COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RATES OF SALT RIVER ELECTRIC COOPERATIVE CORPORATION TO ADJUST ELECTRIC RATES	)))	CASE NO. 92-560

O R D E R

On February 12, 1993, Salt River Electric Cooperative Corporation ("Salt River") applied for a $1,665,746 increase in retail electric service rates. The requested increase is 6.0 percent over normalized test-year operating revenues. Salt River stated that the proposed increase was required to cover increased operating costs, improve its financial condition, and provide the margin necessary to meet the requirements of its joint mortgage agreement. By this Order, the Commission grants Salt River an increase in revenues of $1,502,695 or a 5.3 percent increase over normalized test-year operating revenues.

COMMENTARY

Salt River is a consumer-owned rural electric cooperative corporation, organized under KRS Chapter 279, engaged in the distribution and sale of electric energy to approximately 26,115 member-consumers in the Kentucky counties of Nelson, Bullitt, Spencer, Washington, Marion, Mercer, Jefferson, Anderson, Shelby, and LaRue. Salt River has no electric generating facilities and purchases its total power requirements from the East Kentucky Power Cooperative, Inc. ("East Kentucky").

TEST PERIOD

Salt River proposed and the Commission has accepted the 12-month period ending November 30, 1992 as the test period for determining the reasonableness of the proposed rates. In utilizing the historical test year, the Commission has considered appropriate known and measurable changes.

VALUATION

Salt River proposed a net investment rate base of $34,528,482 based on the test-year-end value of plant in service, the 13-month average for materials and supplies and prepayments, and excluding the adjusted accumulated depreciation and the test-year-end level of customer advances for construction. Salt River also proposed to include working capital based on one-eighth of adjusted operation and maintenance expenses, exclusive of depreciation, taxes, and other deductions. The Commission concurs with this proposal with the exception that working capital has been adjusted to reflect the pro forma adjustments to operation and maintenance expenses found reasonable herein.

Based on these adjustments, Salt River's net investment rate base for rate-making purposes is as follows:

Utility Plant in Service	$ 38,866,440
Construction Work in Progress	352,893
Total Utility Plant	$ 39,219,333
ADD:	
Materials and Supplies	$ 551,961
Prepayments	89,203
Working Capital	485,551
Subtotal	$ 1,126,715
DEDUCT:	
Accumulated Depreciation	$ 5,353,981
Customer Advances for Construction	478,440
Subtotal	$ 5,832,421
NET INVESTMENT RATE BASE	$ 34,513,627

Capital Structure

The Commission finds that Salt River's capital structure at test-year-end for rate-making purposes was $37,177,901. This capital structure consisted of $13,075,903 in equity and $24,101,998 in long-term debt. The Commission has excluded generation and transmission capital credits ("GTCCs") in the amount of $4,968,604.

REVENUES AND EXPENSES

Salt River proposed several adjustments to revenues and expenses to reflect current and expected operating conditions. The Commission finds the proposed adjustments are generally proper and acceptable for rate-making purposes, with the following modifications:

Labor and Labor-Related Costs

Salt River proposed adjustments to increase the test-year operating expenses by $17,716 for labor and labor-related costs.

The adjustment consisted of increases to wages and salaries of $16,016 and FICA taxes of $4,019.

Wages and Salaries. In its application, Salt River proposed an adjustment to normalize total wages and salaries in the amount of $23,450, of which $7,434 was capitalized and $16,016 was expensed. Full-time employees and new employees hired in the test year were assumed to work 2,080 hours. Employees terminated during the test year were excluded from the calculations. The test-year actual time and one half and double overtime hours were included at either 1.5 times or 2.0 times the test-year-end wage rates. Standby wages were normalized using a 365-day year.

Using most of these assumptions, the Commission has recalculated the proposed adjustment. The Commission, however, used the test-year actual hours worked rather than 2,080, because there was no evidence that the test-year actual hours worked were abnormal. The Commission has determined that an increase in wages and salaries of $9,998 is reasonable. After applying the test-year capitalization rate, the Commission will include an adjustment to increase the expense by $6,799.

Federal Insurance Contributions Act ("FICA") Taxes. Salt River proposed to increase its FICA tax by $2,346, based on the proposed normalized wages and salaries and reflecting an increase in the FICA base wage limit from $53,400 to $55,500. Of this amount, $646 was capitalized and $1,700 was expensed. During the test year, Salt River made payments to salaried employees for accrued unused sick leave. The total test-year expense for FICA taxes included the effect of making these payments. Salt River stated that the payment of salaried employees' accrued unused sick leave would not be a recurring expenditure.[1]

The Commission has recalculated this adjustment, based on the level of normalized wages and salaries found reasonable and using the FICA base wage limit of $57,600, which became effective January 1, 1993. The Commission usually recognizes such changes in taxable wages. We have determined the normalized FICA tax to be $232,201. After applying the test-year capitalization rate, the normalized FICA tax expense would be $167,185. This represents a reduction to the test-year expense of $2,999. The reduction reflects the absence of the accrued sick leave payment in the normalization because the expense would not be recurring.

The Commission is also reducing the FICA tax expense by $734, related to FICA tax expense on life insurance policies provided by Salt River to its employees. This adjustment is discussed in detail below. Therefore, the Commission will reduce operating expenses by $3,733.

Employee Life Insurance. Salt River provides each bargaining unit employee with life insurance coverage in an amount two times his base salary. Non-bargaining unit employees receive coverage in an amount five times the base salary. Salt River does not require any employee contribution for this coverage. While Salt River could not cite any formal compensation studies to support this

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1 Transcript of Evidence ("T.E."), June 22, 1993, at 13.

practice, it claimed the additional life insurance coverage represented "shifts" of costs already included in the total employee benefit package.[2]

While the Commission does not view the provision of life insurance coverage for a utility's employees unfavorably, we are concerned about Salt River's current practice. Under current federal law, the cost for insurance coverage in excess of $50,000 constitutes wages subject to FICA taxes.[3] Once the $50,000 coverage level is reached, Salt River incurs additional employer-share FICA tax expense. To include the expenses associated with employee life insurance coverage in excess of $50,000, utilities must clearly demonstrate the need for this additional compensation. Salt River has not done so. Therefore, the Commission has limited test-year life insurance premium expense to the cost to provide each Salt River employee with $50,000 worth of coverage. This results in a reduction in operating expenses of $11,652. A corresponding reduction has also been made to test-year FICA tax expense.

Property Taxes

Salt River proposed an increase of $16,427 to its property tax expense to reflect the effects of additions to its utility plant in service. Salt River used a proportional calculation based on the increase in utility plant and the test-year accrued property

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2 Response to the Commission's Order dated April 26, 1993, Item 7.

3 26 U.S.C. § 79 (1992).

tax expense to determine the amount of the increase. However, Salt River acknowledged that the test-year accrued property tax expense included the 1991 calendar year true-up adjustment.[4] Salt River also acknowledged that if the methodology used to compute its proposed adjustment had used the 1992 calendar year taxes instead of the test-year accrued expense, a more accurate estimate of the property tax expense would result.[5] The Commission has recalculated Salt River's property taxes using this approach, which results in a normalized expense of $288,137. The test-year accrued expense was $296,412. Therefore, the Commission has reduced operating expenses by $8,275.

Interest on Long-Term Debt

Salt River proposed a net increase to its interest on long-term debt expense of $184,509. The adjustment consisted of an increase due to the normalization of the expense of $188,066 and a reduction of $3,557 due to the reclassification of interest paid to East Kentucky for marketing loans. Salt River proposed to reclassify this interest expense as other interest expense. The Commission has determined the normalization of the interest on long-term debt expense, which results in an increase of $188,060.

