

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                       |   |            |
|---------------------------------------|---|------------|
| TARIFF FILING OF BLUE GRASS ENERGY    | ) |            |
| COOPERATIVE CORPORATION FOR           | ) | CASE NO.   |
| CHANGES TO ITS SCHEDULE GS-3          | ) | 2009-00224 |
| RESIDENTIAL AND FARM TIME-OF-DAY RATE | ) |            |

O R D E R

On May 28, 2009, Blue Grass Energy Cooperative Corporation ("Blue Grass") filed an application requesting approval of a revised Schedule GS-3 Residential and Farm Time of Day ("GS-3 TOD") rate.<sup>1</sup> No customers take service under the existing GS-3 TOD tariff and Blue Grass believes there is little incentive for customers to take such service due to the structure of the existing tariff.

DISCUSSION

Blue Grass believes that its revised GS-3 TOD rate provides residential and farm customers significant incentive to shift load from on-peak to off-peak periods. The revised rate would be offered on the same voluntary basis as the existing rate is offered. Blue Grass states that customers would be allowed a choice in electric rates with a greater potential to lower their electric bills than is possible under the current GS-3 TOD rate.

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<sup>1</sup> On June 1, 2009, Blue Grass filed a corrected GS-3 TOD tariff. The tariff included with the application contained incorrect on-peak and off-peak hours.

Blue Grass's current GS-3 TOD rate has an on-peak energy charge of \$.11095 per kWh, an off-peak energy charge of \$.07206 per kWh, and a customer charge of \$9.36 per month. Blue Grass proposes a revised off-peak energy charge of \$.05000 per kWh and an on-peak energy charge of \$.14750 per kWh, which will impose a much larger penalty for energy consumed during peak hours. Blue Grass proposes a customer charge of \$15.00 per month. The higher customer charge is meant to minimize risk to Blue Grass by increasing the distribution costs recovered through the fixed customer charge and requiring less of those costs to be recovered through the energy rate.

Blue Grass also proposes to adjust its on-peak hours. The on-peak hours for the current TOD rate are the same as those of East Kentucky Power Cooperative, Inc. ("East Kentucky"), Blue Grass's wholesale energy provider. Under the current GS-3 TOD tariff, there are 70 peak hours per week in the winter season (October through April) and 84 peak hours per week in the summer season (May through September). On-peak hours for East Kentucky are:

May through September      10:00 AM - 10:00 PM

October through April      7:00 AM - 12:00 PM and 5:00 PM - 10:00 PM

Blue Grass developed its proposed rates based upon the test year used in its last rate case.<sup>2</sup> The billing analysis and data from the cost-of-service study in that case have been updated to reflect the current retail rates of Blue Grass and current wholesale rates of East Kentucky. East Kentucky provided load data to Blue Grass

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<sup>2</sup> Case No. 2008-00011, The Application of Blue Grass Energy Cooperative Corporation for an Adjustment in Its Electric Rates (Ky. PSC Aug. 28, 2008).

which consists of the amount of energy used each hour of the day for each month of the test year. The data was further broken down to reflect weekday and weekend energy usage. Upon reviewing the load data, and based on its intent to increase the incentive for customers to shift load from on-peak to off-peak hours, Blue Grass determined that it would be appropriate to reduce its on-peak hours to 40 hours per week during both the summer and winter seasons. On-peak hours under the revised rate are limited to eight hours per weekday in both seasons, with the months of each season coinciding with those of East Kentucky. All weekend hours are to be considered off-peak and Blue Grass's 40 on-peak hours per week will occur Monday through Friday. The net effect is a reduction of 30 on-peak hours per week in the winter season and 44 on-peak hours per week in the summer season. Blue Grass's proposed on-peak hours are:

May through September      1:00 PM - 9:00 PM

October through April      7:00 AM - 11:00 AM and 5:00 PM - 9:00 PM

Blue Grass acknowledges that its proposed reduction in on-peak hours comes with some risk. If a wholesale billing peak occurs during East Kentucky's on-peak hours that are off-peak for Blue Grass, margins for the cooperative could be negatively impacted. Based on its review of East Kentucky's billing peaks for a 10-year period, Blue Grass has concluded that such a scenario is very unlikely and that providing a rate design that significantly increases customers' incentives to shift load from on-peak to off-peak periods justifies the risk.

Blue Grass has discontinued its GS-2 Electric Thermal Storage (“ETS”) rate. In its response to Commission Staff’s data request,<sup>3</sup> Blue Grass explained that East Kentucky no longer offers a discounted ETS wholesale rate to Blue Grass; therefore, Blue Grass will give its ETS customers the option of switching to the GS-1 Residential and Farm rate or the GS-3 TOD rate.

The Commission commends Blue Grass for its efforts to offer and promote a voluntary Residential Time-of-Day tariff that provides a greater incentive for participation and will follow participation in the revised tariff with interest. The Commission encourages the development of cost-effective rates that promote energy efficiency.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Blue Grass’s request for approval of its revised GS-3 TOD rate is reasonable and should be approved.

The Commission HEREBY ORDERS that:

1. Blue Grass’s request for approval of its revised GS-3 TOD rate is approved effective as of the date of this Order.
2. Within 10 days of the date of this Order, Blue Grass shall file a revised tariff for its GS-3 TOD rate showing the date of this Order as its effective date and stating that it was issued by authority of this Order.
3. Blue Grass shall include, commencing with its 2010 annual report, a summary of its GS-3 TOD rate which includes: 1) the number of rate GS-3 TOD participants at the end of the year; 2) the total kWh usage and revenue for the GS-3

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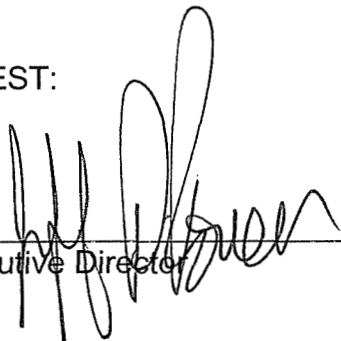
<sup>3</sup> Blue Grass Response to Commission Staff Data Request, filed August 28, 2009, Item 6.

TOD rate class for the year; and 3) the revenue that would have been generated by the GS-3 TOD class under rate GS-1, Residential and Farm.

By the Commission

ENTERED  
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KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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