

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF NOLIN)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING A PASS-THROUGH) CASE NO. 8707
OF EAST KENTUCKY POWER)
WHOLE-SALE POWER RATE IN-)
CREASE IN CASE NO. 8648)

O R D E R

On April 9, 1983, Flint Ink Corporation ("Flint"), an intervenor in this proceeding, filed an application for rehearing on the issue of off-peak rates discussed in the Commission's Order entered April 1, 1983. On May 3, 1983, Nolin Rural Electric Cooperative Corporation ("Nolin") filed a response in opposition to granting a rehearing.

Flint contends that the Commission erred in not implementing off-peak rates and that the evidence supported off-peak rates. Flint has proposed that Nolin adopt an off-peak rate which provides for both a reduced energy charge and a zero demand charge for electric consumption during the off-peak period. It is the opinion of the Commission that the weight of the evidence in this case does not support adoption of an off-peak rate. Nolin's inadequate load data in conjunction with the current method of substation peak billing of East Kentucky Power Cooperative, Inc., ("East Kentucky") would result in rates which do not track costs of

service and may result in a revenue deficiency for Nolin. Furthermore, the Commission is concerned that such a "piece meal" approach to rate design may complicate its efforts to encourage other innovative rate structures for Nolin and East Kentucky which are more effective in meeting the Commission's objectives. Therefore, the petition for rehearing should be denied.

Flint further alleges that denying the implementation of the off-peak rate results in rate discrimination. In February 1982, Nolin and Flint entered into a 5-year agreement for electrical services without specifically requiring an off-peak rate. The Commission is of the opinion that the length and terms of this agreement illustrate that the current Flint tariff is within the parameters contemplated by the parties.

The Commission believes that a time-of-day rate structure (TOD) is an appropriate mechanism for achieving the Commission objectives of equity, efficiency and conservation. The Commission implemented a procedure in East Kentucky's last rate case, Case No. 8648, which will permit Nolin and other cooperatives served by East Kentucky to design experimental TOD industrial rates which track the costs of service and provide correct price signals to industrial customers. The Commission wishes to reiterate its determination to move forward with this innovative rate program for both Nolin and East Kentucky.

The Commission, having considered Flint's petition, Nolin's response and the evidence of record, is of the opinion and finds that a rehearing should be denied on the issue of off-peak rates.

IT IS THEREFORE ORDERED that a rehearing be and it hereby is denied.

Done at Frankfort, Kentucky, this 9th day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary