

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR)	CASE NO.
CHANGES IN ITS UTILITY PLANT DEPRECIATION)	92-478
ACCOUNTS)	

O R D E R

On June 11, 1992, Salt River Rural Electric Cooperative Corporation ("Salt River RECC") filed its 1991 Depreciation Study ("Study") for its Kentucky operation with the Commission. In its Study, Salt River RECC requested changes in the service life, salvage, and life curve shapes for its various distribution plant accounts.

Salt River RECC currently has a composite depreciation rate of 3.12 percent, based upon plant balances as of December 31, 1990, the end of the Study period. The consultant who prepared the Study recommended both parameter changes and additional adjustments to those parameters to address a deficiency in the depreciation reserve in the amount of \$3,717,498. The adjusted parameters proposed by the consultant would result in a composite rate of 4.41 percent, an increase in annual accruals of \$377,874, based upon end of period plant balances.

Salt River RECC stated in its application that the consultant's proposal would result in an annual expense increase which the utility cannot afford at this time. Therefore, Salt River RECC proposed to adopt the parameters as developed in the

Study without the adjustments made to address the depreciation reserve deficiency. These parameters would result in a composite depreciation rate of 3.99 percent and an increase in annual accruals of \$254,127. Salt River RECC further proposed an effective booking date of the proposed parameters of January 1, 1992.

Following review and analysis of the Study, a Commission Staff Proposal was issued by letter on September 17, 1992. The Staff Proposal agreed with the request made by Salt River RECC. The subject letter also provided notice of the agreed proposal to all intervenors of record¹ in Salt River RECC's last general rate proceeding,² requesting comment, if any, within 30 days of the date of the notice. The letter stated that the Commission would consider such comments prior to reaching a decision in this matter. No comments were received.

The Commission, having considered the record and being otherwise sufficiently advised, HEREBY ORDERS that:

1. The depreciation parameters, attached as Appendix A and incorporated herein to this Order, are reasonable for Salt River RECC's distribution plant accounts and are approved.

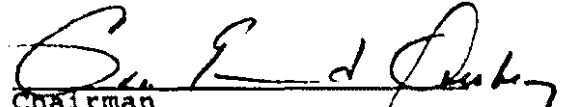
2. Salt River RECC shall reflect the approved distribution plant account parameters effective on and after January 1, 1992.

¹ Office of the Attorney General, Utility Rate and Intervention Division; Owens-Illinois, Bardstown, Kentucky.

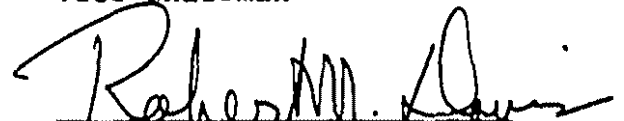
² Case No. 8778, In the Matter of the Application of Salt River Rural Electric Cooperative Corporation of Bardstown, Kentucky, for an Order Authorizing an Adjustment in its Retail Rates, Applicable to all Consumers.

Done at Frankfort, Kentucky, this 16th day of November, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

**APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE
NO. 92-478, DATED November 16, 1992.**

Salt River RECC
Depreciation Parameter Report

<u>Account Number</u>	<u>Class of Plant</u>	<u>Original Cost at 12-31-90</u>	<u>Average Service Life</u>	<u>Net Salvage(%)</u>	<u>Iowa Curve Shape</u>	<u>Accrual Rate(%)</u>	<u>Annual Accrual</u>
364	Poles, Towers, and Fixtures	\$11,446,296	25 years	-25%	R0.5	5.0000%	\$572,315
365	Overhead Conductors and Devices	6,334,584	35	0	R0.5	2.8571	180,985
366	Underground Conduit	54,570	45	0	L4.0	2.2222	1,213
367	Underground Conductors and Devices	246,809	35	0	L2.0	2.8571	7,052
368	Line Transformers	5,867,125	30	5	L0.0	3.1670	185,812
369	Services	3,124,505	25	-5	R2.0	4.2000	131,229
370	Meters	1,419,872	25	0	R0.5	4.0000	56,795
371	Installation on Customers' Premises	<u>603,497</u>	25	-5	L0.0	4.2004	<u>25,349</u>
Total Distribution Plant =		\$29,097,258				Annual Accrual =	\$1,160,750

Annual Increase in Accrual = \$254,127