

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF SALT RIVER )  
RURAL ELECTRIC COOPERATIVE CORPORATION )  
FOR AN ORDER AUTHORIZING A PASS- ) CASE NO. 8700  
THROUGH OF EAST KENTUCKY POWER WHOLE- )  
SALE POWER RATE INCREASE IN )  
CASE NO. 8648 )

O R D E R

Salt River Rural Electric Cooperative Corporation ("Applicant") filed its application to flow through any increase in rates granted its wholesale power supplier, East Kentucky Power Cooperative, Inc., ("East Kentucky") in Case No. 8648. Applicant is one of 18 member distribution cooperatives of East Kentucky. In Case No. 8648, East Kentucky requested an increase in revenue of approximately \$31,176,207. Of this total increase, Applicant would experience an increase in power costs of approximately \$2,985,801, which represents 9.58 percent of the proposed East Kentucky increase and would result in an overall increase to Applicant's consumers of approximately 16.6 percent.

On November 12, 1982, the 18 distribution cooperatives of East Kentucky filed a motion requesting that they be permitted to deviate from the Commission's rules regarding tariffs and to flow through the increase by use of a proposed procedure for pass-through of the wholesale rate increase ("proposed procedure"). In its Order of November 19, 1982, the Commission

authorized Applicant to deviate from the rules on tariffs and approved the utilization of the proposed procedure.

Hearings were held on February 10, 1983, at the Commission's offices in Frankfort, Kentucky. Owens-Illinois Inc., ("O-I") was the only intervenor.

Applicant proposed to increase the demand charge for rate class LPR-1 to the same level as the East Kentucky demand charge and to reduce the LPR-1 energy charges to apply Applicant's overall percentage of increase to class LPR-1. The Commission is of the opinion that the increased demand charge is reasonable and should be approved as it reflects Applicant's cost to serve class LPR-1. However, the Commission does not approve applying Applicant's overall percentage of increase to class LPR-1.

Sub-section 2(1) of the proposed procedure provides that rates to large power consumers located at, and served directly from, a distribution substation should be increased by the identical amounts that East Kentucky's charges are increased. The method used to flow-through East Kentucky's increase in Case No. 8400, Adjustment of Rates for Wholesale Electric Power to Member Cooperatives of East Kentucky Power Cooperative, Inc., had a similar provision.<sup>1</sup> In its filings in this case and flow-through Case No. 8415, Applicant did not indicate that

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<sup>1</sup> Order dated February 3, 1982, in Case No. 8415, Application to Flow-through Wholesale Electric Power Cost in Rate Case No. 8400 by Purchase Power Adjustment Clause, and Section 2 of draft of Purchased Power Adjustment Clause regulation sent to jurisdictional electric companies in January 1982.

LPR-1 customers were served directly from distribution substations. Mr. Kenneth Hazelwood, Applicant's manager, testified that both customers on the LPR-1 rate were served directly from substations and meters owned by East Kentucky.<sup>2</sup> In both this case and Case No. 8415 Applicant proposed to calculate the increase to class LPR-1 by the method used for customers served from Applicant's distribution system, a uniform KWH adder in Case No. 8415 and a uniform percentage of increased revenue in this case.

O-I maintained that the uniform percentage of increase in this case would generate \$42,000 in revenues greater than the increased cost to serve LPR-1 at East Kentucky's proposed rates. O-I further contended that the method used in flow-through Case No. 8415 and Case No. 8008, Application of Salt River Rural Electric Cooperative Corporation for an Order Authorizing a Pass-through of East Kentucky Power Wholesale Power Rate Increase in Case No. 7981, resulted in respective increases to rate class LPR-1 of \$69,000 and \$150,000 more than if a uniform percentage of increase had been used. O-I requested that the proposed LPR-1 KWH charges be reduced by \$262,000 to reflect these alleged excessive increases.

The Commission notes that O-I favors the uniform percentage method in Case Nos. 8008 and 8415 in which it results in a lower increase to class LPR-1 and opposes the same method in this case in which it results in a higher increase to class

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<sup>2</sup> Transcript of Evidence, February 10, 1983, pages 11-12.

LPR-1. A review of the records in Case Nos. 8008 and 8415 shows that the procedure which the Commission approved for Case No. 8008 was correctly applied, but that the procedure approved for Case No. 8415 was inadvertently not applied because the information in that case did not indicate that any customers were served directly from substations and meters owned by East Kentucky. The Commission has determined that this resulted in an increase to class LPR-1 approximately \$15,800 greater than if the procedure had been correctly applied.

Therefore the Commission denies O-I's requested \$262,000 reduction in the LPR-1 KWH charges. The Commission is of the opinion that a fair revenue increase to be applied to rate class LPR-1 is the increase determined under subsection 2(1) of the proposed procedure of approximately \$200,600 less \$15,800 or approximately \$184,800. This increase tracks applicant's increased cost to serve LPR-1 due to East Kentucky's increase in Case No. 8648 and reflects the Commission's intent in Case No. 8415.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

(1) The actual increase allowed East Kentucky in Case No. 8648 is \$18,849,182 which will result in an increase in power costs to Applicant of \$1,805,415.

