

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF KENTUCKY UTILITIES) CASE NO. 8624
COMPANY)

ORDER

On March 25, 1983, the Eaton Corporation ("Eaton"), an intervenor in this proceeding, filed an application for rehearing of the Commission's Order entered March 18, 1983. Eaton claims that although the overall revenue increase to the LP-Secondary class of Kentucky Utilities Company ("K.U.") is 3.5 percent, Eaton will experience a 9 percent increase due to the Commission's reduction of K.U.'s revenue request and a reduction of the proposed demand charge. Eaton argues that this greater than average percentage increase renders the LP-Secondary class rate design discriminatory and produces problems of rate continuity.

In K.U.'s explanation of the LP-Secondary class rate design, it stated that the number of energy blocks was reduced while maintaining approximately the same energy-related revenue. K.U. allocated all of the proposed revenue increase to the demand charge in an effort to gradually move toward rates which reflect cost of service. The Commission accepted K.U.'s proposed LP-Secondary rate design and increased the demand charge to recover the additional revenues granted. The rates proposed by K.U. would

have resulted in an increase to the LP-Secondary class of 13.34 percent and an increase to Eaton of 20.14 percent. The rates authorized by the Commission result in a lesser increase to Eaton, relative to the LP-Secondary class, than the rates proposed by K.U. The increase to Eaton is not so drastic as to present problems of rate continuity.

It is apparent from Eaton's billing determinants (Eaton Application For Rehearing Exhibit A) that its energy consumption, which is in excess of the average for its rate class, coupled with the reduction in the number of declining energy blocks causes it to experience an increase greater than that of its class. In Administrative Case 203, Ratemaking Standards of P.U.R.P.A., the Commission directed K.U. to move from declining block rates, unless cost-justified, toward rates that reflect the cost of service. The Commission is of the opinion that the changes in rate design accepted in this case move in that direction. Although some customers experience larger than average rate increases, the changes in rate design are beneficial for the LP-Secondary class as a whole. Eaton's argument of rate discrimination is without merit.

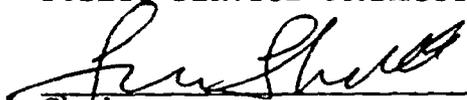
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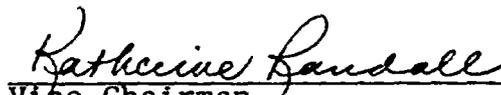
Based upon the evidence of record and Eaton's application for rehearing, the Commission is of the opinion and finds that Eaton has failed to present any evidence to support its allegations that the LP-Secondary class rate design is either discriminatory or produces problems of rate continuity.

IT IS THEREFORE ORDERED that the Application for Rehearing of Eaton Corporation be and it hereby is denied.

Done at Frankfort, Kentucky, this 14th day of April, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary