

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATIONS OF GREEN RIVER ELECTRIC	)	
CORPORATION, HENDERSON UNION ELECTRIC	)	
COOPERATIVE CORPORATION, JACKSON	)	
PURCHASE ELECTRIC COOPERATIVE	)	
CORPORATION, AND MEADE COUNTY RURAL	)	CASE NO. 95-208
ELECTRIC COOPERATIVE CORPORATION FOR	)	
APPROVAL OF MECHANISMS TO FLOW THROUGH	)	
ENVIRONMENTAL SURCHARGES TO BE CHARGED	)	
BY THEIR WHOLESALE POWER SUPPLIER,	)	
BIG RIVERS ELECTRIC CORPORATION	)	

O R D E R

On May 8, 1995, Big Rivers Electric Corporation's ("Big Rivers") member distribution cooperatives - Green River Electric Corporation, Henderson Union Electric Cooperative Corporation, Jackson Purchase Electric Cooperative Corporation, and Meade County Rural Electric Cooperative Corporation (collectively the "Cooperatives") - applied for approval of rate surcharge mechanisms which will permit the automatic pass-through of Big Rivers' environmental surcharge to their ratepayers.<sup>1</sup>

In developing their proposed surcharge, the Cooperatives propose a methodology which differs significantly from that used for Big Rivers' environmental surcharge. The Commission required that Big Rivers allocate surcharge amounts on a "percentage of

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<sup>1</sup> On August 31, 1994, the Commission, pursuant to KRS 278.183, authorized Big Rivers to assess a surcharge for its costs to comply with the Federal Clean Air Act and other federal and state environmental laws. See Case No. 94-032, Big Rivers Electric Corporation. (Aug. 31, 1994).

revenues" methodology. The Cooperatives propose to split the Big Rivers surcharge into two components. Under the first component, which will affect only industrial customers served from dedicated delivery points, the Cooperatives propose to transfer directly to their customers' retail electric bills the amounts billed by Big Rivers to dedicated delivery points.<sup>2</sup>

For the remaining customers - those served from non-dedicated delivery points - the Cooperatives propose to assess their surcharges based on a customer's energy consumption. This "per KWH" methodology is similar to the approach which the Cooperatives use to recover their fuel costs through the Fuel Adjustment Clause ("FAC").

The Cooperatives also propose that: (1) their monthly FAC reports and surcharge reports to the Commission be combined; (2) their surcharge reports exclude amounts billed to dedicated delivery point customers; and (3) the six-month and two-year reviews of the operation of their surcharge mechanisms be scheduled to coincide with the corresponding FAC reviews.

Having reviewed the evidence of record, the Commission finds that the proposed surcharge mechanism should be approved. The straight pass-through of Big Rivers' environmental surcharge to customers served from dedicated delivery points achieves the same result as the "percentage of revenues" methodology which the Commission has previously used. The Cooperatives have demonstrated

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<sup>2</sup> This approach is possible since the wholesale power bill from Big Rivers designates the amounts billed by delivery point.

that the "per KWH" methodology, which they propose to use for all other retail customers, produces similar allocations of environmental costs among customer classes to those produced under the "percentage of revenues" approach.

The Commission finds that the Cooperatives' monthly surcharge report and monthly FAC report should not be combined for reporting purposes. Instead, the Cooperatives should submit a separate surcharge report monthly in the format set forth in Appendix A to this Order.<sup>3</sup>

The Commission further finds that the Cooperatives' surcharge reports should reflect the surcharge amounts for customers served from dedicated delivery points. The Cooperatives argue that this information could be excluded since it is included in Big Rivers' monthly environmental surcharge filings. While the Big Rivers environmental surcharge report provides the derivation of a wholesale surcharge factor applied to the Cooperatives' wholesale power bills, it provides neither the factor applied to the bills of retail customers who are served from non-dedicated delivery points nor the individual surcharge amounts of customers served from dedicated delivery points. Therefore, the Cooperatives' monthly surcharge reports should list the customers billed from dedicated delivery points and the surcharge amounts for each customer.

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<sup>3</sup> The surcharge acronym has been changed from E(m) to EN(m) to distinguish it from the acronym used by other utilities which are required to calculate an environmental revenue requirement as compared to the Cooperatives' calculation which merely involves the pass-through of Big Rivers' surcharge.

