



SALT RIVER ELECTRIC

A Touchstone Energy Cooperative 

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OCT 01 2018

PUBLIC SERVICE
COMMISSION

September 28, 2018

Ms. Gwen R. Pinson
Executive Director
KY Public Service Commission
PO Box 615
Frankfort KY 40602-0615

Re: Case No. 2018 - 00251
TARIFF FILING OF SALT RIVER ELECTRIC
COOPERATIVE CORPORATION TO
DISCONTINUE ITS RESIDENTIAL
MARKETING RATE

Dear Ms. Pinson:

Enclosed are the original and five copies of Salt River Electric Cooperative Corporation's Responses to Commission Staff's Second Request for Information pursuant to Order dated July 30, 2018, and Second Request dated September 19, 2018, in the above-named case.

If you have any questions about these responses, please contact this office.

Sincerely,



Tim Sharp
President and CEO

Enclosures

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OCT 01 2018

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S **SECOND** REQUEST
FOR INFORMATION DATED SEPTEMBER 19, 2018



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF SALT RIVER ELECTRIC)	
COOPERATIVE CORPORATION TO)	CASE NO.
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SALT RIVER ELECTRIC COOPERATIVE CORPORATION'S
RESPONSE TO COMMISSION STAFF'S **SECOND** REQUEST
FOR INFORMATION DATED SEPTEMBER 19, 2018

The undersigned, Tim Sharp, President and CEO of Salt River Electric Cooperative Corporation, being duly sworn, responds to the Commission's first request for information herein as follows:

Request No. 1 Refer to Salt River Electric's response to Commission Staff's First Request for Information (Staff's First Request), Item 2.

- a. State whether Salt River Electric has informed customers affected by the proposed discontinuance of the Residential Marketing Rate of the existence of the Farm and Home (Time of Day) Schedule A-5-TOD.

Response: Salt River Electric has not specifically notified the affected customers about the Farm and Home Schedule A-5-TOD rate.

- b. Explain how Salt River Electric notifies the utility's customers of alternative rate structures such as the Time of Day Rate.

Response: All customers have access to our rates at all office locations and through the Public Service Commission. Any customers requesting rate information via the phone or online are provided the requested information via mail.

Request No. 2 Refer to Salt River Electric's response to Staff's First Request, Item 4. Provide the amount spent on repairs for ETS heaters by year from 2013 to the amount spent to date for 2018.

Response:	2013	\$6,837.16
	2014	\$7,949.28
	2015	\$4,903.42
	2016	\$3,730.56
	2017	\$745.00
	2018	\$30.00

Historically, most repairs are made during the beginning of the heating season in the Fall of the year. Salt River Electric notified customers early in 2017 of our intent to eliminate the ETS heater program in 2019. This notification, along with no longer contracting with an outside vendor to provide service, has subsequently led to the reduced amounts for 2017 and 2018.

Request No. 3 Refer to Salt River Electric's response to Staff's First Request, Item 7. Currently, if an ETS heater requires service, explain whether Salt River Electric services the unit or whether it is the customer's responsibility for having the unit serviced by a third party.

Response: Historically, customers have contacted Salt River Electric when service has been needed for the ETS heater. This service was performed for a small fee by either a Salt River employee or a contractor hired by Salt River. The decision to limit the servicing of these units to the control of Salt River was made because of the need to ensure the reliability of the unit's clock and verify that the unit was heating only during off peak times. In the future, customers who wish to maintain the units can hire any licensed electrician or HVAC installer to perform this function. Additionally, the need to verify the accuracy of the internal clock is eliminated since the usage will not be tied to an off-peak rate.

Request No. 4 Refer to Salt River Electric's response Item 8A.

a. Provide support for the contention that the fixed costs are not being adequately recovered from the residential marketing rate.

