years out of the 3 most
2 recent calendar years.

3 **Q. IS THE MINIMUM DEBT COVENANT COVERAGE A PROPER FINACIAL**
4 **TARGET FOR DEVELOPING REVENUE REQUIREMENTS?**

5 A. Minimum Debt Covenants, while a factor in establishing the financial obligations of the
6 cooperative, is not the only nor the most important factor in developing the revenue
7 requirement for a cooperative. As the testimony of Rebecca Payne discusses, there are a
8 number of important factors to be considered in developing the revenue requirement. In
9 my role, ensuring we have sufficient revenue to pay all fixed and variable expenses when
10 due and to provide and maintain reasonable working capital in addition to ensuring
11 financial coverage ratios are met is a critical part of the operation of the Cooperative.

12 **III. OVERVIEW OF PC ELECTRIC FINANCIAL CONDITION**

13 **Q. PLEASE DISCUSS THE FINANCIAL CONDITION OF PC ELECTRIC.**

14 A. AM Exhibit 2 to my testimony demonstrates PC Electric's minimum debt coverage ratios
15 for the past six (6) years. The evidence shows that PC's ratios have been declining since
16 2018, other than for test year 2020. PC Electric failed to meet its annual minimum debt
17 coverage ratios required by its lenders in 2022 and 2023. PC Electric has the financial
18 obligation to meet its minimum debt service coverage requirements based on a best two (2)
19 out of three (3) years average. PC Electric failed to meet that obligation in 2023 and is
20 currently projected to not meet that obligation in 2024.

21 AM Exhibit 3 also demonstrates that PC Electric's equity to total assets ratio continues to
22 drop which indicates that PC Electric is more heavily leveraged than historically.

Q. WHAT PRESSURES ARE PC ELECTRIC EXPERIENCING THAT IMPACT ITS FINANCIAL CONDITIONS?

A. As with other utilities, PC Electric is experiencing multiple pressure points impacting its financial conditions and obligations. I will touch briefly on the significant drivers.

- Higher Borrowing Costs: The Cooperative cost of both short and long-term financing is coming at a greater cost due to higher interest rates.
- Increased Equipment and Labor Costs: As discussed in the testimony of Myron Lambert, the cost of material and labor used to maintain, repair and improve its system has increased due to widespread inflation.
- Capital Additions: As discussed in the testimony of Myron Lambert, the need for investment in the PC Electric system has significantly increased since the last CWP over 6 years ago.

The additional investment impact to the financial condition of PC Electric is compounded by the higher borrowing costs and increased equipment and labor costs. Fundamentally, it costs more to reliably serve our members than it has in the past and the cost of capital has significantly increased, placing financial pressure on PC Electric.

Q. PLEASE DESCRIBE PC ELECTRIC'S LINE OF CREDIT AND ITS USE IN RECENT YEARS.

A. PC Electric currently has a line of credit with CFC and another with CoBank. The purpose of the line of credits is for PC Electric's use for working capital and temporary funding of capital improvements while long-term debt funds are being applied for and received. If PC Electric is unable to secure long term financing due to not making financial metric covenants, PC Electric will have to place greater reliance on short-term financing to fund plant additions. This financing is usually at a much higher interest rate expense and thus

1 higher cost to our members. In 2023, PC Electric had to rely heavily on both the CFC and
2 CoBank operating line of credits to fund operational expenses due to the higher cost
3 pressures mentioned above. The current member rates were not producing adequate
4 revenue to cover all fixed and variable expenses as due. With the higher interest rates,
5 this resulted in a 500% percentage increase in short-term interest expense over the prior
6 year.

7 **Q. IS IT SUSTAINABLE AND PRUDENT FOR PC ELECTRIC TO CONTINUE TO**
8 **RELY ON SHORT TERM LINES OF CREDIT?**

9 A. No, it is critical that PC Electric acquires and maintains access to adequate amounts of
10 long-term debt at reasonable interest rates to continue providing reliable service. It is in
11 PC Electric's best interest to utilize low-cost RUS debt financing as needed for system
12 improvements in the future. As such, our rates for all services furnished should provide
13 sufficient revenue to pay all fixed and variable expenses as due and to provide and maintain
14 reasonable working capital and cash on hand to decrease the reliance on short-term debt.