The Commission further finds that the six-month and two-year environmental surcharge reviews should not be held in conjunction with the Commission's review of the Cooperatives' FACs. No connection between the two proceedings exists and there is no link between the review periods for the two proceedings. Commission Regulation 807 KAR 5:056 establishes the FAC review periods while the environmental surcharge review periods will be determined by the date of the first environmental surcharge billing. As the timing and amount of the Cooperatives' surcharges depend on Big Rivers' actions, the Commission finds it more reasonable for its review of the Cooperatives' environmental surcharges to coincide with the reviews of Big Rivers' environmental surcharge.

IT IS THEREFORE ORDERED that:

1. The Cooperatives' proposed surcharge mechanism, consisting of separate components for customers served from dedicated delivery points and customers served from non-dedicated delivery points, is approved for service rendered on and after the date of this Order, subject to the modification in Appendix A which changes the surcharge acronym from E(m) to EN(m).

2. The Cooperatives shall file monthly surcharge reports with the Commission, in the format set forth in Appendix A to this Order, at least 10 days prior to the effective date of the surcharge for retail customers.

3. At six-month intervals the Commission shall conduct a formal review of the operation of each Cooperative's surcharge, in conjunction with its review of the operation of Big Rivers'

surcharge, to disallow any surcharge amounts found unjust or unreasonable and to reconcile past surcharges with actual surcharge amounts charged by Big Rivers.

4. At two-year intervals, the Commission shall hold formal proceedings to review and evaluate the past operation of the Cooperatives' surcharges and where appropriate to disallow improper expenses and incorporate surcharge amounts found reasonable into base rates.

5. Within 20 days from the date of this Order, the Cooperatives shall each file revised tariff sheets with the Commission setting out the environmental surcharge mechanism approved herein for service rendered on and after the effective date of this Order.

Done at Frankfort, Kentucky, this 4th day of October, 1995.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NO. 95-208 DATED OCTOBER 4, 1995.

MONTHLY ENVIRONMENTAL SURCHARGE PASS THROUGH REPORTING FORMATS  
FOR

GREEN RIVER ELECTRIC CORPORATION,  
HENDERSON UNION ELECTRIC COOPERATIVE CORPORATION,  
JACKSON PURCHASE ELECTRIC COOPERATIVE CORPORATION, AND  
MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

Monthly Reporting Formats:

- |             |  |
|-------------|--|
| ES Form 1.0 | Allocation of Environmental Surcharge Billed by<br>Big Rivers Electric Corporation and Calculation<br>of Environmental Surcharge Factor for Customers<br>Served From Non-Dedicated Delivery Points<br>[To be filed by each Cooperative.] |
| ES Form 1.1 | Environmental Surcharge Billed to Customers<br>Served From Dedicated Delivery Points<br>[To be filed <u>only</u> by those Cooperatives with<br>more than one customer served from a dedicated<br>delivery point.]                        |

For the Month of \_\_\_\_\_

Total Monthly Environmental Surcharge  
Billed to Cooperative \$

Deduct Total Amount Billed Directly to  
Customers Served from  
Dedicated Delivery Points<sup>1</sup> \$

Monthly Environmental Surcharge to  
be Allocated to Customers Served  
from Non-Dedicated Delivery  
Points, EN(m) \$

#### CALCULATION OF ENVIRONMENTAL SURCHARGE FACTOR

EN(m) : Monthly Environmental Surcharge  
to be Allocated to Customers Served  
from Non-Dedicated Delivery  
Points \$

P(m) : Total KWH Purchased, Less Line  
Losses Equal to a 12-Month  
Moving Average KWH

Environmental Surcharge Factor:  $EN(m) / P(m) =$   
(% of KWH Purchased)

Effective Date for Billing: \_\_\_\_\_

Submitted by: \_\_\_\_\_

Title: \_\_\_\_\_

Date Submitted: \_\_\_\_\_

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<sup>1</sup> If more than one customer is served from a dedicated delivery point, complete and attach ES Form 1.1. If only one customer is served from a dedicated delivery point, then identify here:

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