COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

RATE ADJUSTMENT OF SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION	)))	CASE NO. 8930

O R D E R

On November 30, 1983, South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed an application with this Commission requesting to increase its annual revenue by $853,558, or 3.4 percent. South Kentucky stated that the proposed rate adjustment was necessary to maintain its financial integrity and sound operations. Based on the determination herein, South Kentucky has been granted an increase in revenue of $418,924 annually, or 1.6 percent.

In order to determine the reasonableness of the proposed request the Commission, by its Order of December 1, 1983, suspended the proposed rates and charges for 5 months after December 22, 1983. Public hearings on the matter were scheduled for March 29, 1984, and April 27, 1984. South Kentucky was directed to give notice to its consumers of the proposed rates and the hearing. The Consumer Protection Division in the Office of the Attorney General ("AG") moved to intervene in this proceeding pursuant to

KRS 367.150(8), which motion was granted. No other parties formally intervened. The hearings were held on March 29, and April 27, 1984, and all requested information has been filed.

COMMENTARY

South Kentucky is a consumer-owned rural electric cooperative engaged in the distribution and sale of electric energy to approximately 35,950 member-consumers in the Kentucky counties of Pulaski, Russell, Wayne, Clinton, McCreary, Casey, Lincoln, Adair, Rockcastle, Cumberland and Laurel. South Kentucky obtains all of its power from East Kentucky Power Cooperative, Inc. ("EKP").

TEST PERIOD

South Kentucky proposed and the Commission has accepted the 12-month period ending April 30, 1983, as the test period for determining the reasonableness of the proposed rates. In utilizing the historic test period, the Commission has given full consideration to appropriate known and measurable changes.

VALUATION

Net Investment

South Kentucky proposed a net investment rate base of $25,696,519. The Commission concurs with this proposal with the following exceptions:

The Commission has adjusted accumulated depreciation to reflect the pro forma adjustment to depreciation expense found reasonable herein. South Kentucky proposed a level of working capital equal to one-eighth of pro forma operation and maintenance expenses including depreciation, taxes and other income deductions. In accordance with past practice in rural electric cooperative rate cases, the Commission will allow one-eighth of out-of-pocket pro forma operation and maintenance expenses, thereby excluding depreciation, taxes and other deductions, as the appropriate level of working capital for rate-making purposes.

Based on the Commission's adjustments South Kentucky's net investment rate base for rate-making purposes is as follows:

Net Investment:	
Utility Plant in Service	$34,240,409
Construction Work in Progress	241,348
Total Utility Plant	$34,481,757
Add:	
Materials and Supplies	$ 34,817
Prepayments	79,881
Working Capital	453,811
Subtotal	$ 568,509
Deduct:	
Accumulated Depreciation	$ 9,208,045
Customer Advances for Construction	310,408
Subtotal	$ 9,518,453
Net Investment	$25,531,813

Capital Structure

South Kentucky proposed an adjustment to reduce to zero value the accumulated capital credits assigned it by United Utility Supply and Kentucky Association of Electric Cooperatives. The accumulated credits assigned South Kentucky by these firms total $177,857 at test-year-end. South Kentucky argues that due to the fact that both firms have net operating loss carryforwards, it is doubtful that these credits will ever be paid. In addition, South Kentucky states that since these firms assign net margins but do not assign net losses, South Kentucky's investment in these firms is overstated.

The Commission is not convinced that these capital credits will never be paid or that they have no value. South Kentucky received cash distributions from both firms in 1978. In addition, South Kentucky's primary lenders have always recognized these credits in determining compliance with mortgage requirements. Moreover, the Uniform System of Accounts for Rural Electric Cooperatives, as well as generally accepted accounting principles, recognize these capital credits for financial reporting purposes. Therefore, the Commission has disallowed South Kentucky's proposed adjustment.

The Commission finds from the evidence of record that South Kentucky's capital structure at the end of the test year was $29,888,982 and consisted of $10,979,917 in equity and $18,909,065 in long-term debt. In the determination of this capital structure, the Commission has excluded accumulated generation and transmission capital credits ("GTCC") assignments in the amount of $1,630,924.

REVENUES AND EXPENSES

South Kentucky proposed several adjustments to revenues and expenses to reflect more current and anticipated operating conditions. The Commission finds the proposed adjustments are generally proper and acceptable for rate-making purposes with the following modifications:

Charitable Contributions

During the test period, South Kentucky contributed $2,674 to charities and civic groups within its service area. While the Commission feels that these contributions are good for community relations, they are not related to the provision of reliable electric service to the members of South Kentucky. The Commission finds that the rates charged consumers for utility services should reflect only the cost of providing those services. Therefore, the Commission, in accordance with established policy, has excluded these expenses for rate-making purposes herein.

Depreciation Expense

South Kentucky proposed an adjustment to increase its depreciation expense by $58,720 to reflect the annual depreciation expense based on the level of plant in service at the end of the test year. In determining the adjustment, South Kentucky incorrectly included in its calculation the balance in Account 360--Land and Land Rights. This results in depreciation expense being overstated by $1,568. Therefore, the Commission has excluded the depreciation associated with the Land and Land Rights herein.

Expenses Related to New Manager

Effective January 1, 1984, Mr. Herman Schoolcraft, South Kentucky's general manager, retired. Mr. Keith Sloan was chosen as the new general manager and several management employees received promotions. Due to the difference in salaries and fringe benefits for the general manager and other employees and those previously in those positions, South Kentucky should realize a decrease in expense of $14,158. Therefore, the Commission has made an adjustment to reduce operating expenses to reflect this cost savings.

Advertising Expense

South Kentucky has included in its test-period advertising expenses $2,349 associated with advertising for institutional purposes. 807 KAR 5:016 specifically disallows this type of advertising expense and further places the burden of proof on the utility to show that the inclusion of any advertising expenditures for rate-making purposes will result in material benefit to the ratepayers. South Kentucky has failed to meet this test and the Commission has, therefore, reduced South Kentucky's operating expenses by this amount.

Interest Expense

South Kentucky proposed an adjustment of $184,273 to annualize interest expense on long-term debt outstanding at the end of the test year and to reflect the interest on loan funds of $959,000 drawn down 5 1/2 months after the close of the test period.

The past practice of the Commission in rural electric cooperative cases has been to allow interest expense on long-term debt issued subsequent to the test period, when documentation has been provided to show that the funds have been drawn down and are actually outstanding at the time the Order is issued. This practice began in rural electric cooperative cases in 1980 while the Energy Regulatory Commission was serving as the utility regulatory body. This practice was implemented in part to provide an additional cushion to offset the high rate of inflation during that time, and to obviate the need for annual rate increases. The additional interest costs in the revenue requirements determination resulted in increased revenues and better enabled the rural electric cooperatives to achieve the earnings requirements of their primary lenders.

The past practice of the Commission in allowing the interest on debt drawn down subsequent to the end of the test period creates a mismatch of projected revenues and expenses, because no adjustments to update revenues for additional customers have been made. Therefore, the Commission put South Kentucky on notice in this proceeding that it would reconsider its past practice on this issue and gave South Kentucky the opportunity to present evidence on why this practice should not be discontinued.

South Kentucky, in its response, stated that in its opinion, no mismatch of revenues and expenses had resulted in this case due to the fact that the construction to which the draw of loan funds relates was completed and the facilities were in service at the close of the test period. In support of its position, South Kentucky filed copies of work-order inventory sheets for the period of September 1982 through April 1983. South Kentucky argues that since the construction was completed and in service by test-period-end the matching concept was met and the interest expense on the debt related to that construction should be included in its revenue requirements in this case.

A factor which must be considered in determining the propriety of including the post-test-period debt is the overall capitalization of the utility and the sources of funds for construction. In this case, South Kentucky has been in the enviable position of funding construction costs of approximately $1 million with internally-generated funds. The Rural Electrification Administration ("REA") requires that its borrowers use general funds for construction purposes as long as the level of general funds constitutes 8 percent or greater of gross plant. For this reason, South Kentucky was restricted from drawing down debt funds for a period of approximately 11 months. If South Kentucky had not been restricted from drawing down loan funds for 8 months of the test period, the temporary cash investments of South Kentucky would have been greater, resulting in additional income to South Kentucky during the test period. If the Commission were to allow the adjustment to interest expense proposed by South Kentucky, a further adjustment should be made to recognize the additional income on the additional funds available for investment.