Response: When the rate was put in place initially, nearly 30 years ago, the concept was to provide a supplemental heat source that could be charged during off peak times, flattening the demand curve. The initial design was that the customer would receive a 40% reduction in the rate based on this off-peak time. The rate was achieved by a reduction in wholesale rate of 20%. The additional 20% reduction was from the distribution system adder. Distribution adders for cooperatives were expected to be 30%, leaving approximately 10% to apply to fixed costs. Over the past 30 years several things have occurred to change this distribution of cost. Initially, EKPC changed their rate structure to the current E2 on and off-peak rates. For Salt River, the amount that the distribution adder contributed to the overall cost has decreased, and as rate cases have occurred at the wholesale level, those pass throughs have distorted the percentages of contributions to the rate. Currently, the reduction from the wholesale rate is 17.1%, meaning that the additional 22.9% is being made up by the distribution adder. Over the last five years the average distribution adder has accounted for 20.24% of the rate. This high-level observation seems to suggest that all fixed costs are not being recovered, and potentially an additional shift of 2.66% may exist.

b. Explain why Salt River Electric does not change the residential marketing rate.

Response: Salt River Electric believes changing the residential marketing rate to truly reflect cost would essentially eliminate the incentive associated with this rate. We would expect the results to be similar to the TOD rate that is currently available. Additionally, this rate has been available only to customers who have been on it since 2008, and no additional units have been sold since that time. Hence, the rate will be applied less as units are removed from service.

Request No. 5 Refer to Salt River Electric's response to Staff's First Request, Item 10a. In response to Item 4, the average annual cost of repairs is approximately \$5,000, yet in response to Item 10a, Salt River Electric estimates \$100,000 in rebates. Provide a cost-benefit analysis supporting the proposal to shift to rebates in light of the annual cost of continuing the ETS program

Response: The ETS heater program was originally designed to be used as a supplemental heat source. We have found that over the years some customers have come to depend upon them more than expected. The rebates that are being offered are the same rebates that a customer can currently take advantage of through the demand side management program. They are designed to assist customers to move to more efficient methods of heating. Customers who take advantage of this rebate would be justified through the original DSM program and are anticipated to be those that are using the units as the primary source of heat. Those customers who are using only the units as supplementary heat would not be anticipated to participate in this program. The offer of the rebate was never intended to cost justify the elimination of this program, but rather was intended to assist those in transitioning from units that might be used as a primary source of heat. Salt River Electric has no accurate way to determine who will ultimately decide to participate in the rebate program.

Request No. 6 Refer to Salt River Electric's response to Staff's First Request, Item 10(e)(1). Explain why customers who have a second service to an ETS unit only would be moved to the Schedule A-5T Farm and Home Service-Taxable Rate, rather than the Schedule A-5 Farm and Home Service Rate.

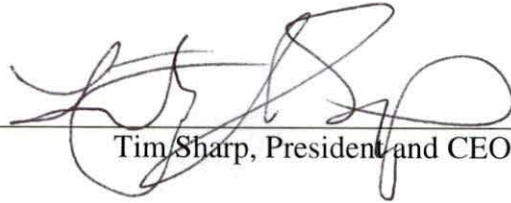
Response: Salt River Electric believes that if the service is only for the ETS heater it would be allowed to stay on the non-taxable rate.

***Responsible Witnesses for All Responses: Tim Sharp, Nicky Rapier,
Chuck Filiatreau, Kay Lewis***

I, Tim Sharp, President and CEO of Salt River Electric Cooperative Corporation, hereby certify

that the above responses to the Commission's Second Request for Information are true and accurate to the best of my knowledge and belief formed after a reasonable inquiry.

SALT RIVER ELECTRIC COOPERATIVE CORP.



Tim Sharp, President and CEO

STATE OF KENTUCKY

COUNTY OF NELSON

Subscribed and sworn to before me this 27th day of September, 2018, by Tim Sharp, President and CEO of Salt River Electric Cooperative Corporation, to be his voluntary act and deed and that of Salt River Electric Cooperative Corporation.



Notary Public KY State at Large

My Commission Expires: 12-16-2018

I.D. No. 433406

 Salt River Electric