

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF SOUTH)
KENTUCKY RURAL ELECTRIC)
COOPERATIVE CORPORATION) CASE NO. 2005-00450
)

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely the applicant, South Kentucky Rural Electric Cooperative Corporation (South Kentucky); and the intervenor, Attorney General of the Commonwealth of Kentucky to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding which shall hereafter be referred to as the "Stipulation" and/or "Recommendation".

It is understood by all parties hereto that this Recommendation is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to South Kentucky's rates. The parties have expended considerable efforts to reach the stipulation and agreements that form the basis of this Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and

eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. South Kentucky should be permitted to adjust its rates in order to permit it to recover more in annual revenue than it is recovering under its current rates, with such rates to be effective for service rendered after September 1, 2006. The exhibits attached hereto reflect a stipulated reduction of \$130,053.00 from the original rate increase amount of \$5,863,053.00 for an amended rate increase amount of \$5,733,000.00.

2. South Kentucky's proposed tariff revisions should be adopted as are reflected in its original application as amended by this Stipulation and Recommendation. Amended tariffs for Residential, Farm and Non-Farm Service, Small Commercial customers, Large Power Rate 3 customers and Optional Power Service customers are attached hereto which reflects the stipulated reduction in rates.

3. South Kentucky and the Attorney General are agreed that nepotism, self-dealing and conflicts of interest in purchasing or the appearance of nepotism, self-dealing and conflicts of interest should be avoided in the utility's acquisition of services and supplies. They are further agreed that the utility should utilize the best and/or most cost efficient providers of all materials and services in an area of somewhat limited resources even if those materials and services are provided by enterprises or businesses in which directors have an interest. To this end, the wording of Article IV Section 4.03(4) of the Bylaws of South Kentucky shall be changed to the following:

- (4) a person who, by becoming or remaining a director, obtains direct personal financial gain by being affiliated or associated with any competing enterprise or a business selling electric energy, or selling supplies or services other than electric energy to the Cooperative or its members if those other goods or services are not at the least cost and/or otherwise represent a more prudent choice.

South Kentucky agrees to adopt a board policy that promotes and maintains the avoidance of nepotism, self-dealing and conflicts of interest while promoting the ability of the utility to utilize the best and/or most cost effective providers available to assure that no director's personal financial gain is the result of being a director rather than being the best and most cost efficient provider.

4. Each party hereto waives all cross-examination of the witnesses of the other parties hereto unless the Commission disapproves this Recommendation, and each party further stipulates and recommends that the Notice of Intent, Notice of Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

5. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving South Kentucky or any other utility.

6. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

7. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any or all matters involved herein,

and that in such event the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commission, or its Staff in any such hearing.

8. The parties hereto agree that the foregoing Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Recommendation in its entirety.

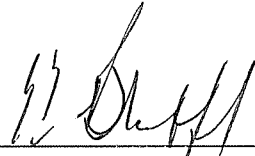
AGREED: this 7th day of August, 2006.

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

BY: 

DARRELL L. SAUNDERS, ITS ATTORNEY

KENTUCKY ATTORNEY GENERAL

BY: 

ELIZABETH E. BLACKFORD, ASSISTANT
ATTORNEY GENERAL

**SOUTH KENTUCKY RECC
CASE NO. 2005-00450**

**ALLOCATION OF REDUCTION IN REVENUE INCREASE TO RATE CLASSES
BASED ON KWH REVENUE**

Revised Increase Amount by Rate Schedule

Rate Classes <u>Schedule</u> <u>Description</u>	<u>Original KWH</u>	<u>Proposed KWH Revenue</u>		<u>Agreed Reduction</u>	<u>Agreed Revenue</u>	<u>Agreed Rates</u>
A Residential, Farm & Non-Farm Service	706,078,436	\$ 45,619,728	85.4101%	\$111,078	\$45,508,650	\$0.06445
A ETS	11,489,483	445,401	0.8339%	1,084	\$444,317	\$0.03867
B Small Commercial Rate	59,473,163	4,455,729	8.3421%	10,849	\$4,444,880	\$0.07474
B ETS	13,330	599	0.0011%	1	\$598	\$0.04484
LP Large Power Rate	-	-	-	-	-	-
LP-1 Large Power Rate (500 to 4,999 kW)	-	-	-	-	-	-
LP-2 Large Power Rate (5,000 to 9,999 kW)	-	-	-	-	-	-
LP-3 Large Power Rate (500 to 4,999 kW)	46,317,855	1,602,135	2.9995%	3,901	\$1,598,234	\$0.03451
Special Contract	-	-	-	-	-	-
OPS Optional Power Service	16,741,932	1,288,961	2.4132%	3,138	\$1,285,823	\$0.07680
AES All Electric Schools	-	-	-	-	-	-
	<u>840,114,199</u>	<u>\$ 53,412,553</u>	<u>100.00%</u>	<u>\$ 130,053</u>	<u>\$ 53,282,500</u>	

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

CLASSIFICATION OF SERVICE	SCHEDULE A
RESIDENTIAL, FARM AND NON-FARM SERVICE	

APPLICABLE: In all territory served by the seller.

AVAILABILITY: Available to consumers of the Cooperative for all uses in the home and on the farm and for other consumers using single-phase service including schools, churches, and community buildings all subject to the established rules and regulations of the seller. The capacity of individual motors served under this schedule may not exceed 10 horsepower.

TYPE OF SERVICE: Single-phase 60 cycle at available secondary voltage.

RATES PER MONTH:

Consumer Charge - No KWH Usage.....	\$8.00	(I)
Energy Charge:		
All KWH per month @.....	\$.06445	(I)

FUEL ADJUSTMENT CLAUSE: As shown in APPENDIX B following these tariffs.

MINIMUM CHARGE: The minimum monthly charge shall be the "Consumer Charge - No KWH Usage" as stated in Rates per month above.

(Continued - Next Page)

DATE OF ISSUE: APRIL 7, 2006

DATE EFFECTIVE: MAY 15, 2006

ISSUED BY: _____ GENERAL MANAGER & C.E.O. SOUTH KENTUCKY R.E.C.C.

Issued by authority of an order of the Public Service Commission of Kentucky in Case No. _____ dated _____.

Form for Filing Rate Schedules

FOR: ENTIRE TERRITORY SERVED
P.S.C. KY NO. 7
9th REVISED SHEET NO. T-2
CANCELLING P.S.C.KY NO.7
8th REVISED SHEET NO. T-2

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

CLASSIFICATION OF SERVICE

RESIDENTIAL, FARM AND NON-FARM SERVICE SCHEDULE A

MARKETING RATE: A special marketing rate equal to 60% of the last step rate stated is available for specific marketing program as approved by South Kentucky's Board of Directors. The marketing rate requires separate metering and an executed contract between the Member and the Cooperative. A sample contract is shown following these tariffs as APPENDIX D. This marketing rate is for energy purchased from the wholesale power supplier under their marketing rate and is for the below listed off-peak hours:

<u>-MONTHS-</u>	<u>OFF-PEAK HOURS - EST</u>
October through April	12:00 Noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m.
May through September	10:00 p.m. to 10:00 a.m.

MARKETING RATE PER MONTH:

ETS USAGE, all KWH per month @..... \$0.03867 (I)

TERMS OF PAYMENT: The rates stated are net. If payment is not made by the due date, the current month charges shall be increased by 5%.

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SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

	CLASSIFICATION OF SERVICE	
SMALL COMMERCIAL RATE		SCHEDULE B

APPLICABLE: In all territory served by the seller.

AVAILABILITY: Available for commercial, small power and three-phase farm and/or residential service where available. (Also temporary services to construction jobs, fairs, carnivals, etc.). Includes lightning, heating and power subject to the established rules and regulations of the seller. Service under this schedule shall be limited to 50 KVA installed transformer capacity.

TYPE OF SERVICE: Single-phase and three-phase, 60 cycle at available secondary voltage. Motors having a rated capacity in excess of 10 horsepower must be three-phase. Where residential and commercial usage are metered as a single meter, all usage shall be billed under this schedule.

RATES PER MONTH:

Consumer Charge - No KWH Usage.....	\$15.00	(I)
Energy Charge:		
All KWH per month @.....	\$0.07474	(I)

FUEL ADJUSTMENT CLAUSE: As shown in APPENDIX B following these tariffs.

MINIMUM CHARGE:

- (a) Single Phase Service shall be the "Consumer Charge - No KWH Usage" as stated in the rates per month.
- (b) Three Phase Service shall be determined by applying \$0.80 per KVA of transformer capacity installed. The Seller may, if it so desires, install transformer(s) of capacity larger than required but in such case the consumers minimum bill shall be based on the standard transformer size which would have been adequate for consumer's load.

(Continued - Next Page)

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Form for Filing Rate Schedules

FOR: ENTIRE TERRITORY SERVED
P.S.C. KY NO. 7
9th REVISED SHEET NO. T-4
CANCELLING P.S.C. KY NO.7
8TH REVISED SHEET NO.T-4

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

	CLASSIFICATION OF SERVICE	
SMALL COMMERCIAL RATE		SCHEDULE B

MARKETING RATE: A special marketing rate equal to 60% of the last step rate stated is available for specific marketing programs as approved by South Kentucky's Board of Directors. The marketing rate requires separate metering and an executed contract between the Member and the Cooperative. A sample contract is shown following these tariffs as APPENDIX D. This marketing rate is for energy purchased from the wholesale power supplier under their marketing rate and is for the below listed off-peak hours:

<u>-MONTHS-</u>	<u>OFF PEAK HOURS - EST</u>
October through April	12:00 Noon to 5:00 p.m. 10:00 p.m. to 7:00 a.m.
May through September	10:00 p.m. to 10:00 a.m.

MARKETING RATE PER MONTH:

ETS USAGE, all KWH per Month @..... \$0.04484 (I)

TERMS OF PAYMENT: The rates stated are net. If payment is not made by the due date, the current month charges shall be increased by 5%.

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SOUTH KENTUCKY R.E.C.C.
 SOMERSET, KENTUCKY 42501

*** CLASSIFICATION OF SERVICE ***

LARGE POWER RATE 3 (500 KW TO 2,999 KW)

SCHEDULE LP - 3

APPLICABLE: Entire Service Area - Applicable to contracts with contract demands of 500 to 2,999 KW with a monthly energy usage equal to or greater than 400 hours per KW of contract demand.

TYPE OF SERVICE: Three phase 60 hertz at voltages as agreed to in the special Contract for Service.

RATES PER MONTH:

Consumer Charge:

The consumer charge is equal to the metering charge plus the substation charge:

1. Metering Charge	\$	125.00
2. Substation Charge Based on Contract kW		
a. 500 - 999 kW	\$	315.00
b. 1,000 - 2,999 kW	\$	944.00

If retail consumer has provided for the investment in the substation facilities from which it is served, the substation charge does not apply and the only applicable rate is the metering charge.

Demand Charge per KW

Contract demand.....	\$5.39
Excess demand.....	\$7.82

Energy charge per kWh @..... \$0.03451 (I)

DETERMINATION OF BILLING DEMAND: The billing demand (kilowatt demand) shall be the greater of (a) or (b) listed below:

- (a) The contract demand
- (b) The ultimate consumer's highest demand during the current month coincident with wholesale power suppliers system peak demand. The consumer's peak demand is the highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month (and adjusted for power factor as provided herein).

<u>-Months-</u>	<u>Hours Applicable For Demand Billing - E.S.T.</u>
October through April	7:00 A.M. to 12:00 Noon 5:00 P.M. to 10:00 P.M.
May through September	10:00 A.M. to 10:00 P.M.

DATE OF ISSUE: APRIL 7, 2006

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SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

* CLASSIFICATION OF SERVICE *

LARGE POWER RATE 3 (500 KW TO 2,999 KW) SCHEDULE LP - 3

MINIMUM CHARGE: The computed minimum monthly charge shall not be less than the sum of (a), (b), (c), and (d) below:

- (a) The product of the contract demand multiplied by the demand charge, plus
- (b) The product of the excess demand multiplied by the excess demand rate, plus
- (c) The product of the contract demand multiplied by 400 hours and the energy charge per KWH,plus
- (d) The sum of the consumer charge.