In determining the revenue requirements of private electric utilities, the Commission generally determines the total capitalization at the end of the test period and makes a comparison to the test-year-end net investment rate base to provide reasonable assurance that the consumers are not paying for capital in excess of the investment in utility property devoted to providing electric service. The same relationship between rate base and capital should exist for cooperatives, except that since the members are the owners in the cooperative situation, the income is retained by the cooperative rather than paid out in dividends as is done in the private utilities. In South Kentucky's case the capital structure exceeds the rate base by $4.3 million dollars. If the Commission were to adjust capital to include the additional long-term debt drawn down after the end of the test period, the disparity between rate base and capital would be even greater and the rates to the consumers of South Kentucky would be excessive due to the increase in interest costs, the failure to recognize revenue from the new facilities and the lack of an adjustment to reflect interest income on additional temporary cash investments. This would clearly constitute a violation of the matching principle applied to other utilities under the Commission's jurisdiction and result in discriminatory rate-making practices by this Commission.

Therefore, based upon the reasons cited above, the Commission is of the opinion and finds that the adjustment to include post-test-period debt in the determination of interest expense on long-term debt should be denied. The Commission has included in the determination of revenue requirements South Kentucky's annual interest expense based on test-year-end debt balances which results in an increase in interest expense of $136,323 over the test period level.

Insurance Expense

South Kentucky, several months after the filing of its application in this case, informed the Commission of several expense adjustments it had not included in its original application. Of the three new expense adjustments, one, the change in the interest rate on Cooperative Finance Corporation ("CFC") note

9009 from 8.5 percent to 11 percent, had in fact been included in South Kentucky's original application.[1] The two remaining changes consisted of short-term disability insurance premiums of $4,961 which South Kentucky stated it inadvertently omitted from the test period and an increase in the dental insurance premium of $3,958 not proposed in the original application. South Kentucky proposed no corresponding revenue adjustments for these items, nor did it propose to adjust the proposed rates accordingly. However, it did request that the Commission take these items into consideration in its deliberations on this case.

The Commission, in Case No. 8924, The Adjustment of Rates of Louisville Gas and Electric Company, has established a presumption against disallowing adjustments proposed after the filing of the original application. In that Order, the Commission states that late filed adjustments hamper both the Commission's and intervenors' investigations of the case and raise questions of whether intervenors receive due process in these instances.

Supplemental adjustments are becoming more and more frequent. Generally these adjustments reflect an addition to expense without a request for additional revenues or increased rates to cover these expenses. It is apparent that in many cases additional revenues are not requested because such a request would necessitate the filing of new rate schedules and would result in a new 5-month suspension period being imposed.

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1 Exhibit J, p. 35.

Therefore, the Commission will not allow these late filed adjustments in its determination of the revenue requirement of South Kentucky.

The effect of the accepted pro forma adjustments on South Kentucky's net income is as follows:

	Actual Test Year	Pro Forma Adjustments	Adjusted Test Year
Operating Revenues	$23,253,155	$2,245,583	$25,498,738
Operating Expenses	22,005,181	2,009,083	24,014,264
Operating Income	$ 1,247,974	$ 236,500	$ 1,484,474
Interest on Long-Term Debt	962,109	136,322	1,098,431
Other Income and (Deductions) - Net	294,160	<696>	293,464
Net Income	$ 580,025	$ 99,482	$ 679,507

REVENUE REQUIREMENTS

The actual rate of return on South Kentucky's net investment rate base established herein for the test year was 5.73 percent. After taking into consideration the pro forma adjustments South Kentucky would realize a rate of return of 5.81 percent.

South Kentucky, in this case, has requested rates that would produce a rate of return of 9 percent and a Times Interest Earned Ratio ("TIER") of 2.28. When questioned concerning the need for these earnings levels, South Kentucky cited the returns granted cooperatives by this Commission in recent cases and the need to maintain South Kentucky's financial integrity.

In establishing a utility's rates, the Commission determines those rates which are fair, just and reasonable in each case based upon the merits and circumstances of the utility at that particular point in time. The rates established for a utility are not necessarily influenced by the rates granted other utilities, which may or may not be operating under similar conditions. The Commission finds that meeting the earnings levels granted other utilities does not justify the requested earnings levels in this case.

