COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON ENERGY COOPERATIVE CORPORATION FOR APPROVAL OF AN ECONOMIC DEVELOPMENT RIDER	))))	CASE NO. 2014-00047

ORDER

On February 13, 2014, Jackson Energy Cooperative Corporation ("JECC") submitted an application requesting authority to establish an Economic Development Rider ("EDR") tariff pursuant to the Commission's Order in Administrative Case No. 327 ("Admin. 327").[1] JECC's application was filed subsequent to, and was based on, the filing of a nearly identical application by East Kentucky Power Company Cooperative, Inc. ("EKPC") on February 6, 2014, in Case No. 2014-00034.[2] JECC proposed an effective date for its EDR tariff of March 17, 2014. On March 7, 2014, the Commission suspended the tariff through August 15, 2014. JECC responded to two Commission Staff ("Staff") requests for information. An Informal Conference ("IC") was held at the request of EKPC to discuss this case, as well as Case No. 2014-00034. On May 12, 2014, pursuant to the procedural schedule issued in this proceeding, JECC filed a notice that it waived a hearing of this matter. There are no intervenors in this

[1] Administrative Case No. 327, An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities (Ky. PSC Sept. 24, 1990).

[2] Case No. 2014-00034, Application of East Kentucky Power Company Cooperative, Inc. for Approval of an Economic Development Rider (Ky. PSC filed Feb. 6, 2014).

proceeding. This case now stands submitted for a decision based on the evidentiary record.

JECC's proposed EDR tariff, as confirmed through JECC's and EKPC's responses to Staff's requests for information in both cases and discussions at the IC, conforms to the requirements of Admin. 327 as discussed in the Commission's final Order in Case No. 2014-00034 issued today. However, there are three deviations from the requirements of Admin. 327 which are discussed in the 2014-00034 Order and are described below.

- Rate discount and related provisions, jobs and capital investment involved, customer-specific fixed costs, minimum bill, estimated load and load factor, and length of contract to be specified in contract.

Regarding the proposed definition of a new customer as one being served after January 1, 2013, JECC and EKPC indicated that only one existing customer would qualify for the proposed EDR as a result of the proposed eligibility date. The January 1, 2013 new customer definition was proposed for purposes of qualifying this customer only; JECC and EKPC are not proposing to discount past bills for this customer, but to apply the proposed discount prospectively following Commission approval of an EDR contract with the customer.

- Adequate capacity with a reserve margin for system reliability to be demonstrated in contract.

In Case No. 2014-00034,[3] EKPC requested a deviation from this guideline that also applies to JECC's proposed EDR tariff, which the Commission originally intended to address a concern that load resulting from discounted rates should not create a need

[3] Case No. 2014-00034, Application of East Kentucky Power Cooperative, Inc. for Approval of an Economic Development Rider (Ky. PSC filed Feb. 6, 2014).

for new plant capacity. EKPC committed to providing the reserve margin information as part of any special contract filed pursuant to its and its member cooperatives' EDR tariffs. EKPC stated in its Application that the electric industry has changed significantly since the Commission's Order in Admin. 327 was issued in 1990, with the development of wholesale energy and capacity markets and the advent of Regional Transmission Organizations which allow utilities to increase the use of market purchases and to diversify resource portfolios. As a member of PJM Interconnection, Inc., EKPC believes it should be permitted to make market purchases during times when excess capacity may not exist to meet the needs of an EDR customer. EKPC and JECC stated that, pursuant to the EDR contract, the customer will be required to pay the cost of the market purchase.

- Load parameters for new customers to exceed a minimum base level and for existing customers to exceed an incremental usage level above a normalized base load.

The proposed EDR tariff only partially complies with this requirement. The tariff is proposed to be available to qualifying new customers with a minimum average monthly billing load of at least 500 kilowatts ("kW") over a 12-month period or existing customers whose minimum average monthly billing load has increased by at least 500 kW over a 12-month period. If the new or existing customer is located in a county identified by the Kentucky Cabinet for Economic Development's Kentucky Business Investment Program as an Enhanced Incentive county, then the customer would be eligible with a new or increased minimum average monthly billing load of 250 kW. JECC, like EKPC, proposes to apply the EDR discount to all of the electric usage, instead of only to the incremental usage over some specified base level, of a qualifying new customer with a minimum average monthly billing load of 500 kW or 250 kW, depending on the customer's status as being in an Enhanced Incentive county. For an existing qualifying customer, the normalized base load will be determined by averaging the customer's previous three years' monthly billing loads.

