

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON COUNTY )  
RURAL ELECTRIC COOPERATIVE )  
CORPORATION OF MCKEE, ) CASE NO. 9650  
KENTUCKY, FOR AN ORDER )  
AUTHORIZING THE ADOPTION OF )  
NEW INDUSTRIAL TARIFFS )

ORDER

On May 15, 1986, East Kentucky Power Cooperative, Inc., ("EKPC") filed two optional schedules to its wholesale tariff, Schedule B and Schedule C, in Case No. 9582, The Notice of East Kentucky Power Cooperative, Inc., of a Revision to its Wholesale Electric Power Tariff. On September 19, 1986, EKPC filed a motion to withdraw the proposed Schedule B and modify Schedule C. On October 16, 1986, the Commission ordered that the amended Schedule C was reasonable and just and was accepted. In the October 16, 1986, Order on page 5, the Commission stated that:

Of the three distribution cooperatives which have already filed retail tariffs to pass through EKPC's wholesale rates, two have followed EKPC's advice and one has not. The one which has not followed the advice instead proposed a retail tariff so as to maintain a neutral effect on its net income. Thus, the Cooperative is not adversely affected by this proposal. The Commission prefers this methodology which maintains the same net income for the member cooperatives.

On July 21, 1986, Jackson County Rural Electric Cooperative Corporation ("Jackson County") filed its application to establish two new industrial rate tariffs for demand loads of 1,000 KW and over, Schedule 44 and Schedule 45. Schedule 44 was developed using Jackson County's current industrial Schedule 43. A time of day provision was added to match EKPC's wholesale rate. The demand rate was increased to equal EKPC's wholesale demand charge and the energy charge was lowered so that for a 1985 test year, Schedules 43 and 44 would produce approximately the same revenue.

Schedule 45 incorporated the energy rates from Schedule 44 and used the demand charge and ratchet provisions from EKPC's proposed Schedule C. A contract specifying minimum monthly KW demand was required for this Schedule. For the 1985 test-year shifting the only customer eligible for Schedules 44 and 45, Mount Vernon Plastics Corporation, from Schedule 43 to either Schedule 44 or 45 would have had a neutral effect on Jackson County's net income.

On September 11, 1986, Mount Vernon Plastics Corporation intervened in this case. On October 13, 1986, Jackson County filed a motion to amend its application to include a proposed Schedule 46. This schedule had lower energy charges and a higher customer charge than the proposed Schedule 45, but was otherwise comparable. It would reduce Jackson County's income net of power costs by approximately \$86,000. Jackson County's rationale for proposing Schedule 46 included wanting equitable industrial rates

among the members of the EKPC system, encouraging economic development, being competitive with other utilities, promoting a higher load factor and expecting Mount Vernon Plastics' electrical load to "increase to the point where Jackson County should be able to furnish electric service under Schedule 46 without jeopardizing its financial condition."<sup>1</sup> Jackson County provided no support for the expectation of an increased load.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

(1) Schedules 44 and 45 are reasonable and just and should be accepted. Jackson County should file with the Commission a signed copy of the schedules within 20 days of the date of this Order.

(2) Schedule 46 does not have a neutral effect on net income. It is unreasonable and unjust and should be denied.

IT IS THEREFORE ORDERED that:

(1) Schedules 44 and 45 are reasonable and just and are accepted. Jackson County shall file with the Commission a signed copy of the schedules within 20 days of the date of this Order.

(2) Schedule 46 is unreasonable and unjust and is hereby denied.

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<sup>1</sup> Amended Application, Exhibit G, Page 1.

Done at Frankfort, Kentucky, this 25th day of November, 1986.

PUBLIC SERVICE COMMISSION

*Richard D. Honan, Jr.*  
Chairman

*Robert L. ...*  
Vice Chairman

*Spencer D. Williams*  
Commissioner

ATTEST:

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Executive Director