

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR APPROVAL OF)	
OPTIONAL RATES, TEMPORARY SERVICE RATE,)	CASE NO.
GENERAL SERVICE TARIFF, AND REMOTE)	2010-00230
DISCONNECT AND RECONNECT SERVICE CHARGE)	

O R D E R

On June 7, 2010, Grayson Rural Electric Cooperative Corporation (“Grayson”) filed an application with the Commission for authority to implement a Temporary Service Rate, a General Service Rate to replace its existing Camps and Barns Rate, a remote disconnect and reconnect service charge, and five new optional rates. The proposed optional rates are: Residential Inclining Block Rate; Optional Time-of-Day Rate for Residential Customers; Optional Residential Demand and Energy Rate; Optional Time-of-Day Rate for Small Commercial Customers; and an Optional Small Commercial Demand and Energy Rate. Commission Staff issued three information requests to which Grayson responded.¹ The matter now stands submitted for a decision based on the evidentiary record.

DISCUSSION

The following sections contain descriptions of each of the new tariffs, or rates, proposed by Grayson. Because of their similarities, the residential and commercial

¹ Through the course of responding to information requests, Grayson submitted revisions to the proposed tariffs.

time-of-day rates are described together in a single section, as are the residential and commercial demand and energy rates.

Temporary Service Rate

Grayson is proposing to implement a Temporary Service tariff which carries a \$50 customer charge and an energy rate equal to the energy rate for Schedule 1, its Farm and Home (residential) tariff.² Grayson states that it is seeking approval of this tariff to encourage customers with temporary service to convert to permanent service. In response to an information request, Grayson stated that it is possible for a builder to obtain a Rough-In Certificate (not for occupancy) and then complete the structure and not obtain a Final Inspection Certificate (ready for occupancy). According to Grayson, if the structure subsequently burned, it could be implied that Grayson was negligent in allowing the building to be occupied when only temporary service had been connected at the site for use during construction. Grayson noted that current state law requires a final inspection to be performed prior to occupancy and that the proposed customer charge would give the customer incentive to adhere to the law.

While Grayson provided a proposed Temporary Service Rate tariff, it did not provide an updated tariff for PSC No. 3, Original Sheet 23, which states that “[t]emporary service will be supplied under any published tariff applicable to the class of business or type of temporary service required.” Upon approval of the Temporary

² The Temporary Service tariff filed in the application provided for a customer charge of \$50 but stated that the minimum monthly charge would be \$10. In response to Item 11 of Commission Staff’s Initial Information Request, Grayson stated the minimum monthly charge should have been \$50.

Service Rate, this language should be changed to state that temporary service will be supplied under the Temporary Service Rate.

General Service Rate

Grayson is proposing to change its Schedule 18, Camps and Barns, which is now limited to camps and barns, to include garages, outbuildings, domestic water pumping stations, unoccupied dwellings, and other services that do not qualify as residential or small commercial service. The tariff would be renamed the General Service Rate. With this proposed change, Grayson desires to better categorize its customers into rate classes “where better statistics may be maintained which can be useful for projects containing future predictions, for projects requiring homogenized data for costing and rate design purposes and for projects where forecasting load, financial investments and rates may be important.”³

Remote Disconnect/Reconnect Charge

Grayson is proposing to revise its tariff to implement a \$30 remote disconnect charge and a \$30 remote reconnect charge.⁴ The charges are for the service rendered when a remote collar is used to disconnect or reconnect a customer’s electric service.

Grayson has invested in automatic meter reading equipment. This equipment, when supplemented with a disconnect collar installed on a customer’s meter, allows the customer’s service to be remotely disconnected and reconnected. The cost for the remote collar is \$201. Under Grayson’s current tariff, customers are charged \$30 for

³ Application at page 2 of letter to Commission Executive Director requesting a Temporary Service Rate and a General Service Tariff.

⁴ Grayson’s response to Item 7 of Commission’s Staff’s Second Information Request.

each trip made to the customer's premises. Therefore, customers are charged a total of \$60 when their service is manually disconnected and reconnected. Under the proposed tariff, if a remote disconnect collar is used, the total charge for a disconnection and subsequent reconnection would also be \$60. No after-hour charges would apply as Grayson does not permit remote reconnections after normal working hours.⁵

Because the charges proposed for remote disconnection and reconnection are the same as those for manual disconnection and reconnection, Grayson was asked to explain the benefit of the proposal, given that it requires additional capital expenditures on the part of the utility. In its July 27, 2010 response, Grayson stated that the use of the remote disconnect collar would increase safety for its employees and eliminate access problems to meters equipped with the collar. Grayson has purchased 50 disconnect collars and has installed one in order to perform testing. Grayson intends to install the collars on meters of those customers who have a history of frequent disconnection and reconnection.

Optional Rate – Residential Inclining Block Rate

Grayson is proposing a Residential Inclining Block Rate which contains three energy rate steps. The three steps are usage from 0 – 300 kWh, 301 kWh to 500 kWh, and over 500 kWh. Grayson states that this rate provides opportunity for low-usage customers to lower their bills and is designed for customers who consistently use 500 kWh per month or less. The rate for the first step is a three-cent reduction per kWh from Grayson's Schedule 1 energy rate. The second step is a one-and-one-half-cent

⁵ Grayson's response to Item 13.f. of Commission Staff's Initial Information Request.

reduction from the Schedule 1 rate, and the rate for the last step is an increase of three cents per kWh from the Schedule 1 rate.⁶ Grayson states that the reduction in rates for the first two energy blocks was based on judgment and that the increase in rate for the third energy block is meant to be a sizeable penalty for usage in excess of 500 kWh.

Optional Rates – Residential and Small Commercial Time-of-Day Rates

Grayson is proposing optional time-of-day rates for residential customers and small commercial customers. These rate schedules include on-peak and off-peak energy rates. This differs from Grayson's current Schedule 1 and Schedule 2, Commercial and Small Power Less than 50 KVA, in that the current tariffs contain a single energy rate. For the proposed residential tariff, the off-peak energy rate is set at a lower rate than the current energy rate for Schedule 1, while the proposed on-peak rate is nearly twice the Schedule 1 energy rate. The same is true for the small commercial tariff when compared to Grayson's current Schedule 2. Under both proposed tariffs, weekends are considered off-peak hours and the on-peak hours are limited to eight hours per day in both the winter and summer seasons. The proposed residential time-of-day rate carries a customer charge \$5 higher than the current Schedule 1 in order to minimize risk of free riders.⁷ Grayson states that these tariffs provide residential and small commercial customers with an opportunity to lower their

⁶ The tariff filed in the application showed a rate of \$.013732 per kWh for the third step; however, in response to Item 3 of Commission Staff's Initial Information Request, Grayson stated the amount should have been \$.13732 per kWh.

⁷ The term "free riders" refers to customers who are able to reduce their bills without having to shift load.

electric rates if they are willing to move their usage from on-peak usage to off-peak usage.

While reviewing the proposed tariffs, an error was noted in the “Winter Schedule” and “Summer Schedule” for both of the proposed optional time-of-day tariffs. The on-peak hours for each of the winter and summer seasons consist of eight hours per day, consistent with Grayson’s testimony⁸. However, the off-peak hours for each season consist of only 15 hours per day. Upon approval of the optional time-of-day tariffs, the off-peak hours in Grayson’s tariffs shall be changed to reflect the correct 16 hour periods.

Optional Rates – Residential and Small Commercial Demand and Energy Rates

Grayson is proposing to implement optional demand and energy rates for residential customers and small commercial customers. These tariffs differ from Grayson’s current tariffs for residential and small commercial customers in that they include a demand charge not included in the current tariffs. The proposed demand rate for each of the two tariffs is based on the distribution demand-related costs for the two customer classes from Grayson’s most recent cost-of-service study.⁹ The recovery of distribution demand-related costs through a demand charge results in a lower energy charge. The proposed residential rate carries a customer charge \$5 higher than the current Schedule 1 customer charge. Grayson states that the type of customer who will select these tariffs is not known but that the tariffs may attract participants over time as

⁸ Application, Testimony of James R. Adkins, Exhibit B, page 5 of 12.

⁹ Application, Exhibit B, at page 3 of 12, and Exhibit C2 at page 1 of 1.

customers understand their usage patterns and the impacts these patterns have upon their energy costs.

CONCLUSION

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Grayson's proposed Temporary Service Rate tariff, General Service Rate tariff, and optional tariffs are reasonable and should be approved. In addition, the Commission finds that the proposed nonrecurring charges of \$30.00 to remotely disconnect and reconnect service are properly based on the costs incurred to perform those functions and should be approved. Finally, the Commission finds that Grayson should revise its existing Rules and Regulation Tariff, PSC No. 3, Original Sheet No. 23, to reflect that any temporary service will be provided under the Temporary Service Rate tariff.

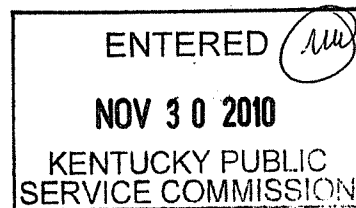
IT IS THEREFORE ORDERED that:

1. Grayson's proposed tariffs as revised during the course of this proceeding are approved.
2. For each customer choosing an optional tariff, Grayson shall ensure that the customer's metering equipment has the capability to implement the tariff.
3. Grayson shall file annual reports by March 31 of each year stating the number of customers who chose each optional tariff during the previous calendar year, the aggregate kWh usage in each of the energy categories for each optional tariff, and the kW demand for each of the Demand and Energy tariffs.

4. Any documents filed in the future pursuant to ordering paragraph 3 herein shall reference this case number and shall be retained in the utility's general correspondence file.

5. Grayson shall file, within 20 days of the date of this Order, its revised tariff sheets setting out the tariffs approved and modified herein, as well as its revised tariff PSC No. 3, Original Sheet No. 23, showing their date of issue and that they were issued by authority of this Order.

By the Commission



ATTEST:


Executive Director

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