FINDINGS

After reviewing the record in this proceeding and being otherwise sufficiently advised, the Commission finds that JECC has established that it is aware of the Commission's intent and directives with regard to EDRs, and that the proposed tariff complies with the majority of the guidelines of Admin. 327. The exceptions are: the excess-capacity requirement, for which EKPC requested a waiver on behalf of itself and JECC; the proposal to apply the EDR discounts to a qualifying new customer's entire load, instead of just incremental load over a certain threshold amount, for which neither EKPC nor JECC expressly requested a waiver; and the definition of a new customer. With regard to the excess capacity requirement, the Commission notes that JECC's and EKPC's tariffs both state that an EDR customer for whom market purchases must be made will be responsible for the cost of the market purchase so that other customers are not disadvantaged. As for the proposed application of the EDR discount to all of a new EDR customer's load, the Commission notes that all of the load of a new customer will be incremental usage over and above what was included in JECC's last rate case, and that JECC's proposed load parameters as they relate to applying the EDR discounts will not disadvantage other customers. Accordingly, although not expressly requested, the Commission grants a waiver from this requirement.

JECC's proposal to define a new customer as one being served after January 1, 2013 was explored in Staff's requests for information and at the IC. JECC has adequately demonstrated that this tariff provision will not create a free rider problem as discussed in the Commission's Order in Admin. 327, specifically that customers who would have decided to locate in Kentucky or expand existing operations even in the absence of rate discounts, but who would take advantage of EDRs that are offered to all new or expanding customers, in effect become "free riders" on the utility system at the expense of all other ratepayers.[4] To the extent that this definition will apply to only one customer, who became a customer of JECC in mid-2013 and may leave the state absent an EDR incentive, but could expand its facilities if offered an EDR discount,[5] JECC's proposal is reasonable and should be approved.

The Commission found in Admin. 327 that EDRs would provide important incentives to large commercial and industrial customers to either locate or expand their facilities in Kentucky, bringing jobs and capital investment to the Commonwealth. The Order in that proceeding stated that utilities should have the flexibility to design EDRs according to the needs of their customers and service areas and to offer them to new and existing customers who require an incentive to locate or expand facilities. The Commission's Order contemplated that EDRs would be offered by special contract instead of by tariff in order to avoid a free rider problem that could be invited by a general tariff offering a fixed discount. The Commission has since then approved EDR tariffs providing for special contracts, and will be able to closely monitor JECC's use of

[4] Administrative Case No. 327, An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities (Ky. PSC Sept. 24, 1990), p. 14.

[5] Informal Conference Memo (Ky. PSC May 16, 2014).

approved EDR contracts and their effects on non-participating customers through the process outlined in Admin. 327. The Commission is satisfied that it will be able to monitor the use of fixed discounting through proposed EDR special contracts. The Commission finds that JECC's EDR Tariff is reasonable and should be approved as proposed.

IT IS THEREFORE ORDERED that:

1. JECC's proposed EDR tariff is approved effective on and after the date of this Order.

2. EKPC's request for deviation from the excess capacity guideline is granted for JECC, based upon EKPC's and JECC's tariff provisions stating that individual EDR customers will be responsible for the cost of market purchases made on their behalf.

3. JECC's proposal to apply EDR discounts to a new EDR customer's entire load is approved.

4. JECC's proposal to define a new customer as one being served after January 1, 2013, for purposes of its EDR tariff is approved

5. With any future filing of EDR special contracts, JECC shall include all support required by Admin. 327 and as set out herein, including information in the EDR Annual Report, attached as an appendix to this Order.

6. Within 20 days from the date of this Order, JECC shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariff showing the date of issue and that it was issued by authority of this Order.

By the Commission

ENTERED

JUN 2 0 2014

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Aaron D. Greenwell for

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00047 DATED JUN 20 2014

ECONOMIC DEVELOPMENT RATE CONTRACT REPORT

UTILITY:____________________ YEAR:__________

	Current Reporting Period	Cumulative
1) Number of EDR Contracts -		
Total:	______	______
Existing Customers:	______	______
New Customers:	______	______
2) Number of Jobs Created -		
Total:	______	______
Existing Customers:	______	______
New Customers:	______	______
3) Amount of Capital Investment -		
Total:	______	______
Existing Customers:	______	______
New Customers:	______	______

4) Consumption -

	Current Reporting Period	Cumulative
(A) DEMAND		
Total:	______ kW	______ kW
Existing Customers:	______ kW	______ kW
New Customers:	______ kW	______ kW
(B) ENERGY/CONSUMPTION		
Total:	______ kWh	______ kWh
Existing Customers:	______ kWh	______ kWh
New Customers:	kWh	kWh

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