

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RECC)	CASE NO.
FOR APPROVAL OF AN ECONOMIC)	2014-00192
DEVELOPMENT RIDER)	

ORDER

On June 10, 2014, Taylor County Rural Electric Cooperative Corporation (“Taylor RECC”) submitted an application requesting authority to establish an Economic Development Rider (“EDR”) tariff pursuant to the Commission’s Order in Administrative Case No. 327 (“Admin. 327”).¹ Taylor RECC’s application was based on the EDR tariff of East Kentucky Power Company Cooperative, Inc. (“EKPC”) which was approved by the Commission in Case No. 2014-00034.² Taylor RECC proposed an effective date for its EDR tariff of July 6, 2014. On July 2, 2014, the Commission suspended the proposed tariff through December 9, 2014. Taylor RECC responded to one Commission Staff (“Staff”) request for information. There are no intervenors in this proceeding. This case now stands submitted for a decision based on the evidentiary record.

Taylor RECC’s proposed EDR tariff, as confirmed through responses to Staff’s request for information, conforms to the requirements of Admin. 327 as discussed in the Commission’s final Order in Case No. 2014-00034. However, there are three deviations

¹ Administrative Case No. 327, An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities (Ky. PSC Sept. 24, 1990).

² Case No. 2014-00034, Application of East Kentucky Power Company Cooperative, Inc. for Approval of an Economic Development Rider (Ky. PSC June 20, 2014).

from the requirements of Admin. 327 which are discussed in the 2014-00034 Order and are described below.

- Rate discount and related provisions, jobs and capital investment involved, customer-specific fixed costs, minimum bill, estimated load and load factor, and length of contract to be specified in contract.

Regarding the proposed definition of a new customer to qualify for the rate discount described above as one being served after January 1, 2013, Taylor RECC indicated that no existing customer would qualify for the proposed EDR as a result of the proposed eligibility date. This definition conforms to the identical definition in EKPC's EDR tariff.

- Adequate capacity with a reserve margin for system reliability to be demonstrated in contract.

In Case No. 2014-00034, EKPC requested a deviation from this guideline, which also applies to Taylor RECC's proposed EDR tariff, which the Commission originally intended to address a concern that load resulting from discounted rates should not create a need for new plant capacity. EKPC committed to providing the reserve margin information as part of any special contract filed pursuant to its and its member cooperatives' EDR tariffs. EKPC stated in its application in Case No. 2014-00034 that the electric industry has changed significantly since the Commission's order in Admin. 327 was issued in 1990, with the development of wholesale energy and capacity markets and the advent of Regional Transmission Organizations which allow utilities to increase the use of market purchases and to diversify resource portfolios. As a member of PJM Interconnection, Inc., EKPC argued, and the Commission agreed, that it should be permitted to make market purchases during times when excess capacity may not

exist to meet the needs of an EDR customer. As approved by the Commission in that proceeding, EKPC's EDR contracts will require customers to pay the cost of the market purchase, and this was confirmed by Taylor RECC.

- Load parameters for new customers to exceed a minimum base level and for existing customers to exceed an incremental usage level above a normalized base load.

The proposed EDR tariff only partially complies with this requirement. The tariff is proposed to be available to qualifying new customers with a minimum average monthly billing load of at least 500 kilowatts ("kW") over a 12-month period or existing customers whose minimum average monthly billing load has increased by at least 500 kW over a 12-month period. If the new or existing customer is located in a county identified by the Kentucky Cabinet for Economic Development's Kentucky Business Investment Program as an Enhanced Incentive county, then the customer would be eligible with a new or increased minimum average monthly billing load of 250 kW. Taylor RECC's tariff, like that approved for EKPC, proposes to apply the EDR discount to all of the electric usage, instead of only to the incremental usage over some specified base level of a qualifying new customer with a minimum average monthly billing load of 500 kW or 250 kW, depending on the customer's status as being in an Enhanced Incentive county. For an existing qualifying customer, the normalized base load will be determined by averaging the customer's previous three years' monthly billing loads.

FINDINGS

After reviewing the record in this proceeding and being otherwise sufficiently advised, the Commission finds that Taylor RECC has established that it is aware of the Commission's intent and directives with regard to EDRs, and that the proposed tariff

complies with the majority of the guidelines of Admin. 327. The exceptions are the definition of a new customer; excess capacity requirement, for which EKPC requested and received a waiver and which would apply to Taylor RECC as well; and the proposal to apply the EDR discounts to a qualifying new customer's entire load, instead of just incremental load over a certain threshold amount, for which neither EKPC nor Taylor RECC expressly requested a waiver.

Taylor RECC proposed to define a new customer as one being served after January 1, 2013. However, Taylor RECC stated in response to a Staff request for information that it had added no customers since January 1, 2013, who would qualify for the economic development rates. The Commission therefore finds it reasonable to define a new customer as one who begins service on or after the date of this Order.

With regard to the excess capacity requirement, the Commission notes that EKPC stated in Case No. 2014-00034 and Taylor RECC has confirmed that an EDR customer for whom market purchases must be made will be required to pay the cost of the market purchase so that other customers are not disadvantaged.

As for the proposed application of the EDR discount to all of a new EDR customer's load, the Commission notes that all of the load of a new customer will be incremental usage over and above what was included in Taylor RECC's last rate case, and that Taylor RECC's proposed load parameters as they relate to applying the EDR discounts will not disadvantage other customers. Accordingly, although not expressly requested, the Commission grants a waiver from this requirement.

Finally, the Commission found in Admin. 327 that EDRs would provide important incentives to large commercial and industrial customers to either locate or expand their

facilities in Kentucky, bringing jobs and capital investment to the Commonwealth. The Order in that proceeding stated that utilities should have the flexibility to design EDRs according to the needs of their customers and service areas and to offer them to new and existing customers who require an incentive to locate or expand facilities. The Commission's Order contemplated that EDRs would be offered by special contract instead of by tariff in order to avoid a free-rider problem that could be invited by a general tariff offering a fixed discount. The Commission has since then approved EDR tariffs providing for special contracts, and will be able to closely monitor Taylor RECC's use of approved EDR contracts and their effects on non-participating customers through the process outlined in Admin. 327. The Commission is satisfied that it will be able to monitor the use of fixed discounting through proposed EDR special contracts. The Commission finds that Taylor RECC's EDR Tariff is reasonable and should be approved, subject to the modifications discussed in the findings above.

IT IS THEREFORE ORDERED that:

1. Taylor RECC's proposed EDR tariff is approved in part and denied in part effective on and after the date of this Order.
2. Taylor RECC's proposal to define a new customer as one being served after January 1, 2013, for purposes of its EDR tariff is denied.
3. A new customer shall be defined as one who begins service on or after the date of this Order.
4. Taylor RECC is granted a deviation from the excess capacity guideline, based upon Taylor RECC's tariff provisions stating that individual EDR customers will be billed for market purchases made on their behalf.

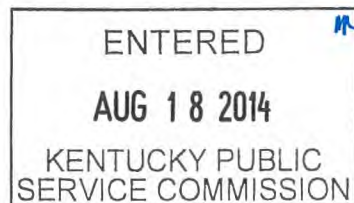
5. Taylor RECC's proposal to apply EDR discounts to a new EDR customer's entire load is approved.

6. Taylor RECC shall submit new tariff pages setting forth the modifications in ordering paragraphs 2 and 3.

7. With any future filing of EDR special contracts, Taylor RECC shall include all support required by Admin. 327 and as set out herein, including information in the EDR Annual Report set out in the Appendix to this Order.

8. Within 20 days from the date of this Order, Taylor RECC shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariff showing the date of issue and that it was issued by authority of this Order.

By the Commission



ATTEST



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2014-00192 DATED **AUG 18 2014**

ECONOMIC DEVELOPMENT RATE CONTRACT REPORT

UTILITY: _____

YEAR: _____

	<u>Current Reporting</u> <u>Period</u>	<u>Cumulative</u>
1) Number of EDR Contracts -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____
2) Number of Jobs Created -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____
3) Amount of Capital Investment -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____

4) Consumption –

	<u>Current Reporting</u> <u>Period</u>	<u>Cumulative</u>
(A) DEMAND		
Total:	_____ kW	_____ kW
Existing Customers:	_____ kW	_____ kW
New Customers:	_____ kW	_____ kW
(B) ENERGY/CONSUMPTION		
Total:	_____ kWh	_____ kWh
Existing Customers:	_____ kWh	_____ kWh
New Customers:	_____ kWh	_____ kWh