

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR)	CASE NO.
APPROVAL OF A GENERAL SERVICE 0-100)	2012-00384
KW TIME OF DAY TARIFF)	

ORDER

On August 27, 2012, Blue Grass Energy Cooperative Corporation ("Blue Grass Energy") filed an application requesting approval of a new SC-2 (Small Commercial) General Service 0-100 kW Time-of-Day ("General Service TOD") tariff. The proposed tariff is intended to provide members a choice in electric rates, with the potential to reduce their electric bills by shifting some usage to lower-cost off-peak hours.

Blue Grass Energy proposed an effective date of October 1, 2012 for its proposed SC-2 General Service TOD tariff. Pursuant to KRS 278.180(1), a utility must give the Commission 30 days' notice prior to implementing any new rates. Based on a review of Blue Grass Energy's proposed tariff, the Commission found that an investigation of the proposed rate would be necessary to determine its reasonableness and that such investigation could not be concluded prior to October 1, 2012. Consequently, pursuant to KRS 278.190(2), the Commission's September 25, 2012 Order suspended the effective date of the proposed tariff for five months from October 1, 2012, up to and including February 28, 2013.

Commission Staff issued two requests for information, to which Blue Grass responded on October 2, 2012 and October 26, 2012, respectively.

DISCUSSION

Blue Grass Energy seeks to implement a General Service 0-100 kW Time-of-Day tariff. This rate will be offered on a voluntary basis and will provide members currently served under Schedule SC-1 (General Service 0-100 kW) an alternative electric rate that may reduce their electric bills. This proposed rate eliminates the demand rate and gives members the potential to lower their current electric bills by shifting energy usage to off-peak hours. Blue Grass Energy states that it believes that any revenue shortfall attributable to members switching to Schedule SC-2 will be offset by reduced demand billings¹ and reduced wholesale power costs² from its power supplier, East Kentucky Power Cooperative, Inc. ("EKPC")

As part of its application, Blue Grass Energy explained the process of developing the proposed General Service TOD tariff. The billing determinants were identified for customers served under Blue Grass Energy's current SC-1 General Service tariff whose demand is less than 100 kW. This data was normalized to determine the revenue from current rates. On- and off-peak hours were then identified.³ Blue Grass Energy chose on- and off-peak hours consistent with those identified by EKPC.⁴ The proposed rate contains a customer charge and an energy component and has been developed in a manner consistent with the way Blue Grass Energy developed its residential TOD

¹ Applicant's Responses to Commission Staff's First Request for Information, Response to Item 11, filed October 2, 2012.

² Id., Response to Item 10.

³ Blue Grass Energy's on-peak hours are: May-September 10:00 a.m.-10:00 p.m., October- April 7:00 a.m.-12:00 p.m. and 5:00 p.m.-10:00 p.m. All other times are considered off-peak. Application, Exhibit A, Page 1 of 2, filed August 27, 2012.

⁴ Application, Exhibit B, Page 1.

rate. The customer charge of \$35 covers any customer-related costs on a revenue-requirements basis. An off-peak energy rate of \$0.07 was established as an incentive⁵ to participate in the proposed tariff, and the remainder of the revenue requirement was placed in the on-peak energy rate in an effort to maintain revenue neutrality.⁶

Customers who choose to participate in Blue Grass Energy's proposed SC-2 General Service TOD rate currently have the necessary metering and related equipment to provide the information needed for billing the new rates.⁷

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Blue Grass Energy's request for approval of its SC-2 General Service 0-100 kW TOD rate is reasonable and should be approved. The Commission encourages the development of cost-effective rates that promote energy efficiency and commends Blue Grass Energy for its efforts. To properly monitor customer acceptance of this new tariff and its impact on load shifting, the Commission further finds that Blue Grass Energy should annually file a summary of its SC-2 General Service 0-100 kW TOD rate which includes: (1) the number of SC-2 General Service 0-100 kW TOD participants at the end of the year; (2) the total kW usage and revenue for the SC-2 General Service 0-100 kW TOD rate class for the year; (3) the number of kW/kWh used during on-peak hours and off-peak hours on tariff SC-2 General Service 0-100 kW TOD; and (4) the revenue that would have been generated under SC-1 General Service 0-100 kW TOD rate had the customers taking service under rate

⁵ Blue Grass Energy's current SC-1 General Service 0-100 kW tariff energy rate is \$.08384 per kWh. Application, Exhibit D, Page 1 of 1, filed August 27, 2012.

⁶ Id.

⁷ Applicant's Responses to Commission Staff's Second Request for Information, filed October 26, 2012, Item 1.

Schedule SC-2 General Service 0-100 kW TOD remained on rate schedule SC-1 General Service 0-100 kW TOD.

The Commission HEREBY ORDERS that:


1. Blue Grass Energy's proposed SC-2 General Service 0-100 kW TOD tariff is approved as of the date of this Order.

2. Within twenty days of the date of this Order, Blue Grass Energy shall file a revised tariff for its SC-2 General Service 0-100 kW TOD rate showing the date of this Order as its effective date and stating that it was issued by authority of this Order.

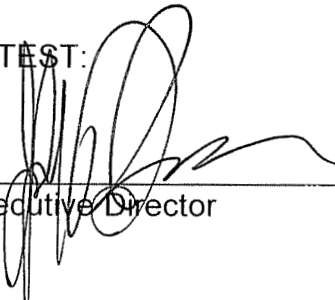
3. Commencing with the filing of its 2013 Annual Report and every year thereafter, Blue Grass Energy shall file an annual status report of its SC-2 General Service 0-100 kW TOD rate by April 1 of the following year. The report should include: (1) the number of SC-2 General Service 0-100 kW TOD participants at the end of the year; (2) the total kW usage and revenue for the SC-2 General Service 0-100 kW TOD rate class for the year; (3) the number of kW/kWh used during on-peak hours and off-peak hours on tariff SC-2 General Service 0-100 kW TOD; and (4) the revenue that would have been generated under SC-1 General Service 0-100 kW TOD rate had the customers taking service under rate Schedule SC-2 General Service 0-100 kW TOD remained on rate schedule SC-1 General Service 0-100 kW TOD.

4. The annual status report shall reference this case number and shall be retained in Blue Grass Energy's general correspondence file.

By the Commission

ENTERED 
NOV 19 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00384

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