15 **IV. FORMULA RATE PLAN EXPERIENCE**

16 **Q. PC ELECTRIC WAS SUBJECT TO A FORMULA RATE PLAN PRIOR TO ITS**
17 **RECENT EXPIRATION WITH THE 2022 TEST YEAR. WHY DID THE FRP**
18 **EXPIRE?**

19 A. PC Electric was granted its first FRP by Commission order in Docket U-33917 dated
20 March 20, 2017.¹ PC Electric was granted an extension of the original FRP by Commission

¹ LPSC Docket U-33917. Pointe Coupee Electric Membership Corporation, ex parte, *In re: First Amended Petition for Approval of a Formula Rate plan and Application for Rate Increase.*

1 order in Docket U-35421 dated May 29, 2020.² The 2020 FRP extension order required
2 PC Electric to file a full rate case or that an extension of the FRP be requested. However,
3 in the final FRP Annual Filing order in Docket U-36365 dated March 15, 2023, the
4 Commission ordered:

5 *“PC Electric will file for a full base rate review or extension of its existing FRP to*
6 *correspond with any Staff recommendation as issued in LPSC Docket U-36515 in*
7 *which PC Electric seeks certification of its new wholesale contracts that will form*
8 *the basis of its future base rate.”*³

9 The PC Electric certification docket in U-36515 was completed by final Commission
10 orders dated November 7, 2023 (NextEra Energy Marketing) and U-36515-A dated
11 January 11, 2024 (Mondu Solar).⁴ Therefore, this application is timely filed in accordance
12 with the Commission’s order.

13 **Q. HOW DID THE FRP IMPACT THE FINANCIAL CONDITION OF PC**
14 **ELECTRIC?**

15 A. During the prior FRP tenure, PC Electric increased rates twice and gave a refund once with
16 the other three years not triggering a rate change. See AM Exhibit 4. However, what AM
17 Exhibit 2 demonstrates is that as the broader financial conditions changed – higher costs,
18 higher interest rates, increased investment for reliability, PC Electric was quickly losing
19 ground until the FRP did not produce sufficient revenue to meet its minimum debt
20 coverage. Over this same period, PC Electric was unable to meet variable and fixed costs

² LPSC Docket U-35421. Pointe Coupee Electric Membership Corporation, ex parte, *In re: Application for Approval of Formula Rate Plan Extension and Letter of Non-Opposition to Renew Line of Credit*.

³ LPSC Docket U-36265. Pointe Coupee Electric Membership Corporation, ex parte, *In re: Formula Rate Plan Annual Report for the Test Year Ending March 31, 2022*.

⁴ LPSC Docket U-36515 Pointe Coupee Electric Membership Corporation, NextEra Energy Marketing, LLC and Mondu Solar, LLC's *Joint Application for Approval of Power Supply Agreements*.

1 when due without becoming more dependent on short-term Lines of Credit and incurring
2 more long-term debt, both at higher interest rates.

3 For the last test year, despite a rate increase, the narrow bandwidth set at the level closely
4 tied to the minimum covenant ratio coverage amounts did not increase rates to produce
5 sufficient revenue to overcome the negative financial forces, putting PC Electric on track
6 to fail to meet its minimum covenant ratio for 2024.

7 **Q. PLEASE DISCUSS HOW THE APPLICATION SEEKS TO ADDRESS THE**
8 **FINANCIAL AND RATE STRUCTURE NEEDS OF PC ELECTRIC RATE**
9 **MAKING AND WHY IT IS NECESSARY.**

10 A. Generally, PC Electric has determined that a rate increase is needed to meet its financial
11 goals and obligations. The details of the calculation of the development of the rate increase
12 are set forth in detail in the testimony of Rebecca Payne. PC Electric also believes that
13 re-establishing the Formula Rate Plan with modifications is in the best interest of the
14 ongoing financial security of the cooperative.

15 PC Electric also requests that the test year of the new FRP be set to a calendar year of
16 January 1 through December 31 with its annual filing due by April 1 of each year.

