

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. OF A REVISION TO )  
ITS WHOLESALE ELECTRIC POWER TARIFF ) CASE NO. 10281  
TO IMPLEMENT A WHOLESALE POWER )  
MARKETING RATE FOR SPECIAL RETAIL )  
APPLICATIONS )

O R D E R

On June 3, 1988, East Kentucky Power Cooperative, Inc. ("EKPC") filed a revision to its wholesale electric power tariff to its 18 member distribution cooperatives, to provide for an off-peak wholesale power marketing rate for special retail applications. The initial application will be for the use of Electric Thermal Storage ("ETS") devices. The proposed wholesale marketing rate will be available only during EKPC's off-peak hours and will equate to a 20 percent discount to their current wholesale power energy rate.

ETS is a technology that allows heat to be stored in one time period and used in another. Specifically, the ETS device can be controlled by the utility to store heat at night during off-peak hours and to discharge heat as needed, with no contribution to on-peak load. The ETS device, which a customer must purchase, will be marketed to provide an economical alternative to wood, kerosene, and other non-electric heating energy sources. For the ETS marketing program to be successful, EKPC contends that a

utility must offer a low cost off-peak rate to induce the consumer to invest in ETS hardware.

EKPC's ETS marketing program is based largely on a 3-year pilot program conducted by it and South Kentucky Rural Electric Cooperative Corporation ("South Kentucky RECC"). In December 1986, South Kentucky RECC obtained permission from the Commission to install ETS units in up to 250 homes over a 2-year period. It entered into a contract with each ETS customer guaranteeing, among other things, that the energy used by the ETS unit would be discounted at least 40 percent for 10 years and that off-peak power would be made available for charging the ETS unit for at least 10 hours each day. The load research data produced by the pilot study indicates that ETS is a favorable off-peak load building technique which improves load factor. The Commission is of the opinion that EKPC has conducted a successful ETS pilot study and has adequately analyzed and planned its ETS marketing efforts.

However, the Commission has some concerns regarding the implementation of the Wholesale Power Marketing Rate and the ETS marketing plan. Although ETS is the only marketing effort planned at this time, EKPC has acknowledged that it will be considering other plans in the future. These additional marketing plans would also be made available at EKPC's Wholesale Power Marketing Rate. The Commission believes that no additional marketing program should be offered under the Wholesale Power Marketing Rate without prior Commission approval. Furthermore, the tariff fails to specify which marketing programs are covered by the Wholesale

Power Marketing Rate. The Commission believes that such programs should be listed in the tariff.

EKPC has indicated its plans to conduct a review and analysis of the effect of ETS use on its system and its member cooperatives every 2 years. The Commission feels that these biennial reviews will be necessary to ensure that the results of the ETS program are consistent with its objectives. If, after conducting such reviews, EKPC determines that changes in the ETS program are necessary, it should so advise the Commission. We hereby place EKPC on notice that if it decides to discontinue the ETS program, it must continue to offer the Wholesale Power Marketing Rate to its member cooperatives until all of their existing contracts for service under the ETS program have expired.

The Commission believes ETS provides an opportunity for the provision of safe and economical heat to individual consumers while, at the same time, improving the load factors and the utilization of the distribution, transmission, and generation facilities of EKPC and its member cooperatives.

Furthermore, the Commission believes that a discounted wholesale power rate will enhance the ability of EKPC and its member cooperatives to effectively market ETS and other Commission-approved marketing programs.

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

1. EKPC's Revision to its Wholesale Electric Power Tariff to Implement a Wholesale Power Marketing Rate should be approved provided that the following modifications are made:

a. The tariff should state that the Wholesale Power Marketing Rate applies only to marketing programs expressly approved by the Commission.

b. The tariff should list the marketing programs approved by the Commission and the case number of the Commission proceeding in which it was approved. This list may be separately attached to the tariff.

2. The ETS program should be approved as the initial application of the modified Wholesale Power Marketing Rate.

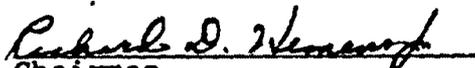
3. EKPC should submit to this Commission a report on any biennial review of the ETS program within 60 days of the completion of such review.

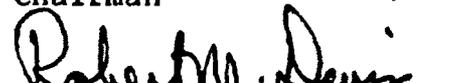
4. Within 30 days of the date of this Order, EKPC should file a revised Wholesale Power Marketing Rate Schedule A to comply with this decision, or should request a hearing to present evidence to show why the proposed tariff should be accepted without modification.

Accordingly, each of the above findings is HEREBY ORDERED.

Done at Frankfort, Kentucky, this 8th day of September, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director