Concerning the reclassification of the interest on the East Kentucky marketing loan, the Commission rejects Salt River's proposal. Salt River provided documentation from East Kentucky

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[4] T.E., June 22, 1993, at 50.

[5] Id., at 50 and 51.

which states that the loan repayment schedule will be amortized over a five-year period.[6] While Salt River contends this loan is renewable annually, it failed to provide any evidence to support its contention.[7] KRS 278.300 requires a utility to obtain prior Commission approval before issuing any evidence of indebtedness or security. Salt River has failed to demonstrate that its marketing loan with East Kentucky is not subject to this statute. Therefore, the Commission will remove the test-year interest expense for rate-making purposes. This adjustment plus the normalization of the interest on long-term debt results in a net increase in expense of $184,503. No adjustment has been made to other interest expenses.

PSC Assessment

Salt River proposed an increase in its PSC Assessment of $9,241 to reflect the effects of its normalization of revenues and purchased power expense, as well as the impact of its proposed revenue increase. Salt River generally followed the methodology normally used to determine the assessable revenues and applied the PSC Assessment rate in effect for 1992; however, Salt River adjusted 25 percent of its purchased power from the calculations, rather than 50 percent which is required by KRS 278.150, Section 1.

The Commission has recalculated the adjustment to reflect the normalizations of revenue and purchased power found reasonable in

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6 Response to the Commission's Order dated March 24, 1993, Item 1.

7 Response to the Commission's Order dated April 26, 1993, Item 1.

this Order. This calculation results in an increase in the PSC Assessment of $2,891. The Commission has also provided for an additional PSC Assessment expense of $2,402 to reflect the revenue increase granted herein.

Rate Case Expense

Salt River estimated its rate case expense at $18,000. It proposed to recover this expense through a three-year amortization. This estimate did not consider in-house labor. Throughout this proceeding, Salt River has been providing updates of the actual expenses incurred in presenting this rate case. Each update has been accompanied by adequate supporting documentation. As of the August 17, 1993 update, Salt River has expended $20,590 for this rate case. The Commission finds that a three-year amortization of these expenses is reasonable and will allow an increase in operating expense of $6,863 to reflect the first year of the amortization.

Medical and Dental Insurance Coverage

Salt River proposed an adjustment to normalize the costs of its employee medical and dental insurance coverage in the amount of $5,144, of which $1,413 was capitalized and $3,731 was expensed. Salt River later revised the proposal to reflect the portion of premiums paid by employees.[8] The Commission has recalculated the proposed adjustment and determined that an increase in medical and dental insurance coverage of $4,521 is reasonable. After applying

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8 Response to the Commission's Order dated March 24, 1993, Item 20.

the test-year capitalization rate, the Commission will include an adjustment to increase the expense by $3,278.

Advertising Expenses

Salt River proposed a reduction of $2,860 in advertising expenses related to promotional advertising. The Commission has reviewed the proposed adjustment and accepts it. Furthermore, the test-year expense for advertising for employment of meter readers has been removed. Salt River has indicated that this advertising expense is not a recurring expense.[9] Therefore, advertising expenses have been reduced by a total of $3,111.

Directors' Fees and Expenses

During the test year Salt River paid its six directors fees and expenses totaling $110,604. Salt River proposed to reduce test-year operating expenses by $22,525, to reflect the removal of per diem payments made to its directors for attending meetings other than regular board meetings. After reviewing these fees and expenses, the Commission finds that, in addition to the per diem payments removed by Salt River, several are excessive. A total reduction in test-year expenses of $80,123 should be made.

Medical and Dental Insurance. For rate-making purposes, it is inappropriate for Salt River to include the cost of medical and dental insurance coverage for its directors. They are not employees of Salt River. It has not been demonstrated that the current compensation provided to the directors is so inadequate

9 Response to the Commission's Order dated April 26, 1993, Item 27(d).

that insurance coverage must also be provided. The total test-year expense of $23,835 has been excluded.