17 PC Electric requests that thirty (30) days of cash on hand be included in the calculation of
18 its revenue requirement to reduce and mitigate the need to overly rely on short-term Lines
19 of Credit.

20 PC Electric asserts that the adoption of a new bandwidth is required as described in the
21 testimony of Rebecca Payne.

1 As part of its Cost of Service Study, PC Electric also seeks to stabilize rates by increasing
2 the customer charge to insulate a portion of the revenue recovery from weather-related
3 uncertainty.

4 A full review of PC Electric's tariff indicated a need to revise and/or eliminate certain
5 tariffs due to the change in its wholesale power contract, lack of use or to mitigate cost
6 shifting between customer classes.

7 PC Electric seeks the creation of an Emergency Reserve Fund to create a cash reserve fund
8 that will allow PC Electric to quickly respond to emergencies while mitigating the need to
9 rely on high interest rate lines of credit.

10 PC Electric also seeks to implement an interim rate increase to immediately collect
11 additional revenues to set it on course to meet its minimum covenant ratios going forward.

12 **Q. DO YOU BELIEVE THAT A NEW FORMULA RATE PLAN IS IN THE BEST**
13 **INTEREST OF PC ELECTRIC MEMBERS?**

14 **A.** A properly structured FRP should allow the Cooperative to realize improved financial
15 stability and steadily increase equity, both of which will benefit the members. The FRP
16 will allow PC Electric with the mechanism to maintain adequate revenue levels to meet
17 lender requirements and help provide better long-term financing options that reduce
18 borrowing costs. In addition, we also believe the FRP will provide our members with more
19 stable rates with regular, modest adjustments that reflect current inflation factors.

20 **Q. HOW DOES THE DEVELOPMENT OF THE REVENUE REQUIREMENT AND**
21 **COST INTERACT WITH THE PROPOSED FRP?**

1 A. The revenue requirement determination was based on a cost study using adjusted test year
2 data. Once base rates are established to meet the revenue requirement, a FRP will provide
3 a mechanism to consistently maintain the adequate revenues to meet the established
4 financial metrics. By implementing the financial restructuring described above combined
5 with the re-establishment of a FRP, PC Electric will receive more stable and consistent
6 revenue, reduce its use of short-term lines of credits and reduce costs to its members by
7 mitigating higher interest rates with cash on hand.

8 **V. REVENUE REQUIREMENT DEVELOPMENT**

9 **Q. PLEASE EXPLAIN YOUR ROLE IN THE DEVELOPMENT OF THE COST OF**
10 **SERVICE STUDY AND DEVELOPMENT OF THE RATE.**

11 A. I worked directly with Rebecca Payne at C.H. Guersney & Company to provide all the data
12 requested to perform the cost of service study. I reviewed all the preliminary results of the
13 study and was present at the Board meetings at which the data was presented to the full
14 Board for review, discussion and approval.

15 **Q. DID YOU REVIEW THE RESULTS OF REBECCA PAYNES REVENUE**
16 **REQUIREMENT CALCULATION?**

17 Yes.

18 **Q. DO YOU AGREE WITH THE RESULTS OF THE REVENUE REQUIREMENT**
19 **CALCULATION?**

20 Yes. The results of the revenue requirement calculation will allow us to meet the financial
21 objectives and obligations of PC Electric. These objectives are driven off a level of plant

1 additions that will ensure our system is reliable and resilient, maintaining an appropriate
2 equity of greater than 30%, maintaining a reasonable level of cash and making our debt
3 service payments.

4 **Q. RELATED TO THE AMOUNT IDENTIFIED FOR PLANT INVESTMENT,**
5 **PLEASE EXPLAIN THE FUNDING FOR PLANT ADDITIONS?**

6 A. RUS is the primary lender for PC Electric and sets forth a process to facilitate developing
7 and funding investment in a rural electric cooperative's system, which includes the
8 development of a construction work plan ("CWP"). The CWP details the plant investment
9 PC Electric will make in its system over a five-year period. To fund the CWP, PC will
10 borrow from the Federal Financial Bank ("FFB") pursuant to the terms and conditions set
11 forth between FFB and RUS. The loan from the FFB is guaranteed by RUS and will require
12 PC Electric to grant a conventional mortgage on its assets to secure repayment of the loan.
13 Funds are drawn from the loan as projects are completed and approved by RUS which
14 provides an additional protection to PC Electric rate payers through a spend and recover
15 process rather than funding the full value of the project prior to projects being completed.
16 In addition, the ability to secure more favorable long term interest rates reduces reliance
17 on short term loans with higher interest rates.

