

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CLARK RURAL ELECTRIC)
COOPERATIVE CORPORATION OF WINCHESTER,)
KENTUCKY, FOR AN ORDER AUTHORIZING A) CASE NO. 94-419
DECREASE IN RETAIL RATES, APPLICABLE TO)
ALL CONSUMERS)

O R D E R

On December 2, 1994, Clark Rural Electric Cooperative Corporation ("Clark") filed an application to reduce its rates for retail electric service by \$1,300,252 annually effective January 1, 1995. The proposed rate reduction was designed to pass on to Clark's customers a decrease in power costs proposed by Clark's wholesale power supplier, East Kentucky Power Cooperative, Inc. ("East Kentucky").¹ The decrease in power costs proposed by East Kentucky became effective January 1, 1995, subject to further modification, and Clark's proposed rates became effective simultaneously under the same condition.

Intervening in this matter was the Attorney General of the Commonwealth of Kentucky, by and through his Public Service Litigation Branch ("AG"). A public hearing was held April 27, 1995 at the Commission's offices in Frankfort, Kentucky.

¹ Case No. 94-336, The Application of East Kentucky Power Cooperative, Inc. for an Adjustment to Its Wholesale Power Tariffs.

On July 25, 1995, the Commission approved a rate decrease for East Kentucky which was greater than it had proposed. Consequently, Clark's power costs will decrease by an additional \$245,126 annually for a total decrease of \$1,545,378 annually. The manner in which this total decrease is passed on to Clark's customers through reduced rates is discussed below.

ALLOCATION AND RATE DESIGN ISSUES

Clark proposed to reduce its rates to reflect the full amount of East Kentucky's wholesale rate reduction. Clark utilized an "equal reduction per Kwh" methodology which provides retail customers the same reduction per Kwh for all energy charges. This approach results in a straight pass-through of the East Kentucky decrease with no change to Clark's existing rate design and no impact on its financial condition. Clark was one of fourteen customers of East Kentucky utilizing this methodology while three others utilized the "equal percentage of revenue" methodology.

The AG recommends that the decrease be allocated on an equal percentage of revenue approach. The AG contends that this is the most equitable approach and its use here, in the absence of a cost-of-service study, is analogous to its use by the Commission in general rate cases when no cost-of-service studies are acceptable for revenue allocation purposes. The AG also questioned the continuation of the Electric Thermal Storage ("ETS") program and urged, if the program is continued, that retail ETS rates not be set below East Kentucky's wholesale off-peak energy rates.

In rebuttal, Clark contended that both revenue allocation methodologies are reasonable and that one should not be favored over the other. Clark also supported East Kentucky's ETS program and urged that the existing ETS rate structure be maintained.

Based on the evidence of record and being otherwise sufficiently advised, the Commission will approve the "equal reduction per Kwh" approach for allocating the decrease to retail rate classes for the following reasons. (1) The wholesale rate decrease from East Kentucky consists of decreased energy charges (per Kwh); therefore, an equal reduction per Kwh is a reasonable approach for the retail pass-through of the wholesale power cost decrease. (2) When a change in retail rates is caused by a change in only one expense item, purchased power, it is neither necessary nor appropriate to use a "percentage of revenue" allocation methodology. The Commission has at times utilized such a methodology where revenues are adjusted to reflect changes in multiple expenses. Here, however, revenues are being changed to reflect only one expense, purchased power. Under these circumstances, it is logical and reasonable that a change in cost be identified and reflected in the resulting change in retail rates.

The ETS rate issue is essentially moot due to the Commission's decision in East Kentucky's rate case to set the wholesale off-peak energy rates well below the retail ETS rate. The Commission, therefore, will approve the continuation of the existing ETS rate structure.

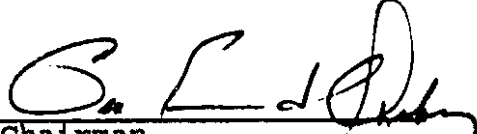
IT IS THEREFORE ORDERED that:

1. The rates in Appendix A, attached hereto and incorporated herein, are approved for service rendered on and after the date of this Order.

2. Within 20 days of the date of this Order, Clark shall file with the Commission revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 26th day of July, 1995.

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. 94-419 DATED July 26, 1995.

The following rates and charges are prescribed for the customers in the area served by Clark Rural 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 effective date of this Order.

SCHEDULE R
RESIDENTIAL

Rates:

All KWH \$.06029 Per KWH

SCHEDULE R T-O-D
RESIDENTIAL T-O-D

Rates:

On-Peak Rate \$.06258 Per KWH
Off-Peak Rate .03308 Per KWH

SCHEDULE A & B
GENERAL POWER SERVICE

Rates:

	<u>Schedule A</u>	<u>Schedule B</u>
All KWH	\$.08039	\$.06158

SCHEDULE D
OFF-PEAK RETAIL MARKETING

Rates:

All KWH \$.03617 Per KWH

SCHEDULE E
PUBLIC FACILITIES

Rates:

All KWH \$.06768 Per KWH

SCHEDULE T
OUTDOOR LIGHTING FACILITIES

Annual Rate Per Lamp:

200 Watt	\$ 60.08
300 Watt	76.11
400 Watt	114.26

SCHEDULE S
OUTDOOR LIGHTING FACILITIES

Rate Per Light Per Month:

175 Watt \$ 5.47

SCHEDULE L
GENERAL POWER SERVICE

Rates:

Energy Charge \$.04372 Per KWH

SCHEDULE P
GENERAL POWER SERVICE

Rates:

Energy Charge \$.03558 Per KWH

SCHEDULE H
GENERAL POWER SERVICE

Rates:

Energy Charge \$.03651 Per KWH

SCHEDULE G
GENERAL POWER SERVICE

Rates:

Energy Charge \$.03948 Per KWH

SCHEDULE M
GENERAL POWER SERVICE

Rates:

Energy Charge

\$.03948 Per KWH

SCHEDULE J
INDUSTRIAL HLE

Rates:

Energy Charge

\$.02844 Per KWH