KAEC, NRECA, and East Kentucky Meetings and Conferences. For rate-making purposes, the practice of including the cost of sending all directors to meetings and conferences is excessive. To the Commission's knowledge, no other cooperative under our jurisdiction follows this practice. Most send only two or three directors. The information gathered is shared with the other directors. Salt River has not demonstrated that its practice is reasonable. Test-year expenses for directors who were not the designated delegate or alternate have been excluded, resulting in a reduction in expense of $26,246.

Per Diem for Check Signing. Salt River has not demonstrated the need to pay a director a per diem to travel to its headquarters to sign checks nor why this practice is reasonable. We will exclude $1,500 from expenses for this item.

Congressional Breakfast. The Congressional Breakfast is a lobbying activity. The Commission does not include lobbying expenses for rate-making purposes and, therefore, has excluded $5,221 from expenses for this item.

Newspaper Subscriptions. Salt River has not demonstrated the reasonableness of providing its directors with newspaper subscriptions. The needs and interests of the member consumers can be ascertained through other means. We will exclude $256 from expenses for this item.

Salt River Service Corporation ("Service Corporation"). The Service Corporation is a wholly-owned subsidiary of Salt River, which distributes and sells satellite-delivered television programming services ("satellite-TV"). Salt River's directors also comprise the Service Corporation's board of directors. The Service Corporation board met four times during the test year after the Salt River monthly meetings. Service Corporation board members were not provided any compensation during the test year. Proper cost allocation practice requires that some portion of the director's monthly per diem should be allocated to the Service Corporation. We have allocated $540 of the monthly per diems to the Service Corporation and have reduced Salt River's expenses by the same amount.

Professional Services Expense

These expenses include legal, accounting, consulting, and engineering services provided during the test year. Salt River indicated that some of the test-year expenses could be considered non-recurring items, but that many of the expenses were recurring and should be included for rate-making purposes.[10] The Commission has reviewed these expenses and determined that some adjustment to the test-year level of expense is necessary.

The Commission has excluded for rate-making purposes the test-year expenses related to sending Salt River's attorney to legal seminars. We find no evidence that these expenses are either

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10 Response to the Commission's Order dated March 24, 1993, Items 29 and 31.

reasonable or consistent with normal business practice. We have also excluded the expenses for three specific legal activities: a territory encroachment case with the Louisville Gas and Electric Company, revision of the Articles of Incorporation, and the development of the capital credits policy. Salt River indicated that these are not recurring expenses.[11]

The Commission has excluded for rate-making purposes the test-year expenses for accounting services for a depreciation study performed during the test year and the review of the per diem reimbursement policy. Salt River indicated that the depreciation study was not expected to be a recurring item, but believes reviews like the per diem policy would be recurring.[12] Salt River has not adequately demonstrated that the policy review is a recurring item. We will exclude the expense of the review and the depreciation study, a total of $3,969.

Miscellaneous Expenses

The test-year charges to Salt River's credit cards and the expenses recorded in Account No. 930, Miscellaneous Expense were reviewed. The cost of counter handouts, gifts to employees, flowers, employee picnics, employee Christmas parties, power plant tours, and donations are public relations expenses not necessary to the provision of electric service. Salt River also has not adequately demonstrated that the cost of caps, membership surveys,

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11 Id., Item 31.

12 Id., Item 29.

and memberships on communicator councils and economic development associations should be included for rate-making purposes. A listing of the disallowed expenses totalling $13,399 is included in Appendix B.

Interest Income

At the end of the test year, Salt River borrowed approximately $4.1 million from the Rural Electrification Administration and the National Bank for Cooperatives. The drawdowns were used to reimburse Salt River's general funds for expenditures made in its two-year work plan. Approximately $2.3 million was used to pay its deferred purchased power bills. The remainder was placed in temporary investments.[13] It is appropriate to recognize additional interest income because of the increase in funds available for temporary investment. Applying the interest rate available for temporary investments to the net proceeds from the test-year loan drawdown, the normalized level of interest income is $64,155.[14] This results in an increase in test-year interest income of $20,501.