18 **Q. MYRON LAMBERT'S TESTIMONY REFERENCES INCREASED UPWARD**
19 **PRESSURE ON COSTS RELATED TO PLANT INVESTMENT. DO YOU**
20 **AGREE?**

21 A. Yes.

1 **Q. PLEASE EXPLAIN THE THIRTY (30) DAY OPERATIONAL RESERVE THAT**
2 **IS BUILT IN THE REVENUE REQUIREMENT AND WHY IS THAT NEEDED.**

3 A. The 30-day operational reserve equates to increasing the general funds to have enough cash
4 on hand to pay about 30 days' worth of expenses. This reduces the Cooperative's
5 dependence on having to utilize the line of credit to pay operating expenses.

6 **Q. WHY IS THE OPERATIONAL RESERVE MORE FAIR, JUST AND**
7 **REASONABLE FOR PC MEMBERS THAN THE CURRENT PRACTICE OF**
8 **RELYING ON SHORT TERM LINES OF CREDIT?**

9 A. Having adequate cash on hand reduces the Cooperatives' dependence on the line of credit.
10 This will in turn lower the interest rate expense and decrease the Cooperatives' exposure
11 to fluctuations in the interest rates market.

12 **Q. HOW DOES THE OPERATIONAL RESERVE DIFFER FROM AN EMERGENCY**
13 **RESERVE FUND THAT IS ALSO REQUESTED?**

14 A. The fundamental difference is that the Emergency Reserve Fund is restricted in use for
15 only emergency events while the operational reserve cash can be used for non-emergency
16 events. For example, the operational cash on hand could be used to mitigate a cash flow
17 issue due to timing of expenses versus recovery. The Emergency Reserve Fund would
18 only be allowed to be tapped in times of an emergency. For example, PC Electric
19 experienced two major un-named storms in the months of April and May of 2024 with
20 tornadic activities. Those storms resulted in approximately \$1.4 million dollars in costs to
21 restore and repair the system. PC Electric was required to seek funding through an
22 emergency line of credit to acquire the capital to respond. The Emergency Reserve Fund

1 would provide PC Electric with a source of capital to respond to similar emergencies while
2 mitigating the need to incur additional interest costs associated with short-term loans or
3 lines of credit.

4 **Q. WHY DOES FEMA NOT PROVIDE SUFFICIENT FUNDING FOR STORM**
5 **RECOVERY FOR PC ELECTRIC?**

6 A. Costs that are FEMA eligible are refunded after the fact, meaning PC Electric must pay up
7 front for the full costs of restoration and repair. If the event is determined to be FEMA
8 eligible, after a lengthy application process, the Cooperative has a chance to recover up to
9 ninety (90%) of eligible costs meaning that in all situations, the cooperative will be fully
10 responsible for a portion of the costs. It has been PC Electric's experience that it can take
11 years for FEMA to refund costs. For example, the cooperative recently recovered a portion
12 of costs related to Hurricane Gustav that occurred in 2008. For storms that are not FEMA
13 eligible, such as the weather events in April and May of 2024, there is no FEMA recovery
14 option.

15 **VI. RATE INCREASE AND INTERIM RATE INCREASE**

16 **Q. IS THE REQUESTED RATE INCREASE NECESSARY FOR THE FINANCIAL**
17 **HEALTH OF PC ELECTRIC TO BE ABLE TO PROVIDE RELIABLE POWER**
18 **TO ITS MEMBERS?**

19 A. The requested rate increase will help position PC Electric to be able to carry out the work
20 plan to strengthen the distribution grid to be able to provide resilient and reliable service to
21 its members. Strengthening the grid will benefit the members by improving reliability and
22 adding resilience to lower the damage from severe weather events and speed up restoration

1 times. In addition, the rates will aid PC Electric in improving its financial position that
2 will in turn allow PC Electric to meet required financial ratios and therefore improve credit
3 worthiness which will in turn benefit the members in the form of more favorable interest
4 rates.

5 **Q. IS THE RATE INCREASE SOUGHT IN THIS APPLICATION FAIR, JUST AND**
6 **REASONABLE FOR THE PC ELECTRIC MEMBERS?**

7 A. Yes, the rate increase will align the member rates with the costs PC Electric incurs to
8 provide reliable service to its members.

9 **Q. PC ELECTRIC IS ALSO REQUESTING AN INTERIM RATE INCREASE TO BE**
10 **ALLOWED DURING THE PENDENCY OF THIS DOCKET? WHY?**

11 A. The results of the study performed by witness Rebecca Payne show that PC Electric is
12 currently in a negative margin pattern with insufficient funds being collected to cover its
13 expenses. PC Electric is concerned that at its current revenue rates, it will once again fail
14 to meet its minimum covenant ratios and experience further equity degradation. An interim
15 rate increase is needed to immediately improve PC Electric's financial position for 2024
16 and aid PC Electric in meeting key financial ratios in 2025. With the key ratios being the
17 best 2 out of 3 years, this will help set PC Electric on a path to meeting covenants. The
18 interim relief is needed to solely aid PC Electric from being in default but is not sufficient
19 to attain all the financial objectives.

20 **Q. HOW DID PC ELECTRIC CALCULATE THE AMOUNT OF THE INTERIM**
21 **RATE INCREASE?**

1 A. PC Electric's first goal in calculating the interim rate increase was to minimize the impact
2 of an interim rate increase to its members. We approached the interim rate increase as a
3 phased-in approach with the interim being Phase I and the final full rate increase being
4 implemented as Phase II upon approval of the Commission. We determined that an interim
5 rate increase in the amount of 60% of the revenue requirement calculated to be needed
6 would provide increased revenue to PC Electric in the amount of \$2,357,071 while
7 mitigating the rate increase to the average residential member to \$13.75 and \$13.57, in
8 Phases I and II, respectively.

9 PC Electric requests that the Commission take up the issue of the interim rate increase as
10 early as possible. Assuming that the interim rate increase would be approved at the
11 September 2024 LPSC Business and Executive Session, the rate increase would be
12 implemented with the October billing and extend through the shoulder months when usage
13 is traditionally lower.

14 As the Commission is also aware, PC Electric's new wholesale contract will begin on April
15 1, 2025, and is expected to produce lower wholesale rates than our current wholesale rates.
16 That reduction in wholesale rates is anticipated to help mitigate member impact of the
17 implementation of the total rate increase demonstrated to be needed.

18 The testimony of Rebecca Payne demonstrates the cost recovery mechanism and amounts
19 of the interim rate increase requested.

20 **Q. DOES PC ELECTRIC AGREE TO POST A BOND AND REFUND ANY**
21 **AMOUNTS ALLOWED TO BE COLLECTED THROUGH AN INTERIM RATE**
22 **INCREASE THAT IS NOT ULTIMATELY APPROVED BY THE COMMISSION?**

1 A. Yes.

2 **VII. COST OF SERVICE STUDY AND TARIFF CHANGES**

3 **Q. DID YOU PROVIDE ANY SUPPORT TO THE COST OF SERVICE STUDY THAT**
4 **WAS CONDUCTED BY WITNESS REBECCA PAYNE?**

5 A. Yes, all supporting documentation was provided by PC Electric staff.

6 **Q. HAVE YOU REVIEWED THE RESULTS OF THE COST OF SERVICE STUDY**
7 **AND DO YOU AGREE WITH THE RECOMMENDATIONS?**

8 A. Yes.

9 **Q. DID YOU ALSO REVIEW AND SUPPORT THE RECOMMENDATIONS TO**
10 **MAKE CHANGES TO THE PC ELECTRIC TARIFFS?**

11 A. Yes.

12 **Q. WHY WERE THE CHANGES NEEDED?**

13 A. Our tariffs were reviewed to ensure they met the needs of our member base and to simplify
14 them as needed. In addition, our current tariffs were reflective of our current wholesale
15 purchase power contract in regard to pricing signals. The tariffs were reviewed and
16 updated to reflect the new wholesale contracts.