POWER FACTOR ADJUSTMENT: The consumer agrees to maintain unity power factor as nearly as practicable at each delivery point at the time of the monthly maximum demand. When the power factor is determined to be less than 90%, the monthly maximum demand at the delivery point will be adjusted by multiplying the actual monthly maximum demand by 90% and divided this product by the actual power factor at the time of the monthly maximum demand.

FUEL ADJUSTMENT CLAUSE: As shown in "APPENDIX B" following these tariffs.

CONTRACT FOR SERVICE: The consumer must give satisfactory assurance by means of a written agreement as to the character, amount and duration of the three phase requirements and complete a special contract.

TERMS OF PAYMENT: The rates stated are net. If payment is not made by the due date, the current month charges shall be increased by 5%.

DATE OF ISSUE: AUGUST 25, 1997

DATE EFFECTIVE: SEPTEMBER 1, 1997

ISSUED BY: _____ GENERAL MANAGER & C.E.O. SOUTH KENTUCKY R.E.C.C.

Issued by authority of an order of the Public Service Commission of Kentucky in Case No. 96-546 dated _____.

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

	CLASSIFICATION OF SERVICE	
OPTIONAL POWER SERVICE		SCHEDULE OPS

APPLICABLE: In all territory served by the Seller.

AVAILABILITY: Available to all commercial and industrial consumers who require excess of 50 KVA but limited to no more than 300 KVA transformer capacity for lighting and/or heating and/or power. Consumers served under this schedule may request service under the LP SCHEDULE if they so desire provided the request is made in advance and not more often than once every 12 months.

TYPE OF SERVICE: The electric service furnished under this schedule will be of 60 cycle, alternating current and at available standard voltage, single or three phase at Seller's option.

RATES PER MONTH:

Consumer Charge - No KWH Usage	\$30.00	(I)
Energy Charge:		
All KWH per Month @	\$0.07680	(I)

FUEL ADJUSTMENT CLAUSE: As shown in APPENDIX B following these tariffs.

MINIMUM CHARGE: The minimum monthly charge shall be the highest of the following charges:

- (a) The Consumer Charge - No KWH Usage as stated in Rates Per Month or
- (b) The minimum monthly charge as specified in the contract for service, or

DATE OF ISSUE: APRIL 7, 2006

DATE EFFECTIVE: MAY 15, 2006

ISSUED BY: _____ GENERAL MANAGER & C.E.O. SOUTH KENTUCKY R.E.C.C.

Issued by authority of an order of the Public Service Commission of Kentucky in Case No. _____ dated _____.

SOUTH KENTUCKY R.E.C.C.
SOMERSET, KENTUCKY 42501

CLASSIFICATION OF SERVICE	SCHEDULE OPS
OPTIONAL POWER SERVICE	

(c) A charge of \$0.80 per KVA of required transformer capacity. The Seller may, if it so desires, install transformers of capacity larger than required, but in such case, the Consumer's minimum bill shall be based on the standard transformer size which would have been adequate for consumer's load.

CONDITIONS OF SERVICE:

1. An agreement for purchase of power shall be executed by the Consumer for service under this schedule as deemed necessary by the Seller.

2. Delivery Point - If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines and other electric equipment on the load side of the delivery point shall be owned and maintained by the Consumer.

If service is furnished at Seller's primary line voltage, the delivery point shall be the point of attachment of Seller's primary line to consumer's transformer structure unless otherwise specified in the contract for service.

All wiring, pole lines and other electrical equipment (except metering equipment) on the load side of the delivery point shall be owned and maintained by the Consumer.

3. Lighting - Both power and lighting shall be billed at the foregoing rate.

4. Primary Service - The Seller shall meter at secondary distribution voltage unless it would be agreeable to both parties to primary meter.

TERMS OF PAYMENT: The rates stated are net. If payment is not made by the due date, the current month charges shall be increased by 5%.

DATE OF ISSUE: AUGUST 25, 1997

DATE EFFECTIVE: SEPTEMBER 1, 1997

ISSUED BY : _____ GENERAL MANAGER & C.E.O. SOUTH KENTUCKY R.E.C.C.

Issued by authority of an order of the Public Service Commission of Kentucky in Case No. 96-546 dated _____.