Annual Meeting Expenses

During the test year, Salt River paid members who served on its nominating and election committees fees totaling $550. The payment of compensation to the members of Salt River's nominating

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13 T.E., June 22, 1993, at 18-19.

14 Loans of $4,133,000 minus deferred purchased power bills of $2,300,000 leaves net proceeds of $1,833,000. $1,833,000 times interest rate of 3.5 percent equals $64,155.

and election committees is not consistent with the cooperative spirit and shared responsibility which non-profit cooperatives embody. The test-year payment has been removed for rate-making purposes.

Allocations to the Service Corporation

During the test year, Salt River allocated labor and labor-related costs and postage to the Service Corporation. However, Salt River had neither a written service agreement with the Service Corporation[15] nor written policies concerning cost allocations and asset transfers.[16] Salt River contends no costs related to office rental, office expenses, utilities, or insurance were allocated because the Service Corporation occupied less than 1 percent of the total space available at Salt River's main office.[17] The test-year wage increases were not adjusted for the five employees whose time was allocated in part to the Service Corporation.[18]

In Administrative Case No. 326,[19] the Commission established guidelines addressing regulatory concerns, protection of utility resources, access to subsidiary books and records, and reporting

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15 Response to the Commission's Order dated April 26, 1993, Item 33(a).

16 Id., Item 35.

17 Id., Item 39(d).

18 T.E., June 22, 1993, at 48.

19 Administrative Case No. 326, An Investigation Into the Diversification of Rural Electric Cooperative Corporations Into the Satellite-Delivered Television Programming Services, final Order dated March 18, 1991.

requirements. We further stated our primary concern that ratepayers not cross-subsidize nonutility operations through utility rates. Irrespective of the materiality of the cost, nonutility operating costs should not be recorded as utility operating costs.

While Salt River has allocated some costs to the Service Corporation, it has not adequately complied with the guidelines issued over two years ago in Administrative Case No. 326. Salt River has yet to enter a written service agreement with the Service Corporation or establish a written policy on cost allocation practices or asset transfers.

We have allocated a portion of the directors' monthly regular meeting per diem to the Service Corporation. We have also normalized the wages and salaries, as well as related payroll taxes and benefits, for the five employees who worked for the Service Corporation, using the actual hours worked for the Service Corporation and the test-year-end wage rates. This results in a reduction in operating expenses of $12,726. Adding the test-year actual postage costs allocated to the Service Corporation, we have reduced expenses by a total of $13,365. Salt River shall prepare a written service agreement with the Service Corporation and develop written cost allocation policies within 60 days of the date of this Order.

The effect of the pro forma adjustments on Salt River's net income is as follows:

	Actual Test Period	Pro Forma Adjustments	Adjusted Test Period
Operating Revenues	$27,601,310	$ 489,372	$28,090,682
Operating Expenses	26,568,610	517,707	27,086,317
Net Operating Income	1,032,700	(28,335)	1,004,365
Interest on Long-Term Debt	1,117,370	184,503	1,301,873
Other Income and (Deductions) - Net	429,524	(330,440)	99,084
NET INCOME	$ 344,854	$ (543,278)	$ (198,424)

REVENUE REQUIREMENTS

Revenue Increase

The actual rate of return earned on Salt River's net investment rate base established for the test year was 2.98 percent. Salt River requested rates that would result in a Times Interest Earned Ratio ("TIER") excluding GTCCs of 2.00X and a rate of return of 7.32 percent on its proposed rate base of $34,528,482.

