

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DECREASE IN RATES OF BLUE)	
GRASS ENERGY COOPERATIVE)	CASE NO. 99-311
CORPORATION)	

O R D E R

On December 12, 1997, the Commission approved the consolidation of Blue Grass Rural Electric Cooperative Corporation (Blue Grass) and Fox Creek Rural Electric Cooperative Corporation (Fox Creek) into a new electric distribution cooperative known as Blue Grass Energy Cooperative Corporation (Blue Grass Energy).¹ As a result of this consolidation, there are two billing rates for each rate class of Blue Grass Energy. Pursuant to the Commission's Order of December 12, 1997, Blue Grass and Fox Creek were to develop a plan to achieve rate parity among the cooperative members.

On August 25, 1999, Blue Grass Energy filed an application with the Commission outlining its plan to phase-in the rate differential in three stages over an estimated 4 years, with the last stage including a cost-of-service study and the development of common rate structures by rate class for all its customers. Blue Grass Energy's application requests approval of its phase-in plan as well as approval of Phase 1. Blue Grass Energy proposes in Phase 1 to decrease the residential rate in the Fox

¹ Case No. 97-424, The Application of Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation for an Order Approving Consolidation of the Two (2) Named Rural Electric Cooperatives.

Creek District by approximately \$206,000, or one-third (1/3) of the rate differential of 7.4 percent effective October 1, 1999. Blue Grass Energy provided notice of its proposed decrease to its customers as required by regulation.

A review of the application revealed that certain customers of Blue Grass Energy with low monthly usage were actually receiving an increase in rates under Blue Grass Energy's proposal. Therefore, the Commission determined that further proceedings were necessary and, on September 21, 1999, issued an Order suspending the proposed rates until February 29, 2000. The Commission issued a request for additional information on October 1, 1999, and Blue Grass Energy filed its response on October 8, 1999.

An informal conference was held at the Commission's Offices on November 3, 1999, between Commission Staff and representatives of Blue Grass Energy, for the purpose of discussing the application. On November 8, 1999, Blue Grass Energy filed an amended application reallocating the reduction to ensure that no customers of the Fox Creek District will receive an increase in Phase 1. The amended application included a request to deviate from the notice requirements of Administrative Regulation 807 KAR 5:001, Section 10(3). Blue Grass Energy requested permission to avoid newspaper publication of its amended application since notice of a rate reduction had been previously published.

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

1. Blue Grass Energy's plan to achieve rate parity among its member customers in 3 phases over an estimated 4 years, with the final stage including a full

cost-of-service study and the development of common rate structures for each rate class of Blue Grass Energy, should be approved on the condition that should material changes in Blue Grass Energy's condition enable it to accelerate its proposed plan, it will do so.

2. The rates set forth in Appendix A are fair, just and reasonable rates for Blue Grass Energy to charge for service in its Fox Creek District.

3. Blue Grass Energy has requested that the rates become effective January 1, 1999; however, since the proposal represents a reduction in rates, the customers of the Fox Creek District should receive the benefit of lower rates as of the date of this Order.

4. Blue Grass Energy's request for deviation should be granted. Blue Grass Energy has previously published notice in accordance with Administrative Regulation 807 KAR 5:001, Section 10(3), of its application to reduce the residential rates. Therefore, the public has been given adequate notice of these proceedings.

IT IS THEREFORE ORDERED that:

1. The Commission generally approves Blue Grass Energy's plan to phase in rate reductions with a current projected timetable of 4 years, on the condition that should material changes in Blue Grass Energy's condition enable it to accelerate its proposed plan, it will do so.

2. Before implementing each phase of the plan, Blue Grass Energy shall file an application with the Commission.

3. The rates in Appendix A are approved for service rendered by Blue Grass Energy in its Fox Creek District on and after the date of this Order.

4. Blue Grass Energy is granted permission to deviate from Administrative Regulation 807 KAR 5:001, Section 10(3), and shall not be required to publish notice of the revisions to its application.

5. Blue Grass Energy shall file within 30 days of the date of this Order its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 20th day of December, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-311 DATED DECEMBER 20, 1999

The following rates and charges are prescribed for the customers in the area served by Blue Grass Energy 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.

FOX CREEK DISTRICT

SCHEDULE R
RESIDENTIAL SERVICE

Rate:

Minimum Bill	First 30 KWH Per Month	\$ 5.39 Per Month
All Over	30 KWH Per Month	.05731 Per KWH

SCHEDULE R2
RESIDENTIAL MARKETING RATE

Rate:

All KWH	\$.03439 Per KWH
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