

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE BEREA) CASE NO.
COLLEGE ELECTRIC UTILITY DEPARTMENT) 2003-00010

O R D E R

On March 21, 2003, Berea College Electric Utility Department (Berea) applied to the Commission for authority to adjust its rates to produce additional annual revenue in the amount of \$430,812. Berea is a department of Berea College, a Kentucky non-profit corporation and educational institution, with its principal place of business in Berea, Kentucky, and is engaged in the business of supplying electricity service to the public in the city of Berea and its environs.

To determine the reasonableness of Berea's proposal, the Commission suspended the proposed rates pursuant to KRS 278.190(2) for 5 months from their effective date up to and including September 22, 2003. Joshua Bills (Intervenor), a customer of Berea, was granted permission on April 4, 2003 to participate as a full party in this proceeding. A formal hearing was scheduled for August 5, 2003. That hearing was cancelled to permit Commission Staff and the parties to negotiate settlement of the case. As a result of the negotiations, a Settlement Agreement was reached and submitted to the Commission for its approval.

Under the terms of that Agreement, Berea will be granted a revenue increase of \$336,000 or approximately 8.5 percent return on rate base.

After careful review of the Settlement Agreement, an examination of the record, and being otherwise sufficiently advised, the Commission finds that the Agreement's terms are reasonable and that its rate design is in conformity with generally accepted rate-making standards. The Commission further finds that the Agreement is in the public interest and should be accepted.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, appended hereto as Appendix A, is incorporated into this Order as if fully set forth herein.
2. The terms and conditions set forth in the Settlement Agreement are adopted and approved.
3. The rates set forth in Appendix B to this Order reflect the rates agreed to in the Settlement Agreement and are the rates approved for service rendered on and after September 30, 2003.
4. Berea shall, within 20 days of the date of this Order, file new tariffs reflecting the provisions of this Order.

Done at Frankfort, Kentucky, this 25th day of September, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00010 DATED September 25, 2003

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE BEREA)
COLLEGE ELECTRIC UTILITY DEPARTMENT) CASE NO.
2003-00010

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered this 17th day of September, 2003, by and among BEREA COLLEGE ELECTRIC UTILITY DEPARTMENT ("Berea"), JOSHUA BILLS ("the Intervenor") and STAFF OF THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("Commission Staff") ("collectively referred to as "Parties")

WITNESSETH:

THAT WHEREAS, on March 21, 2003, Berea applied to the Public Service Commission for authority to adjust its base rates to produce additional annual revenues in the amount of \$430,812.00; and

WHEREAS, one individual sought and was granted intervention in this proceeding and he is a party to this Settlement Agreement; and

WHEREAS, Berea, the Intervenor and Commission Staff attended an informal conference on August 5, 2003 at which they discussed Berea's application and reached an agreement on all issues raised therein.

NOW THEREFORE, be it resolved that:

1. The Parties mutually agree that all outstanding issues raised in this proceeding shall be resolved by this Settlement Agreement.

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2. Upon acceptance of this Settlement Agreement by the Public Service Commission, Berea shall be authorized to adjust its rates to produce additional annual operating revenues of \$336,000, which approximates an 8.5 percent return on rate base. The rates set forth in the Appendix to this Settlement Agreement will produce this level of revenue. The new rates will be effective for service rendered on and after September 30, 2003.

3. Berea shall be authorized to increase its pole attachment rates to reflect in the calculation of its annual carrying charge the 8.5 percent rate of return on rate base agreed to herein.

4. The Parties agree that the minimum monthly charge for residential and small commercial customers for Net Metering Service shall be the same as their respective minimum monthly charge for general electric service.

5. The Parties agree that Berea shall be allowed to charge an inspection fee for inspection of the Net Metering connections in an amount equal to actual cost, but in no event greater than \$50 per connection.

6. Berea agrees to modify the language in its proposed net metering tariff to reflect the fact that the tariff is for a period of 3 years, and not that the service under net metering is on a trial basis.

7. Berea agrees to delete the word "program" used in the context of the net metering tariff.

8. The Parties agree that Berea shall, beginning with the first statements to its customers under this agreement, use a flat rate structure rather than the declining block rate structure it currently utilizes.