South Kentucky had an actual TIER of 1.60X for the test period in this case and TIERS of 1.82X and 1.46X for the calendar years 1982 and 1983, respectively. After taking into consideration the pro forma adjustments in this case, South Kentucky would achieve a 1.62X TIER without an increase in revenues. South Kentucky achieved a 35.9 percent equity to total asset ratio at the end of the test period in this case and has been able to maintain an equity to total asset ratio of above 35 percent for the past 10 years. South Kentucky's debt-service coverage ("DSC") ratio for the test year and calendar years 1982 and 1983 was 1.70X, 1.85X and 1.65X, respectively. All of these ratios are based on the earnings of South Kentucky exclusive of the GTCCs assigned to South Kentucky by EKP. As mentioned previously in this Order, South Kentucky has exceeded the optimum level of general funds suggested by REA and is capable of funding large construction projects with cash reserves.

In consideration of the above analysis and other financial indicators and ratios, the Commission is of the opinion that South Kentucky has achieved a very favorable financial position. This financial position has been achieved during periods of high inflation, and more recently, periods of lower customer growth and reduced customer consumption. Furthermore, these earnings have been achieved under various rate-making conditions and allowed rates of return by this regulatory body. In 1982, South Kentucky was granted a 7.51 rate of return which provided a 2.15X TIER. In rate cases concluded in 1975, 1977 and 1978, South Kentucky was allowed TIER's of 2.0X, 2.16X and 2.0X, respectively.

In recent rate cases for rural electric cooperatives, the Commission has generally allowed a TIER of 2.25X. REA, South Kentucky's principal lender, requires its borrowers to maintain an average TIER of at least 1.5X for 2 out of the most recent 3 calendar years. The TIER as calculated by REA for purposes of meeting the minimum mortgage requirements includes the GTCCs assigned during the calendar year. The Commission has recognized that a cooperative could not reasonably expect to achieve a TIER of 1.5X if the revenue requirements were based on a 1.5X TIER, and has attempted in past cases to provide an attrition allowance by basing the revenue requirements on a 2.25X TIER. However, the period of double digit inflation in existence at the time the Commission began granting the 2.25X TIER is no longer in existence. Moreover, South Kentucky has actually achieved well in excess of the 1.5X TIER based on a 2.15X TIER granted in its last rate case. In keeping with the reduced returns allowed other utilities in recent months by this Commission, we are of the opinion that South Kentucky's revenue requirements should be based on a TIER of 2.0X in this case.

The Commission is encouraged by the indications of the strong financial condition of South Kentucky, yet it is concerned that South Kentucky's customers receive the benefits associated with the strong financial condition. A basic principle of a cooperative is that the customers of the cooperative, who are actually the owners, should benefit from the stong financial performance of the cooperative by receiving a refund of patronage capital or by realizing a reduction in the cost of electric service. The cooperatives regulated by this Commission have long argued that improved equity levels are necessary in order to begin the general rotation of patronage capital. The Commission finds that due to the strong financial condition of South Kentucky its customers are entitled to benefit from its performance and has determined that a rate of return of 7.46 percent should be granted in this case. In order to achieve this rate of return, South Kentucky should be allowed to increase its annual revenue by $418,924 which would result in a TIER of 2.0X. This additional revenue will produce net income of $1,098,431, which should be sufficient to meet the requirements in South Kentucky's mortgages securing its long-term debt.

REVENUE ALLOCATION AND RATE DESIGN

South Kentucky proposed allocating the revenue increase to each rate class by approximately equal percentage increases. It proposed two new rate classes: (1) Residence with Controlled Water Heating, Schedule WH, and (2) Energy Efficient Residence, Schedule EER. Additionally South Kentucky proposed to change the energy charge of the Residential, Farm and Non-Farm Service ("Residential") Schedule A, from a two-step declining block structure to a three-step declining block structure.

A hearing was held in the Commission's offices in Frankfort, Kentucky, on March 29, 1984. During the preceedings, the Commission delayed all questions pertaining to the rate design until a conference of the members of South Kentucky, the AG's office and the Commission's staff was held. After the conference, South Kentucky affirmed its decision to continue its request for a three-step declining block rate structure for the Residential Schedule A and proposed that the WH and EER tariffs be approved in principle and the Commission provide guidelines and parameters under which South Kentucky should file the tariffs.