Salt River's actual TIER excluding GTCCs for the test period was .93X. For the calendar years 1990 and 1991, it was 1.86X and 1.30X respectively. After taking into consideration pro forma adjustments, Salt River would achieve a .85X TIER excluding GTCCs without an increase in revenues. Salt River's equity to total capitalization ratio is 35.17 percent based on the approved capital structure.

Revenue requirements calculated to produce a TIER excluding GTCCs of 2.00X should be approved. To achieve the 2.00X TIER, Salt River should be allowed to increase its annual revenues by $1,502,695. This increase includes an additional $2,402 to reflect the associated increase in Salt River's PSC Assessment. This additional revenue should produce net income of $1,301,869, which should be sufficient to meet the requirements of servicing Salt River's mortgage debts.

PRICING AND TARIFF ISSUES

Rate Design

Salt River proposed that its residential, commercial, and street lighting rates, which are currently four-step or five-step declining block rates, be converted to flat rates. The Commission agrees.

Salt River proposed no change in the design of its large power rates, which are three-step declining block rates, because its cost-of-service study called for no change in revenue from this class. Salt River stated that changing the rate design for this class would go against the rate design principle of continuity. However, maintaining the class revenue requirement while changing from a three-step declining block to a flat rate for large power rates is not inconsistent with the principle of rate continuity. Therefore, all of Salt River's rates should be restructured to a flat rate.

OTHER ISSUES

Discounting Capital Credits to Deceased Members Estates

The bylaws of Salt River provide for the payment of capital credits to deceased members' estates upon the submission of a written request by the legal representative of the estate. The bylaws further provide that the board may discount the payment of these capital credits at a rate that reflects Salt River's blended cost of borrowing and present value of money. On April 2, 1992, Salt River's board of directors adopted a financial management plan which incorporated an equity management plan with provisions for discounting capital credit payments to deceased members' estates. The plan states that the portion of an estate's capital credits which is not retired because of discounting would be considered and accounted for as donated capital. The equity management plan provides for an optimal equity level of 40 percent, but does not provide for the systematic rotation of capital credits or establish a rotation period.

While Salt River has routinely paid the capital credits for deceased members' estates, it has not made a general retirement of capital credits since 1990.[20] That retirement covered capital credits accumulated through 1968.[21] Before the adoption of the equity management plan, Salt River paid 100 percent of the face value of capital credits to deceased members' estates. Instead of adopting a rotation cycle for the general retirement of capital credits, Salt River stated that it would review its financial condition annually using the target TIER and equity ratios outlined in the equity management plan.[22] It did not seek additional revenues to begin a systematic general retirement of capital credits in this proceeding.

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[20] Exhibit F of the Application.

[21] Response to the Commission's Order dated March 24, 1993, Item 35(c).

[22] Id., Item 35(b).

The theory supporting the discounting approach is that the member's estate receives the capital earlier than it would have been received during a general retirement of capital credits under an established rotation cycle. To apply discounting properly, the cooperative must have designated a capital credit rotation cycle and must make annual retirements of capital credits to its members under an established equity management plan.

Salt River has adopted a discounting policy without establishing the necessary rotation cycle for capital credit retirements or making annual general retirements of capital credits. Salt River should suspend its practice of discounting capital credit payments to deceased members' estates until such time as it demonstrates that a rotation cycle for general capital credit retirements has been established and annual general retirements of capital credits have begun. Until then, Salt River should pay 100 percent of the face value of capital credits to deceased members' estates as it did prior to April 2, 1992.

In addition, Salt River should refund to the deceased members' estates all monies retained and recorded as donated capital. During the eight months of the test year the discounting policy was in effect, Salt River retained and recorded as donated capital $9,546.[23] An additional nine months have passed since the test-year end. Salt River should provide the Commission with the total amount of retained capital credits from the discounting and

[23] Id., Item 36(b).

a list of the estates, amounts, and check numbers which reflect the refunding of these capital credits.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The rates set forth in Appendix A are the fair, just, and reasonable rates for Salt River to charge for service rendered on and after the date of this Order.

