

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF GRAYSON RURAL)	CASE NO.
ELECTRIC COOPERATIVE CORPORATION'S)	2014-00083
REQUEST TO MODIFY SCHEDULE 14(b) AND)	
SCHEDULE 3 OF ITS TARIFF PROVISIONS)	

ORDER

On March 18, 2014, the Commission established this matter to investigate issues raised by Grayson Rural Electric Cooperative Corporation ("Grayson") regarding Schedule 3 and Schedule 14(b) as set forth in Appendix A of the Commission's July 31, 2013 Order in Case No. 2012-00426.¹ Specifically, Grayson's Motion included modifying Schedule 3, Off-Peak Marketing Rate, to remove the customer charge and on-peak rate, and to designate the Off-Peak Marketing Rate as a tariff rider to be attached to other tariffs and amending the customer charge under Schedule 14(b). Grayson responded to three Commission Staff requests for information and participated in an informal teleconference with Commission Staff. On February 9, 2015, Grayson advised the Commission that individual notice had been provided to the four customers

¹ Case No. 2012-00426, *Application of Grayson Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC July 31, 2013). On February 3, 2014, Grayson moved to amend the demand rate for the tariffs under Schedule 13(b) and Schedule 13(c); to amend the customer charge under Schedule 14(b); and to modify Schedule 3, the Off-Peak Marketing Rate schedule, to remove the customer charge and on-peak rate, and to designate the Off-Peak Marketing Rate as a tariff rider to be attached to other tariffs ("Grayson's Motion"), filed in the Post Case Referenced Correspondence file. On March 18, 2014, the Commission found that Appendix A to its July 31, 2013 Order contained an error in the demand rate for tariff Schedules 13(b) and 13(c) and amended its Order to reflect the correct demand rate of \$7.23 per kilowatt. The Commission also found that Grayson's Motion regarding Schedules 3 and 14(b) did not appear to relate to errors in the July 31, 2013 Order and that an investigation would be necessary to review Grayson's Motion relating to those issues.

receiving service under Schedule 3 who would see an increase in their rates under Grayson's proposed tariff changes.² None of these customers have filed objections to the proposed rate increases. The rates for the remaining 89 customers currently receiving service under Schedule 3 will remain the same or slightly decrease under Grayson's proposal.³ There are no intervenors in this matter, and the case now stands submitted for a decision.

BACKGROUND

Schedule 3, Off-Peak Marketing Rate

Grayson's Schedule 3, Off-Peak Marketing Rate, is currently available to customers eligible for service under Schedule 1, Farm and Home, and Schedule 2, Commercial and Small Power Less than 50 KVA, who have installed Grayson-approved load management devices known as electric thermal storage ("ETS") units for the use of power during off-peak hours. There are currently 93 customers taking service under Schedule 3.⁴ Grayson proposes to make the Schedule 3 rider available to customers who receive service under Schedule 18, General Service, (and who have installed ETS devices for the use of power during off-peak hours) in addition to customers who receive service under Schedule 1 and Schedule 2.⁵

² Grayson's Affidavit of Mailing of Official Notice (Feb. 9, 2015).

³ Response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 1.a. *See also* Memorandum from Virginia Gregg, Staff Attorney, to Case File (Sept. 26, 2014) at 1. The rates for the remaining 89 customers currently receiving service under Schedule 3 will remain the same or slightly decrease under Grayson's proposal, as they will be shifted from Schedule 3 to Schedule 1, Farm and Home, which has the same rates as those that these customers have been billed for under Schedule 3.

⁴ Response to Staff's Second Request, Item 1.a.

⁵ Case No. 2012-00426, Grayson's Motion, Exhibit 1, Schedule 3.

Based on Grayson's current tariff, Schedule 3 includes a customer charge of \$15.00 and both on-peak and off-peak rates. Grayson proposes to move the current Schedule 3 customers to the tariff schedule most appropriate for their type of service, with Schedule 3 becoming a rider tariff under which these customers would be charged an off-peak rate of \$.06225 per kilowatt hour ("kWh") for their ETS usage.⁶ The proposed off-peak rate of \$.06225 per kWh is less than the current Schedule 3 off-peak rate of \$.06562 per kWh.

Grayson states that Schedule 3 was established as a separate tariff class, rather than as a tariff rider, at a time when its rates for residential services and small commercial services were identical.⁷ Grayson avers that its current proposal to change Schedule 3 from a separate tariff to a tariff rider is the result of cost-of-service studies and rate-design philosophies that have dictated slight differences in rate components.⁸

According to Grayson, Schedule 3 customers who have ETS equipment installed are currently billed by having all of their usage measured by a main meter, with a second meter measuring only their ETS usage.⁹ The ETS usage, which should have been billed at the Schedule 3 off-peak rate, is then subtracted from the usage measured by the main meter, and the remaining, or non-ETS, usage should have been billed at

⁶ Response to Commission Staff's Initial Request for Information ("Staff's Initial Request"), Item 2.c.

⁷ *Id.*, Item 2.a.

⁸ *Id.*

⁹ Memorandum from Virginia Gregg, Staff Attorney, to Case File (Sept. 26, 2014) at 1.

the Schedule 3 on-peak rate.¹⁰ According to Grayson's current Schedule 3 tariff, the on-peak usage rate is \$.10938 per kWh and the off-peak usage rate is \$.06562 per kWh.

