

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR APPROVAL OF AN OPTIONAL)	CASE NO.
RESIDENTIAL TIME-OF-DAY TARIFF AND)	2014-00155
FIFTEEN INDUSTRIAL TARIFFS BASED ON)	
THREE WHOLESALE POWER TARIFFS)	
AVAILABLE TO FARMERS RECC)	

ORDER

On April 29, 2014, Farmers Rural Electric Cooperative Corporation (“Farmers”) submitted an application requesting authority to implement its proposed optional Residential Time-of-Day (“TOD”) tariff as well as 15 proposed optional industrial tariffs. Farmers also requested authority to restrict the availability of its existing Schedule D – Large Commercial/Industrial Service Optional Time-of-Day (“Schedule D”) and Schedule E – Large Industrial Rate (“Schedule E”) tariffs to members currently served pursuant to those tariffs. Farmers proposed an effective date of June 1, 2014, for its tariff revisions. On May 9, 2014, the Commission issued its order suspending the revisions to Farmers’ tariff offerings up to and including October 31, 2014, and establishing a procedural schedule. Farmers responded to three Commission Staff (“Staff”) requests for information. There are no intervenors. The case now stands submitted for decision.

Optional Residential TOD

Farmers states that its proposed optional TOD tariff for residential customers will give its members an opportunity to select a rate that may reduce their electric bills. The

proposed rates were designed to be revenue neutral, and to offer an off-peak energy rate that would provide a reasonable incentive so that members would consider requesting to be served under the proposed TOD tariff.¹ Farmers states that its proposed \$15.00 residential TOD customer charge is approximately halfway between its \$9.35 Schedule R – Residential customer charge and the \$22.04 customer-related cost calculated in the cost-of-service study filed in its last general rate case, Case No. 2008-00030.² With a larger customer charge, according to Farmers, less revenue would be collected from the energy component of the rate structure, as Farmers designed rates with a goal of revenue neutrality.³ Farmers believes that the proposed \$.06 per kilowatt hour (“kWh”) off-peak TOD rate is sufficiently reduced from the Schedule R – Residential rate, currently \$.08895 per kWh, to provide a significant incentive for members to take advantage of the TOD rate.⁴ In response to Staff requests for information, Farmers provided sample calculations showing savings an average consumer could be expected to realize by switching to the TOD rate, assuming the customer is able to shift 100 kWh from on-peak to off-peak usage. Farmers’ calculations show that, based on average monthly residential usage, a member switching to the TOD rate could be expected to save approximately \$4.00 per month, with peak-month savings expected to be approximately \$7.00.⁵

¹ Application, Exhibit F, Direct Testimony of James R. Adkins, page 1.

² Case No. 2008-00030, Application of Farmers Rural Electric Corporation for an Adjustment in Rates (Ky. PSC June 10, 2009).

³ Response to Commission Staff’s Initial Request for Information (“Staff’s First Request”), Item 8.

⁴ *Id.*

⁵ Responses to Staff’s First Request, Item 9, and Staff’s Second Request for Information (“Staff’s Second Request”), Item 6.

Industrial Tariffs

With regard to its Industrial tariffs, Farmers proposes that its two existing tariffs designed for large industrial customers, Schedule D and Schedule E, be limited to members currently served pursuant to these two tariffs. New customers, or existing members who desire to switch rate schedules, will be able to choose from the following proposed industrial tariffs:

- Schedule LPB-1 – Large Power
- Schedule LPB-2 – Large Power
- Schedule LPB-3 – Large Power
- Schedule LPB-4 – Large Power
- Schedule LPB-5 – Large Power

- Schedule LPC-1 – Large Power
- Schedule LPC-2 – Large Power
- Schedule LPC-3 – Large Power
- Schedule LPC-4 – Large Power
- Schedule LPC-5 – Large Power

- Schedule LPE-1 – Large Power Time-of-Day
- Schedule LPE-2 – Large Power Time-of-Day
- Schedule LPE-3 – Large Power Time-of-Day
- Schedule LPE-4 – Large Power Time-of-Day
- Schedule LPE-5 – Large Power Time-of-Day

Farmers states that the proposed industrial rate schedules were developed based on East Kentucky Power Cooperative, Inc.'s ("EKPC") Wholesale Rate Schedules B, C, and E2, with five classes based on load for each of the wholesale schedules. The proposed rates were developed using customer charges based on EKPC's load center charge comparable to the rate class demand size classification; using EKPC's demand rates for the specific wholesale rate on which the retail rate is based; and using energy rates based on the wholesale energy rate plus adders of 15 mills, 13 mills, 11.5 mills, 9 mills, and 6.5 mills per kWh, with lower adders applicable to

the larger rate classes.⁶ Farmers stated that the rates were developed to ensure there were no “free riders,” meaning no loss of current gross margins per member if an existing industrial member were to switch to one of the proposed rates.⁷ Farmers currently has two members served pursuant to Schedule E and five members served pursuant to Schedule D.⁸

In support of its request to limit Schedules D and E to members currently served under these rate schedules and to discontinue their use for new customers, Farmers stated that the \$51.93 Schedule D customer charge does not reflect the cost to serve most industrial loads; that Schedule D does not encourage any minimum load factor through an energy minimum-use requirement; and that no recognition is given in the rate for time of energy use.⁹ With regard to Schedule E, Farmers stated that it now has less rate flexibility than would be available under the proposed tariff options and that, based on a review of other cooperatives and municipal and investor-owned utilities, it determined that the load classifications in the proposed rate schedules would enable Farmers to compete with neighboring utilities.¹⁰

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Farmers’ proposed optional Residential TOD tariff and

⁶ The adder amounts listed here differ from those discussed in the Adkins Testimony, pages 2-3, due to an error in the proposed energy charges listed in Exhibit D, Schedule 3, filed in the application. A correction was made to Exhibit D, Schedule 3, in response to Item 1 of Commission Staff’s Third Request for Information.

⁷ Response to Staff’s First Request, Item 3.

⁸ Response to Staff’s First Request, Item 2.

⁹ Response to Staff’s First Request, Item 7.

¹⁰ *Id.* and Response to Staff’s Second Request, Item 2.

large power industrial tariffs are reasonable and should be approved. The Commission encourages the development of cost-effective rates that promote energy efficiency and commends Farmers for its continuing efforts.¹¹ The record in this proceeding reflects that the proposed rates were developed with a goal of revenue neutrality so that existing members choosing new optional rate schedules have the opportunity to benefit and remaining customers will not be harmed by shifts in revenue requirement. The Commission further finds that closing existing Schedules D and E to any new Industrial customer, and restricting their availability to members presently served pursuant to those rate schedules, is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Farmers' proposed Residential TOD and industrial rate schedules are approved on and after the date of this Order, with the exception that the rates in Schedules LPC-4, LPC-5, LPB-4, LPB-5, LPE-4, and LPE-5 shall reflect customer charge corrections as filed by Farmers during the processing of this case.

2. Farmers' existing Schedules D and E are discontinued for all but existing members currently served pursuant to those rate schedules. Farmers shall file revised tariff pages for Schedules D and E reflecting their restricted availability to members currently served on and before the date of this Order.

¹¹ In Case No. 2012-00108, Application of Farmers Rural Electric Cooperative Corporation for a New Commercial Time-of-Day Tariff (Ky. PSC Apr. 27, 2012), Farmers requested and was granted authority to implement a Commercial TOD tariff.

3. Within 20 days from the date of this Order, Farmers shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs as approved herein, showing the date of issue and that it was issued by authority of this Order.

By the Commission



ATTEST:



Executive Director

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