In his prefiled testimony, Mr. Sloan addressed the question of why South Kentucky proposed a three-step declining block residential rate structure by the following statement:

> Our management and Board of Directors are alarmed at the continuing increase in KW demand from year to year but we are not increasing our energy sales in keeping with it. This is done in an attempt to increase our KWH sales by making it more attractive for consumers to use electricity.[2]

Mr. Bradley's response to the same question was,

> What we are trying to say is that we have lost electric sales to another type of energy. What we are trying to say is that we are trying to regain KWH sales to regain the volume of energy sales we feel we should have in order to increase the dollar amount of gross profit on revenue to keep from having to increase rates to a higher level.[3]

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2 Prefiled testimony of Mr. K. Sloan, pp. 10-11.

3 Prefiled testimony of Mr. C. Bradley, p. 15.

Mr. Hughes questioned Mr. Bradley regarding the lack of load information available to South Kentucky asking,

> Now, without that, how can the Co-op be sure that the---any increase in consumption that may occur won't occur on peak?

Mr. Bradley replied,

> We don't. We don't have. Because we don't have the necessary data to be able to provide that far.[4]

At the close of the hearing, the Commission advised South Kentucky that Mr. James Sharpe of the Commission Staff would prepare and file testimony on the declining block rate structure, and at that time a further hearing would be set for cross-examination of Mr. Sharpe and rebuttal testimony.

A further hearing was held April 27, 1984, and at that time Mr. Sharpe presented testimony on the rate design issues. Mr. Bradley presented rebuttal testimony. At the start of the hearing, South Kentucky submitted a revised experimental WH rate schedule and entered an oral motion that the proposed Schedule EER be removed from South Kentucky's application.

Mr. Sharpe recommended to the Commission that South Kentucky's proposed three-step declining block rate structure should be denied and that the Commission should place the same cost justification requirements for declining block rate structure on South Kentucky that have been placed on utilities subject to Administrative Case No. 203, The Determinations with Respect to

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4 Transcript of Evidence, March 29, 1984. pp. 68-69.

the Ratemaking Standards Identified in Section 111(d)(1)-(6) of the Public Utility Regulatory Policies Act of 1978. Also South Kentucky should work with EKP in its load research and class cost of service studies. Mr. Sharpe testified that South Kentucky's lack of load research made it difficult to justify the addition of another step in its declining rate structure. Additionally, Mr. Sharpe recommended that the Commission reject South Kentucky's originally proposed WH tariff. Mr. Sharpe made no recommendation on the revised WH tariff submitted at the April 27, 1984, hearing. Mr. Sharpe recommended that the Commission deny the EER tariff.

In rebuttal testimony, Mr. Bradley addressed basically three points. First, he explained the proposed revisions in the WH tariff and identified some of the ways South Kentucky intended to deal with the practical problems of implementing this tariff. Second, he expressed several concerns regarding Mr. Sharpe's testimony. His primary concern related to the use of load data from an urban-based utility which had been used to illustrate Mr. Sharpe's testimony. Third, Mr. Bradley renewed his support for the proposed three-step declining block rate for residential customers. He testified that "this rate design will head South Kentucky in the right direction towards recovery of some of its lost energy sales"[5] which occurred during the late 70's and early 80's. During that period, the growth in peak demand has exceeded the growth in energy consumption.

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5 Rebuttal Testimony of Mr. C. Bradley, p. 13.

Regarding South Kentucky's proposed expansion of the current two-step declining block rate to three blocks, the Commission has two reservations. First, the declining block rate structure in general does not communicate the proper price signal to consumers. That it, it encourages additional consumption irrespective of the time of usage. This could result in unwarranted growth in peak demand. Second, the Commission believes any expansion of a declining block rate structure must be cost-justified. Evidence must be presented which demonstrates that costs, in particular demand-related costs, decrease with increased consumption. This cannot be accomplished without the appropriate load research. The Commission agrees with both Mr. Bradley and Mr. Sharpe that the load research from an urban-based utility should not be used by a rural utility such as South Kentucky for rate design purposes. The Commission does find some merit to the suggestion that the cooperatives served by EKP work together in a joint load research effort to gather information that will be useful for rate design, cost of service, forecasting and system planning. There appear to be considerable economies in such an effort. However with regard to the proposed rate design, the Commission finds that until appropriate load research can be developed, the present two-step declining block rate should not be expanded to a three-step rate.