17 **Q. ARE THE AMENDMENTS TO THE TARIFF FAIR JUST AND REASONABLE**
18 **FOR THE PC ELECTRIC MEMBERS?**

19 A. Yes.

1 **Q. PC ELECTRIC ATTACHED A COMPLIANCE FILING IN ACCORDIANCE**
2 **WITH THE RECENTLY ADOPTED ORDER IN R-35462 THAT ADDED A**
3 **REPORTING REQUIREMENT TO PROVIDE DETAILS REGARDING THE**
4 **RATE EFFECTS ASSOCITED WITH EVERY FILING MADE AT THE**
5 **COMMISSION SEEKING TO CHANGE RATES. DO YOU ASSERT THAT THIS**
6 **INFORMATION PROVIDED IS TRUE AND ACCURATE?**

7 **A. Yes. PC Electric provides the Rate Impact Form calculated for both the interim and total**
8 **increase required.**

9 **Q. DO YOU HAVE ADDITIONAL DOCUMENTATION TO SUPPORT THIS**
10 **FILING?**

11 **A. Yes. I have attached the following documentation:**

AM Exhibit 1	PC Electric's Current Long Term Debt Summary	
AM Exhibit 2	PC Electric's 6 years historical minimum debt coverage ratios	
AM Exhibit 3	PC Electric's Equity to Total Assets Ratio 2019-2023	
AM Exhibit 4	Formula Rate Plan – Attachment A	
AM Exhibit 5	Five years of Form 7 forms	
AM Exhibit 6	Recent Audited Financials	HSPM
AM Exhibit 7	RUS Loan Contract AM8 – February 2, 2018 (CWP Loan)	HSPM
AM Exhibit 8	CoBank Loan Credit Agreement	HSPM

12

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

2 **A.** Yes.

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

POINTE COUPEE ELECTRIC MEMBERSHIP
CORPORATION, EX PARTE

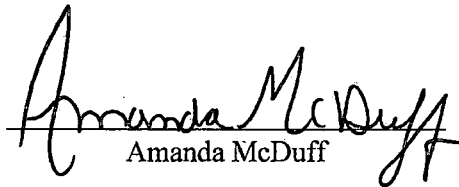
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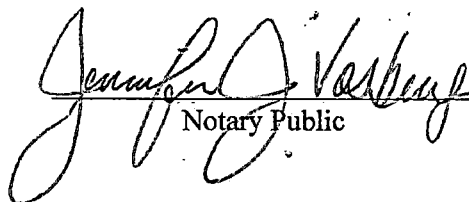
AFFIDAVIT OF WITNESS

AMANDA MCDUFF

I, Amanda McDuff, 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.


Amanda McDuff

Subscribed and sworn before me this 30 day of July, 2024.


Notary Public

My commission expires: Death

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CORPORATION, EX PARTE

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Establishment of a Formula Rate Plan and Emergency Reserve Fund*

Amanda McDuff
Direct Testimony

EXHIBIT 1

AM Exhibit 1

2023 LONG TERM DEBT TRANSACTIONS

	RUS	CFC	FFB	COBANK	TOTAL
BALANCE BEGINNING OF YEAR	\$ 4,149,593	\$ 429,506	\$ 23,413,389	\$ -	\$ 27,992,488
ADDITIONS DURING YEAR				\$ 4,995,049	\$ 4,995,049
REDUCTIONS DURING YEAR					\$ -
PRINCIPAL PAYMENTS	\$ (163,916)	\$ (174,204)	\$ (1,070,779)		\$ (1,408,899)
OTHER - CURRENT DEBT ADJUSTMENT	\$ 3,882	\$ (9,378)	-	\$ -	\$ (5,496)
BALANCE END OF YEAR (LINE 43 BS)	3,989,558.41	\$ 245,924	\$ 22,342,610	\$ 4,995,049	\$ 31,573,141
% TO TOTAL LONG-TERM DEBT	13%	1%	71%	16%	