However, as previously stated, Grayson currently has 93 customers taking service under Schedule 3. These customers are being billed according to Schedule 1, Farm and Home, which has the same customer charge as Schedule 3, but has an energy rate of \$.1091 per kWh, which is slightly less than the on-peak rate for Schedule 3.¹¹ For the ETS usage, Grayson is charging \$.0654 per kWh, which is 60 percent of the Schedule 1 energy rate and is slightly less than the currently approved Schedule 3 off-peak rate of \$.06562 per kWh.¹² Grayson states that Schedule 3 customers have always been charged based on the Schedule 1 rate rather than at the Schedule 3 tariffed rates.¹³

Grayson states that of the 93 customers currently receiving service under Schedule 3, 89 would be shifted to Schedule 1 under its proposal.¹⁴ Because Grayson has been billing the Schedule 3 customers based on the Schedule 1 rates, this would result in no change in the on-peak energy charge of \$.10910 per kWh or in the customer charge of \$15.00. Because Grayson is currently billing ETS usage at an off-peak rate of \$.0654 per kWh, the 89 customers who would be moved to Schedule 1

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ Response to Commission Staff's Third Request for Information ("Staff's Third Request"), Item 1.

would see a slight decrease in bills under Grayson's proposed Schedule 3 rate of \$.06225 per kWh for ETS usage.

Under Grayson's proposal, two of the remaining four customers who are currently receiving service under Schedule 3 would be shifted to Schedule 2, Commercial and Small Power Less than 50 KVA,¹⁵ which would result in an energy charge of \$.10696 per kWh and a customer charge of \$27.50. The effect on the bills of these two customers, one who has ETS equipment installed in a self-storage unit facility and one who has ETS equipment installed in a mechanic's garage,¹⁶ would be increases of 15 percent and 1 percent, respectively.¹⁷ The remaining two customers receiving service under Schedule 3 would be shifted to Schedule 1[8], General Service Rate,¹⁸ which has an energy charge of \$.13047 per kWh and a customer charge of \$22.50. The effect on the bills of these two customers, who have ETS equipment installed in personal garages, would be increases of 20 and 22 percent respectively.¹⁹

Schedule 14(b), Large Industrial Service

Grayson is also requesting that the customer charge for customers being served under Schedule 14(b), Large Industrial Service, be changed from \$1,136.37 per month to \$1,131.19 per month, which Grayson initially claimed was the Customer Charge prior to the Commission's July 13, 2013 Order in Case No. 2012-00426. When questioned

¹⁵ Response to Staff's Second Request, Item 1.

¹⁶ Response to Staff's Third Request, Item 2.

¹⁷ Memorandum from Virginia Gregg, Staff Attorney, to Case File (Sept. 26, 2014) at 2.

¹⁸ Response to Staff's Second Request, Item 1. Grayson erroneously referred to Schedule 18 as Schedule 17 in its response.

¹⁹ Response to Staff's Third Request, Item 2.

about this assertion and asked to confirm that a customer charge of \$1,136.37 was in fact approved by the Commission in Case No. 2010-00174²⁰ on January 14, 2011, Grayson stated that the discrepancy in the customer charge appears to have originated earlier when Grayson received approval for a customer charge of \$1,093.28 but erroneously filed a tariff sheet showing \$1,098.28.²¹ Grayson asserts that this \$5.00 discrepancy was repeated in subsequent tariff filings for Schedule 14(b).²² According to Grayson there are currently no customers being served under Schedule 14(b).²³

FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Grayson's request to modify Schedule 3, Off-Peak Marketing Rate, of its tariff to remove the customer charge and on-peak rate, and to designate the Off-Peak Marketing Rate as a tariff rider to be attached to other tariffs is reasonable and should be approved. We note that under Grayson's proposal, 89 of the 93 customers who are currently being served under Schedule 3 would be moved to Schedule 1, Farm and Home, resulting in no change in the on-peak energy charge or in the customer charge, and that these customers would see a slight decrease in bills for ETS usage. We also note that under Grayson's proposal, two customers currently receiving service under Schedule 3 would be moved to Schedule 2, Commercial and Small Power Less

²⁰ Case No. 2010-00174, *Application of Grayson Rural Electric Cooperative Corporation for Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment* (Ky. PSC Jan. 14, 2011).

²¹ Response to Staff's Initial Request, Item 1. See also Case No. 2006-00480, *Application of Grayson Rural Electric Cooperative Corporation to Pass-Through an Increase of Its Wholesale Power Supplier Pursuant to KRS 278.455(2)*, Interim Order (Ky. PSC Apr. 1, 2007).

²² Response to Staff's Initial Request, Item 1.

²³ *Id.*, Item 3.

than 50 KVA, and two customers would be moved to Schedule 18, General Service. Although these four customers will experience rate increases, we find that these customers are more appropriately served under non-residential rates for their non-ETS usage and that their bill increases will be due primarily to the difference in customer charges of residential and non-residential classes. We therefore find that their receipt of service under Schedule 2 for two of those customers and under Schedule 18 for the remaining two customers is reasonable and should be approved.

The Commission further finds that there are currently no customers taking service under Schedule 14(b) and that Grayson's request to reduce the customer charge from \$1,136.37 to \$1,131.19 would correct an ongoing error made by Grayson and not identified by the Commission, is reasonable, and should be approved.

IT IS THEREFORE ORDERED that:

1. Grayson's request to modify its Schedule 3, Off-Peak Marketing Rate, and designate it as a tariff rider to be attached to other tariffs is approved.
2. Grayson's request to reduce the customer charge by \$5.00 in Schedule 14(b), Large Industrial Service, of its tariff is approved.
3. Within ten days of this Order, Grayson shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the revisions approved herein and reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED #
APR 13 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2014-00083

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