

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF SALT RIVER ELECTRIC	)	
COOPERATIVE CORPORATION TO DISCONTINUE	)	CASE NO.
ITS RESIDENTIAL MARKETING RATE	)	2018-00251

ORDER

On May 8, 2018, Salt River Electric Cooperative Corporation (Salt River Electric) filed a proposed tariff, through the Commission's Electronic Tariff Filing System, proposing to discontinue its Residential Marketing Rate effective January 1, 2019. On July 30, 2018, the Commission found that further proceedings were necessary to determine the reasonableness of the proposed revision. Salt River Electric responded to two sets of requests for information. On October 9, 2018, Salt River Electric requested that this case be submitted to the Commission based on the record. Salt River Electric also requested that if the Commission found the proposed revision reasonable that the effective date be revised to May 1, 2019, in order to avoid a change during the winter heating season. There are no intervenors and this matter stands submitted for a decision.

DISCUSSION

The Residential Marketing Rate is available to customers who have an Electric Thermal Storage (ETS) heater. Such customers receive a 40 percent discounted rate on the electricity the ETS heater uses. Salt River Electric also offers repair services for the ETS heater. Salt River Electric customers have used ETS Units for over 25 years. In 2008, Salt River stopped selling the unit but continued to offer repair service. Of the

current ETS units on Salt River Electric's system, 462 are served by subtractive metering and 96 are served by a separate service meter.

Salt River Electric states that the rate was initially put in place approximately 30 years ago as a demand-side management initiative. The rate design was based on a 40 percent reduction of the variable energy rate. This 40 percent was the sum of a 20 percent reduction in the wholesale rate and a 20 percent reduction in the distribution system adder. At that time, distribution adders were approximately 30 percent, leaving 10 percent to be applied to fixed costs. Over time, rate structures at Salt River Electric's wholesale electric provider, East Kentucky Power Cooperative, have changed and wholesale rate case pass-throughs have effectively distorted the 20 percent contributions to the 40 percent. Currently, the reduction from the wholesale rate is 17.1 percent, implying that the balance, or 22.9 percent, is being made up by the distribution adder. However, for the last five years, the average distribution adder has accounted for 20.24 percent of the rate, resulting in a 2.66 percent cost shift to non-ETS customers.<sup>1</sup>

Salt River Electric notified customers with ETS heaters of its plans to discontinue the Residential Marketing Rate and no longer offer repair services for the heaters by letter dated January 1, 2017. In the letter, Salt River Electric offered affected members two options: (1) install a heat pump to replace the ETS heater; or (2) keep the ETS heater. If a member chose to install a high-efficiency heat pump with a SEER rating of 15 or higher, the member would be eligible for a \$1,000 rebate for as long as the existing heat pump retrofit tariff is in place.<sup>2</sup> Salt River Electric also stated that if a member did not want to

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<sup>1</sup> Response to Staff's Second Request for Information, Item 4a.

<sup>2</sup> Id., 8c.1.

keep the ETS heater, Salt River Electric would remove the meter, install a blank cover, and seal off the meter base. For those who choose to keep the ETS heater, Salt River Electric also offered to remove the time clock so that the ETS heater would function like a regular heater but noted that the customer would be required to have an electrician wire the heater so that the electricity it uses flows through the main house meter.

Salt River Electric received 75 responses to the January 1, 2017 letter. Salt River Electric was able to resolve the concerns of 74 of those who responded. For the one customer that was not completely satisfied, Salt River Electric proposed that the customer keep the meter and service, but the customer be moved to the standard residential rate schedule.<sup>3</sup>

For customers with subtractive meters, Salt River will remove the ETS meter, install an insulated jumper device so that the heater can continue to be used, install a blank cover, and seal the meter base at no cost to the customer. These customers will be billed for usage through the main house meter. For customers who have a second service to an ETS heater only, the member would either be responsible for having the heater wired so that electricity goes through the house meter or they could choose to move to Schedule A-5, Farm and Home Service, with no additional wiring needed.<sup>4</sup> All ETS units will remain with the member as it was purchased by the member and it will be the member's responsibility for disposal of the unit.<sup>5</sup>

In the notice to customers published in the May 2018 edition of Kentucky Living

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<sup>3</sup> In response to Commission Staff's First Request for Information (Staff's First Request), Item 8b, Salt River Electric indicated that there had been no further contact with this individual.

<sup>4</sup> Response to Staff's First Request, Item 10e.(1) and Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 6.

<sup>5</sup> Response to Staff's First Request, Item 8.c.2.

Magazine, Salt River Electric stated that customers receiving the Residential Marketing Rate would be moved to Schedule A-5, Farm and Home Service (Residential) Rate. Salt River Electric stated that it has not notified the affected customers about the existence of Schedule A-5-TOD (Time of Day) Farm and Home Service.

Upon review of the proposed revised tariff and being otherwise sufficiently advised the Commission finds that the discontinuance of the Residential Marketing Rate should be approved. Salt River Electric should notify all ETS customers of the proposed change effective date and provide detailed information concerning options available and what is and is not the customer's responsibility. As part of that notice, Salt River Electric should inform affected customers of the availability of Schedule A-5-TOD, Farm and Home Service. Salt River should also include a comparison of an average monthly bill for an ETS customer at the approved Schedule A-5 rate and at the Schedule A-5-TOD rate, as well as information on how to change to Schedule A-5-TOD if the customer chooses.

IT IS THEREFORE ORDERED that:

1. Salt River Electric's request to discontinue its Residential Marketing Rate is approved effective May 1, 2019.
2. Within 30 days of the date of entry of this Order, Salt River Electric shall notify all ETS customers in writing that the termination date of the ETS rate has been changed from January 1, 2019, to May 1, 2019, and provide detailed information concerning options available and what is and is not the customer's responsibility. Salt River shall also file one copy of the written notice with the Commission.

3. Within 20 days of the date of entry of this Order, Salt River Electric shall file with the Commission, using the Commission's electronic Tariff Filing System, two sets of revised tariff sheets: one reflecting the existing tariff sheets with the addition of a sentence at the end of the Availability of Service section stating that the tariff will be discontinued on May 1, 2019, and that they were approved pursuant to this Order; and one as proposed, reflecting that the tariff sheets are reserved for future use, with an effective date of May 1, 2019, and that they were approved pursuant to this Order.

4. Any documents filed in the future pursuant to ordering paragraph 2 shall reference this case number and shall be retained in the post-case correspondence file.

5. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED  
NOV 20 2018  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2018-00251

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