The Commission does view South Kentucky's efforts to investigate the possibility of controlling growth in peak demand through the proposed WH tariff as a worthwhile effort. Therefore, the Commission will accept the WH tariff for use on a 2-year experimental basis; however, the tariff should be revised to correspond to a two-step declining block rate.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The rates in Appendix A are the fair, just and reasonable rates for South Kentucky and will provide net income sufficient to meet the requirements in South Kentucky's mortgages securing its long-term debt.

2. The rates and charges proposed by South Kentucky differ from those found reasonable herein and should be denied upon application of KRS 278.030.

3. The proposed three-step declining block residential rate structure should be denied, and the current two-step declining block structure of Schedule A should remain intact.

4. The proposed WH (Experimental) tariff should be accepted. South Kentucky should resubmit the tariff filing to include a revised energy charge compatible with the Residential Two-Step Declining Rate Structure Schedule A tariff approved herein. This experimental tariff should include a time limitation of 2 years, at which time the results of the experiment should be filed with the Commission.

5. The motion of South Kentucky to remove the EER tariff from its application should be approved.

6. South Kentucky's proposed methodology for allocating the revenue increase is fair, just and reasonable and should be applied in this case.

IT IS THEREFORE ORDERED that the rates in Appendix A be and they hereby are approved for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the rates proposed by South Kentucky be and they hereby are denied.

IT IS FURTHER ORDERED that South Kentucky shall file with this Commission within 30 days from the date of this Order its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that South Kentucky shall file the WH (Experimental) tariff to include revised rates and charges compatible with the Residential Two-Step Declining Rate Structure Schedule A tariff approved herein, with a 2-year time limitation.

IT IS FURTHER ORDERED that the motion of South Kentucky to remove the EER tariff from its application be and is hereby approved.

Done at Frankfort, Kentucky, this 18th day of May, 1984.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8930 DATED MAY 18, 1984

The following rates and charges are prescribed for the customers in the area served by South Kentucky Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

SCHEDULE A
RESIDENTIAL, FARM AND NON-FARM SERVICE*

RATES PER MONTH:

Consumer Charge - No KWH Usage . . .	$5.25

Energy Charge:

First 700 KWH Per Month @ . . .	$ .06364
All over 700 KWH Per Month @ . . .	$ .05752

SCHEDULE B
SMALL COMMERCIAL RATE*

RATES PER MONTH:

Consumer Charge - No KWH Usage . . .	$6.30

Energy Charge:

First 1,000 KWH Per Month @	$ .06895
All Over 1,000 KWH Per Month @	$ .06380

SCHEDULE LP
LARGE POWER RATE*

RATES PER MONTH:

Consumer Charge - No KWH Usage . . .	$10.50

Demand Charge:

Billing Demand per KW per Month	$ 5.67

Plus Energy Charge:

First 3,500 KWH per Month @	$ .04666
Next 6,500 KWH per Month @	$ .04506
Next 140,000 KWH per Month @	$ .04198
Next 150,000 KWH per Month @	$ .04186
Over 300,000 KWH per Month @	$ .04177

SCHEDULE OPS
OPTIONAL POWER SERVICE*

RATES PER MONTH:

Consumer Charge - No KWH Usage . . .	$10.50

Energy Charge

First 3,500 KWH per Month @	$ .07511
Next 6,500 KWH per Month @	$ .07260
Next 140,000 KWH per Month @	$ .06776
Next 150,000 KWH per Month @	$ .06757
Over 300,000 KWH per Month @	$ .06743

SCHEDULE STL
STREET LIGHTING SERVICE*

Rates Per Month:

Mercury Vapor Bulbs

Up to and including 175 Watts (74 KWH/Light)	$4.18
Excess of 175 Watts up to and including 400 Watts (162 KWH/Light)	6.88

Sodium Bulbs

Up to and including 150 Watts (63 KWH/Light)	5.31
Excess of 150 Watts up to and including 360 Watts (135 KWH/ Light)	7.69

SCHEDULE OL
OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS*

Rates Per Month:

175 Watt Mercury Vapor - Metered	$4.39
175 Watt Mercury Vapor - unmetered (74 KWH/Light)	5.89

SCHEDULE TVB
UNMETERED COMMERCIAL SERVICE*

CLASS AND RATES PER MONTH:

Cable TV Amplifiers - (75 KWH per Month) . . .	$7.43

*Fuel Clause Adjustment

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.