

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING A PASS-THROUGH) CASE NO. 8708
OF EAST KENTUCKY POWER)
COOPERATIVE, INC.'S WHOLE-)
SALE POWER RATE INCREASE)
IN CASE NO. 8648)

O R D E R

On October 29, 1982, Grayson Rural Electric Cooperative Corporation ("Grayson") notified the Commission of its intent to file a rate application on December 1, 1982, to flow-through any increase in wholesale power cost granted its power supplier, East Kentucky Power Cooperative, Inc., ("East Kentucky"), in Case No. 8648. On November 12, 1982, Grayson and the other 17 rural electric cooperatives (the "Cooperatives") which are members of East Kentucky filed their motion to deviate from Commission's regulations on rate applications, pursuant to 807 KAR 5:011, Section 13, which provides for deviations from the rules regarding tariffs in special cases for good cause. Attached to the motion was a proposed procedure for pass-through of wholesale rate increase ("Proposed Procedure") that the Cooperatives requested be utilized by the Commission in their flow-through cases. The Cooperatives stated that a similar

procedure was utilized by the Commission in the most recent flow-through rate increases, that no objections were made to such procedure by other parties to the cases, and that they believed such a procedure was in the best interests of the public and affected consumers. The Cooperatives requested that they be authorized to utilize the Proposed Procedure in the flow-through cases, that only one public notice in the Rural Kentuckian magazine or other appropriate means of written communication be required, and that no public hearing be required in the individual cases unless specified by the Commission.

On November 19, 1982, the Commission sustained the motion. In approving the cooperatives' and Grayson's requested deviation, the Commission recognized both the high costs associated with rate applications before the Commission and the limited time available for acting on the flow-through applications prior to the end of the suspension period in East Kentucky's Case No. 8648 on April 1, 1983. The Commission allowed the deviation in order to alleviate the cost burden and facilitate timely action in these flow-through cases.

On December 1, 1982, Grayson filed its application. The application is outside the Proposed Procedure in that it does not include a balance sheet for the end of the test year, it requests that some of the proposed increase be allocated to customer charges, and it requests that retail demand rates be increased in a different proportion than the wholesale supplier rate. The application further requests, contrary to established

Commission policy, that Grayson be allowed to place rates into effect for billings rendered on and after the effective date of East Kentucky's authorized increase. Grayson's application made no mention of the Proposed Procedure or that this proposal constituted a deviation therefrom.

The Commission is of the opinion that in order to afford due process to all parties concerned the Commission must process this application under the general rate case procedure including prefiled testimony regarding Grayson's requested procedure for applying wholesale power increase and Grayson's request to place rates into effect for billings rendered on and after the effective date of East Kentucky's authorized increase and require a separate public hearing on these issues. Further, the Commission is concerned that such a procedure may jeopardize the Commission's ability to provide timely rate relief to Grayson. However, if Grayson should choose to withdraw its requests for rate-making treatment outside the Commission's established policy and the Proposed Procedure, the application can be processed with the other flow-through cases.

IT IS THEREFORE ORDERED that Grayson shall notify the Commission within 10 days after the date of this Order of its desire to proceed with this case under the general rules of the Commission or to withdraw its request to place rates into effect for billings rendered on and after the effective date of East Kentucky's authorized increase and to modify its application to be consistent with the Proposed Procedure.

IT IS FURTHER ORDERED that in the event Grayson wishes to proceed under the general rules of the Commission, within 20 days of the date of this Order, Grayson shall file testimony regarding its requested procedure for applying wholesale rate increase and its request to place rates into effect for billings rendered on and after the effective date of East Kentucky's authorized increase.

Done at Frankfort, Kentucky, this 3rd day of January, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary