

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. _____

SOUTHWEST LOUISIANA ELECTRIC MEMBERSHIP CORPORATION,
EX PARTE

IN RE: Request for Increase in Base Rates

APPLICATION FOR INCREASE IN BASE RATES

NOW BEFORE THIS COMMISSION, through undersigned counsel, comes
SOUTHWEST LOUISIANA ELECTRIC MEMBERSHIP CORPORATION
("SLEMCO"), who requests the Louisiana Public Service Commission's approval of SLEMCO's
Application for an increase in base rates, and in support thereof, avers as follows:

I. OVERVIEW

1.

SLEMCO is an electric cooperative formed in 1937 and existing pursuant to the Louisiana
Electric Cooperative Law, La. R.S. 12:401, et seq. SLEMCO serves approximately 116,000
meters in the Parishes of Acadia, Avoyelles, Cameron, Evangeline, Iberia, Lafayette, St. Landry,
St. Martin, and Vermilion, with its main office located in Lafayette, Louisiana.

2.

SLEMCO has approximately 263 employees and is governed by a ten (10) member Board
of Directors elected by the membership.

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3.

SLEMCO's members are the owners of the system and also the rate payers. As a cooperative, SLEMCO has no stock owners.

4.

SLEMCO obtains long-term debt financing from the Rural Utilities Service ("RUS") and short-term debt financing from the National Rural Utilities Cooperative Finance Corporation ("CFC") and CoBank, Agricultural Credit Bank ("CoBank").

5.

Over the past ten (10) years, SLEMCO's system has experienced significant growth. SLEMCO's kWh purchases have increased from 2,553,743,692 in 2013 with a low of 2,450,553,207 kWh in 2017 to 2,766,150,166 kWh in 2022. The number of customers served has increased from 102,767 in 2013 to 114,934 in 2022. During the same time period, plant investment has increased from \$458,711,064 to \$638,907,025 and total miles of line in operation have increased from 10,331 miles in 2013 to 11,249 miles at the end of 2022. SLEMCO's kWh purchases have increased by approximately 8% from 2013 to 2022 and consumers have increased approximately 12% over the same period, while plant investment to serve all customers has increased by approximately 39%. SLEMCO expects to continue to experience significant growth in its service area.

6.

The growth in SLEMCO's system has brought about the need for significant capital expenditures to construct plant in order to serve the growth. Substantial direct investment has been required to serve the increased number of consumers, large amount of investment has also been required to maintain and improve the system's infrastructure, in the form of substations,

transmission lines, and main distribution feeders to provide the required capacity and reliability for all consumers.

7.

SLEMCO's engineering planning studies which analyzed the expected growth of the system and forecasted the improvements and additions necessary to provide adequate, safe and reliable service anticipate a four (4) year construction work plan for the 2021 through 2024 timeframe requiring approximately \$105,851,421 in funding. SLEMCO's engineers are projecting future Capital Additions in the years 2023-2027 to total nearly \$240 million.

II. RATE ADJUSTMENT

8.

SLEMCO's current rates are not satisfactory for it to achieve the key objectives of the Cooperative, that is to fund its continuing growth and work plan while maintaining current equity, cash general funds, capital credit retirements and adequate debt equity ratios to make it competitive as a borrower. Although SLEMCO continuously evaluates cost control and efficiency measures where possible, these efforts have lost ground to inflationary cost increases and rate attrition have eroded their effectiveness. Therefore, SLEMCO requires a rate increase to appropriately fund operations and maintenance expenses and to provide for additional significant investments in electric plant required to maintain adequate service and reliability levels to consumers. Thus, to ensure that SLEMCO achieves adequate financial levels on a consistent basis going forward, a revenue increase is being proposed.

9.

SLEMCO has retained the services of C.H. Guernsey and Company to review its operations and prepare a Cost of Service and Revenue Requirement Study for the test year reflected in said

study (12 months ending 2022). Based upon the cost of service and revenue requirement studies, and considering SLEMCO's key financial drivers, SLEMCO's Board of Directors approved a \$13.28 million increase; or 4.96% increase. As indicated earlier, the increased revenue is based upon consideration of the cash requirement for funding operating expenses, planned capital additions, capital credit retirements and preserving cash general funds; while maintaining SLEMCO's equity level at or near existing levels while not sacrificing adequate service and reliability for its member owners.

