

COMMONWEALTH OF KENTUCKY  
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of

NOTICE AND APPLICATION FOR ADJUSTMENT )  
OF RATES FOR JACKSON PURCHASE ELECTRIC )  
COOPERATIVE CORPORATION, INCLUDING AN )  
EMERGENCY INCREASE; AND SUPPLEMENT ) CASE NO. 7676  
APPLICANT'S PROPOSED RETAIL RATES TO )  
UTILIZE A PILOT RATE PROGRAM (TIME OF )  
DAY RATES) )

AND

NOTICE AND APPLICATION FOR ADJUSTMENT )  
OR RATES OF JACKSON PURCHASE ELECTRIC )  
COOPERATIVE CORPORATION TO EFFECT A )  
PASS-THROUGH OF KENTUCKY UTILITIES )  
COMPANY WHOLESALE POWER INCREASE FILED )  
BEFORE THE FEDERAL ENERGY REGULATORY )  
COMMISSION INCLUDING ANY EMERGENCY )  
INCREASE APPROVED BY THAT COMMISSION )  
PENDING A FINAL DECISION IN THE )  
AFORESAID CASE, AND FOR PERMISSION ) CASE NO. 7150  
TO PASS THE WHOLESALE RATE INCREASE )  
ON, ON THE COMPANY'S EXISTING TARIFFS )  
OR ANY OTHER TARIFFS WHICH MAY BE MADE )  
EFFECTIVE IN THE FUTURE BY JACKSON )  
PURCHASE OR AN ORDER OF THE PUBLIC )  
SERVICE COMMISSION IN CASE NO. 6992; )  
AND FOR EMERGENCY CONSIDERATION IN )  
ALLOWING APPLICANT TO PASS THROUGH )  
THE WHOLESALE INCREASE )

O R D E R

On December 3, 1979, Jackson Purchase Electric Cooperative Corporation (hereinafter Jackson Purchase or Applicant) filed an Application with this Commission requesting authority to increase its revenue by approximately \$1,246,613 on an annual basis. Applicant further requested that the Commission consider granting emergency rate relief in the amount of \$638,960 for the purpose of alleviating the emergency existing in its cash flow situation, subject to hearing and refund. In addition to the rate relief requested herein, Jackson Purchase requested permission to institute a pilot program of residential Time-of-Day rates. On January 25, 1980, the Commission issued an Order approving the Time-of-Day pilot program requested herein.

Public hearings were conducted on January 11, and 17, 1980, for the purpose of direct testimony and cross-examination. The Consumer Protection Division in the Department of Law was granted leave to intervene and participated in the public hearings. This was the only party formally intervening, although numerous letters and petitions from concerned consumers have been received and included in the record.

At the public hearing in this matter on January 17, 1980, upon the motion of Jackson Purchase, the Commission moved to consolidate herein, Case No. 7150. An Order was entered in that matter on September 6, 1978, granting an interim rate increase to Jackson Purchase pending a final determination by the Federal Energy Regulatory Commission (FERC) in Docket No. ER 78-417 on the Kentucky Utilities Company wholesale rate increase. A settlement agreement was accepted and approved by the Federal Energy Regulatory Commission in that matter, on July 26, 1979, which reduced the Kentucky Utilities Company's requested wholesale rate increase. Upon this settlement agreement being approved by the FERC, Jackson Purchase failed to apply to this Commission to reduce its retail rates accordingly. Furthermore, Applicant refused to respond to a request on August 17, 1979 to file revised tariffs and supporting documentation reflecting the settlement agreement in the FERC matter.

On February 13, 1980, the Commission issued an Order directing Jackson Purchase to file revised tariffs and the effects of the FERC Order on the wholesale rates. This information was submitted on February 15, 1980. To reflect the wholesale rates approved by the FERC, a further Order on the issue of the pass-through rate revision will be issued simultaneous with this Order.

This Order addresses the request of Jackson Purchase for an emergency rate increase pending a final determination in this matter. In the Application of December 3, 1979, Jackson Purchase requested emergency rate relief in the amount of \$638,960. The Application did not reflect the details of the relief sought or the proposed rates. However, in testimony at the public hearing on January 17, 1980, it was stated that the \$638,960 should be recovered through a surcharge

to remain in effect for a period of six months, or until the Commission issues its final order herein. Furthermore, Applicant revised its request for permission to retain the \$220,841, refunded by Kentucky Utilities Company under the wholesale rate approved by the FERC, to provide immediate equity. Applicant further requested authority to collect the additional \$400,000 in emergency relief through a surcharge.

The paramount reason emphasized by Jackson Purchase for the necessity of the emergency rate relief was that an emergency exists with respect to Applicant's cash flow which is a direct and proximate result of the failure of Jackson Purchase to receive the full increase in their last general rate case (Case No. 6992) as well as the regulatory lag incurred in receiving the increase granted. In fact, the total emergency rate relief requested herein was derived from lost revenue resulting from the Commission's Order in that matter. Applicant did, however, provide information upon request by the Commission as to the current cash flow situation and the declining equity condition.

