

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF LICKING VALLEY)
RURAL ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER AUTHORIZING A PASS-THROUGH) CASE NO. 8004
OF EAST KENTUCKY POWER WHOLESALE POWER)
RATE INCREASE IN CASE NO. 7981)

O R D E R

On October 29, 1980, Licking Valley Rural Electric Cooperative Corporation (Applicant) filed its Application to flow-through any increase in rates granted its wholesale power supplier, East Kentucky Power Company, Inc. (East Kentucky) in Case No. 7981. Applicant is one of eighteen member distribution cooperatives of East Kentucky. In Case No. 7981, East Kentucky requested an increase in revenue of approximately \$25,631,320. Of this total increase, Applicant would experience an increase in power costs of approximately \$1,046,428. This increase represents 4.08% of the proposed East Kentucky increase and would result in an overall increase to Applicant's consumers of 16.58%.

The matter was scheduled for hearing on January 23, 1981, at the Commission's offices in Frankfort, Kentucky. The hearing was conducted as scheduled and the Consumer Protection Division of the Attorney General's office was the only intervenor present.

The matter, of the methodology for rate-making purposes, to process the increased power cost was discussed by Mr. L. Cole of Jackson County Rural Electric Cooperative Corporation in his testimony as spokesman for all eighteen (18) cooperatives and Mr. M. Kays in his testimony on behalf of the methodology of Grayson County Rural Electric Cooperative Corporation. The methodology most used by the applicants was the percentile method, whereby the increased

wholesale power cost is divided by the normalized test period revenue, then 100% is added to the quotient and multiplied by all the current rates. Another rate-making procedure, an energy adder charge to metered KWH sales, was also discussed. The energy adder charge procedure is the process whereby the increased wholesale power cost is divided by the metered KWH's and the quotient, being in dollars per KWH, is added to the metered KWH rates only.

The Commission after review of the evidence of record and being advised is of the opinion and so FINDS:

(1) That the actual increase granted East Kentucky in Case No. 7981 is \$25,631,320 which will result in an increase in power costs to Applicant of \$1,046,428.

(2) That Applicant is entitled to recover the increased wholesale power costs granted in Case No. 7981 and its financial condition would be materially impaired if it were not allowed to recover this additional cost.

(3) That the revised rates and charges set out in the attached Appendix "A" are designed to reflect only the increased power costs from East Kentucky, granted in the final order in Case No. 7981.

(4) That the flow-through of the wholesale power costs will not result in any additional net margin to Applicant.

(5) That the most equitable method for rate-making purposes is the energy adder charge, therefore, this is the rate-making procedure used to determine the final rates in this case.

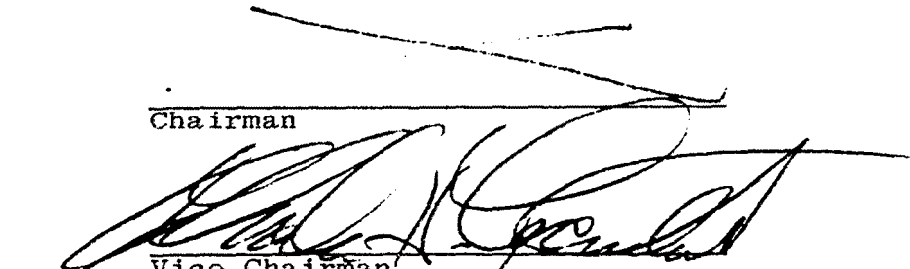
IT IS THEREFORE ORDERED, that Licking Valley Rural Electric Cooperative Corporation is hereby authorized to flow-through the increased power costs resulting from the rate increase granted its wholesale power supplier in Case No. 7981.

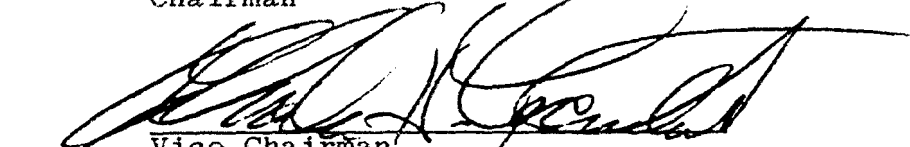
IT IS FURTHER ORDERED, that the rates set out in Appendix "A" shall be placed into effect simultaneously with the effective date of the East Kentucky wholesale power increase.

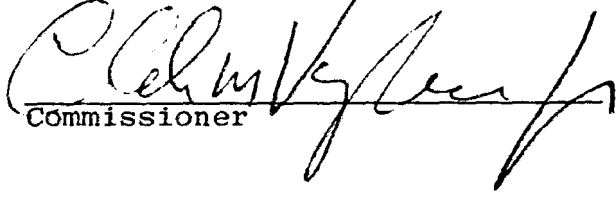
IT IS FURTHER ORDERED, that Licking Valley Rural Electric Cooperative Corporation shall file within twenty (20) days from the date of this Order its revised tariff sheets setting out the rates and charges approved herein.

Done at Frankfort, Kentucky, this the 26th day of February, 1981.

ENERGY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE KENTUCKY ENERGY
REGULATORY COMMISSION IN CASE NO. 8004
DATED FEBRUARY 26, 1981.

The following rates and charges are prescribed for the customers in the area served by Licking Valley Rural 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.

SCHEDULE A
FARM AND HOME SERVICE*

Rate:

Customer charge per delivery point	\$ 4.52 Per Month
Energy charge per KWH	.04649 Per KWH

SCHEDULE B
COMMERCIAL AND SMALL POWER SERVICE*

Rate:

Customer charge per delivery point	\$10.63 Per Month
Energy charge per KWH	.05339 Per KWH

A demand charge of \$3.14 per KW in excess of 10 KW.

SCHEDULE B-1 - PERMANENT INSTALLATIONS
COMMERCIAL AND SMALL POWER SERVICE*

Rate:

Customer charge per delivery point	\$10.63 Per Month
Energy charge per KWH	.04369 Per KWH

A demand charge of \$3.14 per KW in excess of 10 KW.

SCHEDULE B-2
ALL ELECTRIC SMALL POWER SERVICE PERMANENT INSTALLATIONS*

Rate:

Customer charge per delivery point	\$ 4.52 Per Month
Energy charge per KWH	.04649 Per KWH

SCHEDULE E
SERVICE TO SCHOOLS, CHURCHES AND COMMUNITY HALLS*

Rate:

Customer charge per delivery point	\$ 4.52 Per Month
Energy charge per KWH	.04649 Per KWH

SCHEDULE LP
LARGE POWER SERVICE*

Rate:

Customer charge per delivery point \$42.52 Per Month
Energy charge per KWH .04189 Per KWH

A demand charge of \$3.14 per KW

SCHEDULE LPR
LARGE POWER RATE*

Rate:

Customer charge per delivery point \$85.04 Per Month
Energy charge per KWH .03519 Per KWH

Demand charge of \$3.14 per KW

SCHEDULE SL
SECURITY LIGHTS AND/OR RURAL LIGHTING*

Rate:

Service for the unit will be unmetered, and will be a 175 Watt Mercury Vapor type @ \$5.24 each, per month.

*Fuel Adjustment Clause

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 2:055.