

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SHELBY RURAL ELECTRIC)
COOPERATIVE CORPORATION'S)
TARIFF FILING FOR LARGE) CASE NO. 9656
INDUSTRIAL POWER RATE SCHEDULES)
C1, C2, C3, C4 AND C5)

O R D E R

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, 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 3, 1986, Shelby Rural Electric Cooperative Corporation ("Shelby") filed its application to establish five new industrial tariffs C1 through C5. Schedule C1 is applicable to

contracts with demands of 1,000 to 4,999 KW that qualify for EKPC wholesale rate Schedule C. Schedule C1 rates track wholesale Schedule C rates with a \$535 per month customer charge and an 8 mill adder to the energy charge. Schedule C2 is applicable to contracts with demands of 5,000 to 9,999 KW that qualify for EKPC wholesale rate Schedule C. Schedule C2 rates track wholesale Schedule C rates with a \$1,069 per month customer charge and a 3 mill adder to the energy charge. Schedule C3 is applicable to contracts with demands of 10,000 KW and over that qualify for EKPC revised wholesale rate Schedule C. Schedule C3 rates track revised wholesale Schedule C rates with a \$1,069 per month customer charge and a 2 mill adder to the energy charge. Schedule C4 is applicable to contracts with demands of 500 to 4,999 KW. Schedule C4 rates track EKPC wholesale rate Schedule A with a \$535 per month customer charge and an 8 mill adder to the energy charge. Schedule C5 is applicable to contracts with demands of 5,000 KW and over. Schedule C5 rates track EKPC wholesale rate Schedule A with a \$1,069 per month customer charge and a 3 mill adder to the energy charge.

Shelby's purpose in filing these five rate schedules was to attract large industrial consumers to its service area. Shelby stated that it would not suffer any loss of revenue from existing customers when these rate options were selected. One existing customer would be on these five rates; Union Camp, Inc., would be on Schedule C1. Shelby calculated a \$98,406.50 reduction in revenue net of power cost from switching Union Camp, Inc., ("Union Camp") to rate C1. Remaining revenue net of power cost from Union

Camp under rate C1 is \$115,326.67 including \$32,410.07 of revenue from power factor penalties. Shelby filed a contract with a new Schedule C1 customer, Alusuisse Flexible Packaging ("Alusuisse"). Revenue net of power cost from sales to Alusuisse was projected at \$102,420.

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

(1) Shelby has no existing customers that qualify for proposed Schedules C4 and C5. No cost support or analysis of qualifying customers was provided. These schedules do not pass through EKPC's wholesale rate Schedule C. The proposed schedules are not reasonable and just and should be denied.

(2) Shelby has no existing customers that qualify for proposed Schedules C2 and C3. These schedules pass through EKPC's wholesale rate Schedule C. The proposed schedules are reasonable and just and should be accepted.

(3) Shelby has two qualifying customers for proposed Schedule C1. Projected revenue net of power cost from these customers under Schedule C1 is approximately equal to net revenue from Union Camp under existing rate 2. The schedule passes through EKPC's wholesale rate Schedule C. Schedule C1 is reasonable and just and should be accepted.

(4) Acceptance of Schedules C1, C2, and C3 is a departure from the Commission's traditional ratemaking objectives. Thus, Shelby should provide in October, 1987, a report to the Commission which lists the customers served through Schedules C1, C2 and C3, identifies whether they are existing, expanding or new customers,

states the associated load of these customers and estimates the effect on Shelby's revenue and net income.

IT IS THEREFORE ORDERED that:

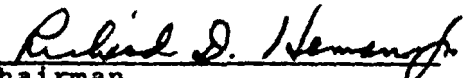
(1) Shelby's rate Schedules C4 and C5 have not been found to be reasonable and just and are hereby denied.


(2) Shelby's rate Schedules C1, C2 and C3 have been found to be reasonable and just and are accepted. Shelby shall file with this Commission a signed copy of Schedules C1, C2 and C3 within 20 days of the date of this Order.

(3) Shelby shall file with the Commission in October, 1987, a report which provides an update on the implementation of Schedules C1, C2 and C3.

Done at Frankfort, Kentucky, this 24th day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director