2. The rate of return and TIER granted herein are fair, just, and reasonable and will provide for Salt River's financial obligations.

3. The rates proposed by Salt River would produce revenue in excess of that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. The rates in Appendix A are approved for service rendered by Salt River on and after the date of this Order.

2. The rates proposed by Salt River are denied.

3. Within 30 days from the date of this Order, Salt River shall file with this Commission its revised tariff sheets setting out the rates approved herein.

4. Within 60 days from the date of this Order, Salt River shall file copies of its service agreement with the Service Corporation and its written policies on cost allocation and asset transfers.

5. As of the date of this Order, Salt River shall cease discounting capital credit payments to deceased members' estates.

6. Within 30 days of the date of this Order, Salt River shall file a schedule showing the total amount of retained capital credits resulting from its discounting policy. The schedule shall list the estate name and the amount owed.

7. Within 60 days of the date of this Order, Salt River shall file a schedule showing the refund to the estates of the retained capital credits. The schedule shall list the estate, the amount paid, the check number, and the date of the check.

Done at Frankfort, Kentucky, this 28th day of September, 1993.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 92-560 DATED September 28, 1993

The following rates and charges are prescribed for the customers in the area served by Salt River Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Schedule A-5
Farm and Home Service

Rate:

Customer Charge	$ 7.70	Per Month
Energy Charge	.05727	Per KWH

Schedule A-5T
Farm and Home Service-Taxable

Rate:

Customer Charge	$ 7.70	Per Month
Energy Charge	.05727	Per KWH

Schedule R-1
Residential Marketing Rate

Rate:

All KWH	$ 0.03436	Per KWH

Schedule B-2
Commercial and Small Power Service

Rate:

Customer Charge	$10.36	Per Month
Energy Charge	.06302	Per KWH

Schedule LLP-1
Large Power Service

Rate:

KW Demand	$ 5.83	Per KW
All KWH	.04499	Per KWH

Schedule LLP-2
Large Power 500 KW Under 3000 KW
(Secondary Voltage)

Rate:

Demand Charge	$ 5.83	Per KW
All KWH	.04168	Per KWH

Schedule OL
Outdoor Lighting

Rate:

Type of Light	Wattage	Monthly Charge Per Lamp
Mercury Vapor (MV)	175	$ 7.92
Sodium Vapor (HPS)	100	7.92
Sodium Vapor (HPS)	250	9.89
Sodium Vapor (HPS)	400	12.77
Decorative Underground (HPS)	100	8.87

Schedule OL-1
Street Lighting Service

Rate:

Customer Charge	$10.30	Per Month
Energy Charge	.06132	Per KWH

Schedule LLP-3
Large Power 500 KW-3000 KW
(Primary Voltage)

Rate:

Demand Charge	$ 5.82	Per KW
All KWH	.04161	Per KWH

Schedule LPR-1
Large Power 3000 KW and Over

Rate:

Demand Charge	$ 8.23	Per KW
All KWH	.03011	Per KWH

Schedule LPR-2

Rate:

Demand Charge	$ 8.23	Per KW
All KWH	.03011	Per KWH

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 92-560 DATED September 28, 1993

Commission's Adjustment for Miscellaneous Expenses.

Account	Description	Amount
921	Christmas Trees - Branch Office	$ 297
930	Employee Christmas Party	6,277
930	NRECA Membership Surveys	295
930	Candy for Hand Outs	1,699
930	Employee Christmas Gift Certificates - not previously removed	180
930	Fee - Council of Rural Electric Communicators	130
930	Caps	2,383
930	Secretary Day 1992	148
930	Employee Picnic	728
930	Dues - National Rural Economic Developers Association	100
930	Sponsorship of NIE Program	135
930	Power Plant tours	757
930	Flowers	170
930	Contribution - St. Catherine's	100
	Total Miscellaneous Expense Adjustment	$13,399