10.

Based upon the significant rate differentials indicated among other utilities in the area, and the nominal amount of the proposed increase, (4.96%), SLEMCO's rates would continue to be lower than those of Entergy Louisiana, LLC ("Entergy"), Cleco ("Cleco"), and lower than or comparable to other electric cooperatives throughout the state.

III. JUSTIFICATION

11.

SLEMCO's service area continues to experience significant and sustained growth and it expects such growth to continue into the future. The Cooperative has seen inflationary effects upon the price of materials and equipment approximating 104% since 2018, and upon the price of labor approximating 18% from 2018 to estimated year end 2023. The requirement for significant capital additions accompanied by ongoing costs increases are the primary contributors to the need for additional rate revenue. The Board approved rate change will provide funding for: 1) increased operations and maintenance expense, 2) system improvements in order to maintain reliability and public safety as well as capital additions required to connect new members, 3) annual capital credit estate retirement payments to members, 4) maintaining cash general funds at or near existing

levels, and 5) capital projects at a rate necessary to maintain the Cooperative's equity position at or near existing levels. Lastly, the Board approved rate change will result in satisfactory financial ratios adequate to access long-term debt funds. SLEMCO believes the rate levels proposed in this application are necessary for SLEMCO to maintain its financial levels as well as to continue to provide safe and reliable service. In addition, and notably, even after the rate levels proposed in this application, SLEMCO's rates will continue to be among the lowest in the State as compared to all other utilities.

IV. CONCLUSION AND REQUEST FOR ACTION

Since the inception of SLEMCO in 1937, it has had a total of six (6) rate decreases and only three (3) rate increases along with an adjustment to its base rates to include the Hurricanes Gustav and Ike recovery rider into the base rates. The first rate increase was in 1981, the second in 1997, and the third in 2014. SLEMCO enjoys providing service to its customers at rates among the lowest in the State and desires to keep it that way. However, in order for SLEMCO to maintain its financial stability and to meet the needs of its members the requested rate increase is essential.

Considering the foregoing, SLEMCO respectfully requests consideration and approval of this Application for an increase in its base rates. SLEMCO will publish notice of the filing of this request in the official journals of each Parish in which it does business and in the official journal of the State of Louisiana within ten (10) days of bulletin publication, the time required by law. Upon completion of such publications, SLEMCO will supplement the record in this matter with proof of such publications.

SLEMCO hereby requests that this request be set for action at the earliest possible Commission Business and Executive Session for approval of the requested increase.

The contact person for matters related to this application shall be:

Theodore G. Edwards, IV

Christopher J. Piasecki

Hoa Nguyen

Wayne Phillips

**DAVIDSON, MEAUX, SONNIER, McELLIGOTT,
FONTENOT, GIDEON & EDWARDS, LLP**

810 South Buchanan Street

Lafayette, Louisiana 70501

Telephone (337) 237-1660

Facsimile: (337) 237-3676

gedwards@davidsonmeaux.com

cpiasecki@davidsonmeaux.com

hnguyen@davidsonmeaux.com

wayne.phillips@slemco.com

Respectfully Submitted:

**DAVIDSON, MEAUX, SONNIER, McELLIGOTT,
FONTENOT, GIDEON & EDWARDS, LLP**

BY:

Theodore G. Edwards, IV #18195

Christopher J. Piasecki, #25827

810 South Buchanan Street

Lafayette, Louisiana 70501

Phone: (337) 237-1660

Fax: (337) 237-3676

gedwards@davidsonmeaux.com

cpiasecki@davidsonmeaux.com

Attorneys for SLEMCO

LIST OF EXHIBITS

1. Direct testimony and exhibits of Katherine H. Domingue, dated December 27, 2023.
2. Direct testimony and exhibits of Justin Proctor, dated December 28, 2023.

LIST OF WITNESSES WHO MAY BE CALLED TO SUPPORT THE APPLICATION

1. Katherine H. Domingue, CEO and General Manager of SLEMCO.
2. Jim Laque, Director of Engineering & Strategic Planning at SLEMCO.
3. Justin Proctor, C.H. Guernsey and Company.
4. Nicole Clements, CFO of SLEMCO.