

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF OWEN COUNTY)
RURAL ELECTRIC COOPERATIVE) CASE NO. 9654
CORPORATION'S REVISION TO ITS)
ELECTRIC POWER TARIFF)

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 25, 1986, Owen County Rural Electric Cooperative Corporation ("Owen County") filed its notice to revise existing rate Schedule II and to establish new Schedules IV, V, VI, VII, VIII, and IX. The proposed revision to Schedule II would provide

a 5 percent discount to demand and energy charges when service is furnished at primary distribution voltage. Six existing customers would qualify for the discount resulting in an estimated annual revenue decrease of \$25,179. The discount is intended to fairly compensate those customers who provide their own equipment for transforming primary voltage to secondary voltage.

The purpose of the proposed new rate schedules is to provide equitable rates for prospective future industrial customers in Owen County's service area. The schedules would apply only to industrial customers with loads of 1,000 KW and more. Owen County has no existing customers that qualify for the new schedules. On October 9, 1986, Owen County filed a motion to amend proposed Schedule IX, Rate LPC2 and withdraw Schedule VII, Rate 2PB. Schedule IV, Rate 2PA1, is available for contracts with demands of 1,000 to 4,999 KW. Schedule IV rates track EKPC wholesale rate Schedule A, rates with a \$535 per month customer charge and an 8 mill adder to the energy charge. Schedule V, Rate LPA2, is available for contracts with demands of 5,000 to 9,999 KW. Schedule V rates track EKPC wholesale rate Schedule A, rates with a \$1,069 per month customer charge and a 3 mill adder to the energy charge. Schedule VI, Rate LPA3, is available for contracts with demands of 10,000 KW and over. Schedule VI rates track EKPC wholesale rate Schedule A, rates with a \$1,069 per month customer charge and a 2 mill adder to the energy charge. Schedule VIII, LPC 1, is available for contracts with demands of 1,000 to 4,999 KW that qualify for EKPC wholesale rate Schedule C. Schedule VIII rates track EKPC wholesale rate Schedule C rates with a \$535 per

month customer charge and an 8 mill adder to the energy charge. Amended Schedule IX, LPC2, is available for contracts with demands of 5,000 KW and over that qualify for EKPC wholesale rate Schedule C. Schedule IX rates track EKPC wholesale rate Schedule C rates with a \$1,069 per month customer charge and a 3 mill adder to the energy charge. Owen County provided no cost support for its proposed rate schedules.

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

1. The 5 percent discount provision for rate Schedule II is reasonable and just and should be accepted.

2. Owen County has no existing customers that qualify for proposed Schedules IV, V and VI. 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 have not been shown to be reasonable and just and should be denied.

3. Owen County has no existing customers that qualify for proposed Schedules VIII and IX. No cost support or analysis of qualifying customers was provided. These schedules pass through EKPC's wholesale rate Schedule C. The proposed schedules are reasonable and just and should be accepted.

4. Acceptance of Schedules VIII and IX is a departure from the Commission's traditional ratemaking objectives. Thus, Owen County should provide in October 1987 a report to the Commission which lists the customers served through Schedules VIII and IX, identifies whether they are existing, expanding or new customers,

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

IT IS THEREFORE ORDERED that:

1. The 5 percent discount provision for rate Schedule II is reasonable and just and is accepted. Owen County shall file with the Commission a signed copy of the revised Schedule II within 20 days of the date of this Order.

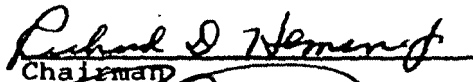
2. Owen County's rate Schedules IV, V and VI have not been found to be reasonable and just and are hereby denied.

3. Owen County's rate Schedules VIII and IX have been found to be reasonable and just and are accepted. Owen County shall file with the Commission a signed copy of revised Schedules VIII and IX within 20 days of the date of this Order.

4. Owen County shall file with the Commission in October 1987 a report which provides an update on the implementation of Schedules VIII and IX.

Done at Frankfort, Kentucky, this 23rd day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director