Applicant's financial statements for the year ended December 31, 1978 reflected a net margin deficit of \$18,072; and, based on the test year ended April 30, 1979, Applicant's net margin was a deficit of \$5,806. These net margin levels provide Times Interest Earned Ratios of .96 and .99 respectively. Furthermore, Applicant's earnings for calendar year 1977 resulted in a TIER of 1.50. The results of these earnings could cause Applicant to be in technical default under the terms of its loan agreements which require the maintenance of a Times Interest Earned Ratio for two out of the three most current calendar years of 1.5 or greater. The record also reflects that Applicant is having some difficulty meeting current cash flow needs resulting from, in addition to the operating deficits, the lag in receipt of construction funds and a change to cycle billing in June of 1979.

The Commission, after due consideration and being advised, is of the opinion and finds, that the record herein reflects that Jackson Purchase's credit and operations will be materially impaired or damaged by failure to be permitted to increase its rates immediately.

The Commission is further of the opinion that an increase in revenues of approximately \$639,000 annually is fair, just, and reasonable in that this additional revenue should allow Applicant, based on actual test-year conditions, to maintain the coverage required in its mortgage agreements.

The rates set out in Appendix "A" are designed to produce approximately \$639,000 additional revenue on an annual basis. These rates are in addition to and supersede the rates approved in the Order being issued simultaneous with this Order in Case No. 7150 and are the rates and charges effective for service rendered on and after the date of this Order.

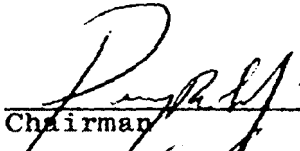
IT IS THEREFORE ORDERED, that the rates set out in Appendix "A" attached hereto and made a part hereof are approved for service rendered on and after the date of this Order. Said rates are approved for use on an interim basis and shall be subject to refund, pending a final determination in this matter.

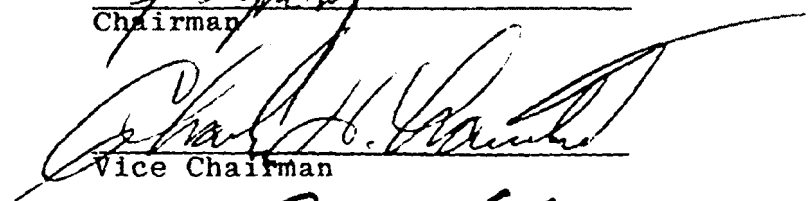
IT IS FURTHER ORDERED, that Jackson Purchase Electric Cooperative Corporation shall maintain its records in such manner as will enable the Commission, or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered by the Commission.

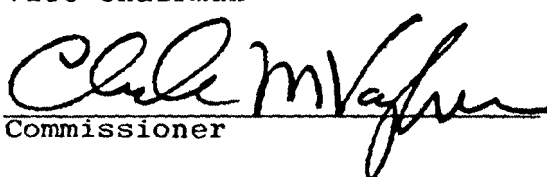
IT IS FURTHER ORDERED, that Jackson Purchase Electric Cooperative Corporation shall furnish the Commission, within fifteen (15) days from the date of this Order, its revised tariff sheets setting out the rates approved herein and a certificate stating the amount of revenues produced based on the test period.

Done at Frankfort, Kentucky, this the

ENERGY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC  
SERVICE COMMISSION IN CASE NO. 7676 DATED FEBRUARY 28, 1980

The following rates and charges are prescribed for the customers in the area served by Jackson Purchase Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Rates: Monthly

Schedule R - Residential

Service Charge: Minimum per month \$ 4.25

Energy Charge:

First	300 KWH	Per KWH per month	4.952¢
Next	500 KWH	Per KWH per month	3.538¢
Over	800 KWH	Per KWH per month	3.121¢

Schedule CSL - Community & Public Authority Street Lighting

Each 175 Watt Mercury Vapor Lamp	Per month per lamp	\$ 5.43
Each 400 Watt Mercury Vapor Lamp	Per month per lamp	8.17

Schedule C - Small Commercial

Service Charge: Minimum per month \$ 4.25

Energy Charge:

First	500 KWH	Per KWH per month	4.952¢
Next	500 KWH	Per KWH per month	4.712¢
Next	5,000 KWH	Per KWH per month	4.206¢
Over	6,000 KWH	Per KWH per month	3.179¢

Schedule D - Commercial and Industrial Service & Three Phase Service

Service Charge: Minimum per month \$ 5.50

Energy Charge:

First	500 KWH	Per KWH per month	5.236¢
Next	500 KWH	Per KWH per month	4.953¢
Next	5,000 KWH	Per KWH per month	3.985¢
Next	94,000 KWH	Per KWH per month	3.152¢
Over	100,000 KWH	Per KWH per month	2.658¢

Demand Charge:

Over 25 KW of billing demand per month, per KW per month \$ 2.60

Schedule SP - Seasonal Power Service

Rate Per Year:

First	1,500 KWH	Per KWH per year	8.5¢
Next	500 KWH/H.P.	Per KWH per year	5.9¢
All Additional KWH		Per KWH per year	3.2¢

MINIMUM ANNUAL CHARGE:

The minimum annual charge under the above rate shall be:

A. First 25 connected horsepower or less (minimum)	\$290.00
Balance of connected horsepower Per H.P. per year	9.35

SCHEDULE I - Industrial Service

Rates Monthly:

Demand Charge:

First 5,000 KW of billing demand	Minimum	\$25,800.00
All additional KW	Per KW	5.16

Energy Charge:

All Energy	Per KWH	1.547¢
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SCHEDULE SL - Mercury Vapor Security Lighting

175 Watt mercury vapor lamp	Per month per lamp	\$ 5.45
400 Watt mercury vapor lamp	Per month per lamp	8.17