(2) Applicant's financial condition would be materially impaired if it were not allowed to recover the increased wholesale power costs allowed in Case No. 8648.

(3) The revised rates and charges in Appendix A are designed to reflect only the increased power costs from East Kentucky allowed in the final Order in Case No. 8648.

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

IT IS THEREFORE ORDERED that Salt River Rural Electric Cooperative Corporation be and it hereby is authorized to flow through the increased power costs resulting from the rate increase granted its wholesale power supplier, East Kentucky Power Cooperative, Inc., in Case No. 8648.

IT IS FURTHER ORDERED that the rates in Appendix A shall be placed into effect on the effective date of the East Kentucky wholesale power increase.

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

Done at Frankfort, Kentucky, this 1st day of April, 1983.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 8700 DATED APRIL 1, 1983

The following rates and charges are prescribed for the customers in the area served by Salt River 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-5  
FARM AND HOME SERVICE\*

Type of Service:

Single phase, 60 cycles, at available secondary voltage.

Rates:

First	40 KWH Per Month (minimum bill)	\$6.08	Per Month
Next	60 KWH Per Month	.07154	Per KWH
Next	100 KWH Per Month	.05874	Per KWH
Next	800 KWH Per Month	.05594	Per KWH
Next	1,000 KWH Per Month	.05294	Per KWH
Over	2,000 KWH Per Month	.04894	Per KWH

Minimum Charge:

The minimum monthly charge under the above rate shall be \$6.08 where 25 KVA or less transformer capacity is required. For members requiring more than 25 KVA transformer capacity, the minimum monthly charge shall be increased at the rate of .75 of each additional KVA or fraction thereof required. Payment of the minimum charge shall entitle the member in all cases to the use of the number of kilowatt hours, corresponding to the minimum charge in accordance with the foregoing rate.

SCHEDULE B-2  
COMMERCIAL AND SMALL POWER SERVICE\*

Rates:

First	40 KWH Per Month (minimum bill)	\$6.39	Per Month
Next	60 KWH Per Month	.10859	Per KWH
Next	200 KWH Per Month	.08529	Per KWH
Next	700 KWH Per Month	.06809	Per KWH
Over	1,000 KWH Per Month	.06009	Per KWH

Minimum Charge:

The minimum monthly charge under the above rate shall be \$ 6.39 where 37.5 KVA or less of transformer capacity is required. For consumers requiring more than 37.5 KVA of transformer capacity the minimum monthly charge shall be increased at the rate of .75 for additional KVA or fraction thereof required. When the minimum charge is increased in accordance with the terms of this section, additional energy shall be included in accordance with the foregoing rate.

SCHEDULE LLP-1  
LARGE POWER SERVICE (Over 37.5 - Under 500 KW)\*

Rates:

- \$ 5.58 per month per KW of Billing Demand plus Energy Charges of:
- \$ .05264 per KWH for the first 50 KWH used per month per KW of billing demand.
- \$ .04464 per KWH for the next 50 KWH used per month per KW of billing demand.
- \$ .04244 per KWH for all remaining KWH used per month.

SCHEDULE LLP-2  
LARGE POWER 500 KW UNDER 3,000 KW\*  
(Secondary Voltage)

Rates:

Demand Charge

\$ 5.58 Per Month per KW of Billing Demand

Energy Charge

First	20,000 KWH Per Month	\$ .05341	Per KWH
Next	20,000 KWH Per Month	.04061	Per KWH
Over	40,000 KWH Per Month	.03631	Per KWH

SCHEDULE OL  
OUTDOOR LIGHTING SERVICE\*

Rate Per Fixture:

Mercury	100	to	200 Watts	\$ 5.69	Per Month
Mercury	200	to	450 Watts	9.11	Per Month
Mercury	450	to	1200 Watts	15.16	Per Month

SCHEDULE OL-1  
STREET LIGHTING SERVICE\*

Rates:

First	40 KWH Per Month (minimum bill)	\$6.85	Per Month
Next	60 KWH Per Month	.09226	Per KWH
Next	100 KWH Per Month	.07086	Per KWH
Next	300 KWH Per Month	.05656	Per KWH
Over	500 KWH Per Month	.04496	Per KWH

SCHEDULE LLP-3  
LARGE POWER 500 KW - 3,000 KW\*  
(Primary Voltage)

Rates:

Demand Charge

\$ 5.58 Per Month per KW of Billing Demand

Energy Charge

First	20,000 KWH Per Month	\$ .05971	Per KWH
Next	20,000 KWH Per Month	.04601	Per KWH
Over	40,000 KWH Per Month	.04171	Per KWH

SCHEDULE LPR-1  
LARGE POWER 3,000 KW AND OVER\*

Rates:

Demand Charge

\$ 8.23 Per Month per KW of Billing Demand

Energy Charge

First	100,000 KWH Per Month	\$ .04836	Per KWH
Next	900,000 KWH Per Month	.03336	Per KWH
Over	1,000,000 KWH Per Month	.02856	Per KWH



\*Fuel Adjustment Clause

The above rate 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.