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

POINTE COUPEE ELECTRIC MEMBERSHIP
CORPORATION, EX PARTE

DOCKET NO. _____

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

Amanda McDuff
Direct Testimony

EXHIBIT 2

AM Exhibit 2

Summary of Coverage Ratios						
Ratio	2018	2019	2020	2021	2022	2023
Interest on Long-Term Debt	755,135	780,906	774,397	798,415	876,495	911,793
Operating Margin	956,177	311,595	449,435	44,058	(372,506)	(1,234,778)
Patronage Capital or Margins	1,079,312	403,247	540,272	186,545	(210,053)	(939,835)
Depreciation Expense	1,336,033	1,424,210	1,556,226	1,651,950	1,760,834	1,894,521
Principal on Long-term Debt	1,208,179	1,107,895	1,150,806	1,245,460	1,505,060	1,668,361
Total Debt Service	1,963,314	1,888,801	1,925,203	2,043,875	2,381,555	2,580,154
TIER	2.43	1.52	1.70	1.23	0.76	(0.03)
OTIER	2.27	1.40	1.58	1.06	0.58	(0.35)
DSCR	1.61	1.38	1.49	1.29	1.02	0.72
ODSCR	1.55	1.33	1.44	1.22	0.95	0.61

Best 2 of 3 Year Average				
Ratio	2021	2022	2023	Average
TIER	1.23	0.76	(0.03)	1.00
OTIER	1.06	0.58	(0.35)	0.82
DSCR	1.29	1.02	0.72	1.15
ODSCR	1.22	0.95	0.61	1.09

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EXHIBIT 3

AM Exhibit 3

Equity to Total Assets Ratio					
	2019	2020	2021	2022	2023
Equity	\$ 20,684,785	\$ 20,748,193	\$ 21,383,321	\$ 20,275,986	\$ 19,991,235
Total Assets	\$ 45,809,964	\$ 46,795,417	\$ 50,525,474	\$ 56,364,819	\$ 60,165,553
Equity to Total Assets Ratio	0.45	0.44	0.42	0.36	0.33

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

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EXHIBIT 4

AM Exhibit 4

POINTE COUPEE ELECTRIC FORMULA RATE PLAN - ATTACHMENT A FRP RATE CHANGES BY TARIFF									
LINE NO	DESCRIPTION	RATE SCHEDULE	VOLTAGE	APPLIED FRP RATE CHANGE % (Note 2)	ANNUAL FRP % RATE CHANGES BY YEAR				
					CURRENT YEAR (2022)*	1ST PRIOR YEAR	2ND PRIOR YEAR	3RD PRIOR YEAR	4TH PRIOR YEAR
1	RESIDENTIAL Residential Service	100/101	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
2	Camp or Temporary Service	120	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
3	COMMERCIAL/SMALL INDUSTRIAL General Service	200/201	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
4	INDUSTRIAL/LARGE LIGHT & POWER Large Power Service	300	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
5	Large Power - Time of Day	305	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
6	Extra Large Power Service	351	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
7	Extra Large Power Service - Time of Day	355	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
8	Extra Large Power Service - Schools	359	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
9	Natural Gas Compression Service	360	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
10	Municipal Water Plant, Drainage & Sewer	400/401	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
11	Cotton Gin Service	750	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
12	High Load Factor Customer Incentive	800/801/802	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%
13	LIGHTING Security Lights	500	Sec	7.39%	6.34%	-2.06%	0.00%	0.00%	3.11%

*The FRP Rate changes by Tariff resulting from the 2022 FRP Annual Report filing based on the 2022 test year shall continue in effect until such time as they are superseded pursuant to a final Commission order.

Notes:

- (1) The Current Year FRP Rate Change % is taken from Attachment D, Line 35.
- (2) The Applied FRP Rate Change % is the sum of the Current Year FRP Rate Change plus all Prior Year FRP Rate Changes.