

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF SALT RIVER RURAL ELECTRIC)
COOPERATIVE CORPORATION'S REVISION) CASE NO. 89-220
OF ITS ELECTRIC POWER TARIFFS)

O R D E R

On August 8, 1989, Salt River Rural Electric Cooperative Corporation ("Salt River") filed an application seeking approval of proposed industrial tariffs for customers with contract demands of 1,000 KW or greater. These proposed retail rates were designed on the basis of East Kentucky Power Cooperative's ("EKPC") Wholesale Power Rate Schedule Sections B and C. Pursuant to KRS 278.190(2), the Commission on August 30, 1989 suspended the effective dates of the tariffs until February 15, 1990. On September 11, 1989, following a discussion with Commission Staff, Salt River revised the demand charge provisions of Schedules LLP-4 - C1 and LPR-1 - C2 to make them consistent with EKPC's Section C.

Proposed Schedules LLP-4 - B1 (Large Power of 1,000 KW to 2,999 KW) and LPR-1 - B2 (Large Power of 3,000 KW and greater) are designed to pass through EKPC's Wholesale Section B, which provides for a demand premium to be charged on all KW of billing demand in excess of a contract demand. This demand premium is equal to \$7.82 per KW, as opposed to a demand charge of \$5.39 per KW of contract demand. Proposed Schedules LLP-4 - C1 (Large Power

of 1,000 KW to 2,999 KW) and LPR-1 - C2 (Large Power of 3,000 KW and greater) are designed to pass through EKPC's Wholesale Section C, which provides for a demand ratchet to determine a customer's billing demand when actual demand exceeds contract demand. Under the ratchet provisions, billing demand is determined either by a customer's contract demand or their highest demand during the current month or preceding eleven months, coincident with the load center's peak demand, whichever is greater. Additionally, Salt River has developed retail energy rate adders for the proposed tariffs that, when added to EKPC's wholesale energy rate, produce gross margins (revenue minus wholesale power costs) that are equivalent to those produced under current rates.

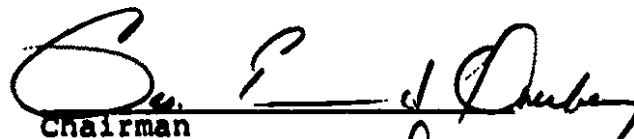
The Commission, having considered the evidence of record and being sufficiently advised, is of the opinion and finds that Salt River's proposed large power rates are consistent with EKPC's approved Wholesale Power Rate Schedule Sections B and C and should be approved.

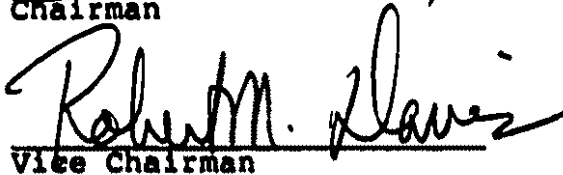
IT IS THEREFORE ORDERED that:

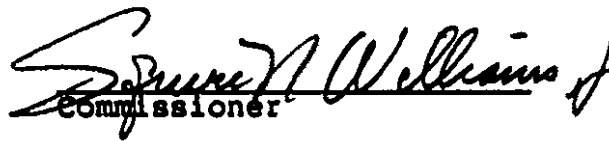
1. Salt River's Schedules LLP-4 - B1 (Large Power of 1,000 KW to 2,999 KW), LPR-1 - B2 (Large Power of 3,000 KW and greater), LLP-4 - C1 (Large Power of 1,000 KW to 2,999 KW) and LPR-1 - C2 (Large Power of 3,000 KW and greater), as filed on August 8, 1989 and subsequently revised on September 11, 1989, shall be and hereby are approved.
2. Within 20 days from the date of this Order, Salt River shall file with this Commission signed copies of the approved tariffs.

Done at Frankfort, Kentucky, this 26th day of September, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director