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9. Berea agrees that it will, as of July 1, 2004, begin a transition to compliance with the Electric Plant Instructions contained in the Uniform System of Accounts established by the Federal Energy Regulatory Commission to record and capitalize its construction costs. This transition is to be completed by December 31, 2004 and Berea agrees to be fully compliant with the Electric Plant Instructions beginning on January 1, 2005.

10. The Parties acknowledge that historically Berea has used a 50 percent allocation factor for shared expenses between the electric and water utilities, but agree that the allocation should be changed so that on a going forward basis 55 percent of the expenses are allocated to electric and 45 percent of the shared expenses are allocated to water.

11. Berea agrees to monitor the allocation of shared expenses described above and to adjust the allocation every 5 years, if necessary, or if there is a change that is greater than one percent.

12. Berea agrees to withdrawal its proposal to change the usage requirements for determining availability of service for Rate Classes 2, 3, 4, 5 and 6.

13. This Agreement is subject to the acceptance of and approval by the Commission.

14. Commission Staff shall recommend to the Commission that this Settlement Agreement be accepted and approved.

15. If the Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of the Settlement

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Agreement nor any matters raised during settlement negotiations shall be binding on any of the signatories.

16. If the Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order in this proceeding to that effect, neither Berea nor the Intervenor shall apply for a rehearing in this matter nor bring legal action for judicial review of that Order.

BEREA COLLEGE ELECTRIC
UTILITY DEPARTMENT

BY: *Rudolph Smith*
TITLE: *Vice President for Finance*
DATE: *9/17/03*

INTERVENOR

Joshua Bills
JOSHUA BILLS
DATE: *9/17/03*

STAFF OF THE PUBLIC SERVICE
COMMISSION OF KENTUCKY

BY: *Anita G. Mitchell*
TITLE: *Staff Attorney*
DATE: *9/19/03*

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APPENDIX

<u>Residential Service - Class 1</u>	
Service Charge	\$ 5.90
All kWh	\$.0522

<u>Small Commercial - Class 2</u>	
Service Charge	\$ 10.00
All kWh	\$.0589

<u>Large Commercial - Class 3</u>	
Service Charge	\$ 7.00
kW Demand	\$ 2.73
All kWh	\$.0485

<u>Industrial - Class 4</u>	
Service Charge	\$ 939.00
kW Demand	\$ 6.47
All kWh	\$.0364

<u>Industrial - Class 5</u>	
Service Charge	\$ 900.00
kW Demand	\$ 6.00
All kWh	\$.0352

<u>Industrial - Class 6</u>	
kW Demand	\$ 6.18
All kWh	\$.0348

<u>Street Lighting - Class 7</u>	
175W MV Standard	\$ 6.28
175W MV Existing Pole	\$ 5.32
400W MV Existing Pole	\$ 8.62
100W HPS Standard	\$ 4.63
100W HPS Existing Pole	\$ 4.12
250W HPS Standard	\$ 9.11
250WHPS Existing Pole	\$ 8.49

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Private Lighting – Class 8

175W MV Standard	\$	6.28
175W MV Existing Pole	\$	5.32
400W MV Existing Pole	\$	8.62
70W MV Standard	\$	3.51
70W HPS Existing Pole	\$	3.00
100W HPS Standard	\$	4.40
100W HPS Existing Pole	\$	3.89
250W HPS Standard	\$	9.11
250W HPS Existing Pole	\$	8.49

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APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00010 DATED September 25, 2003

The following rates and charges are prescribed for the customers in the area served by Berea College Electric Utility Department. 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.

	<u>Residential Service - Class 1</u>
Service Charge	\$ 5.90
All kWh	\$.0522

	<u>Small Commercial - Class 2</u>
Service Charge	\$ 10.00
All kWh	\$.0589

	<u>Large Commercial Class 3</u>
Service Charge	\$ 7.00
kW Demand	\$ 2.73
All kWh	\$.0485

	<u>Industrial Class 4</u>
Service Charge	\$ 939.00
kW Demand	\$ 6.47
All kWh	\$.0364

	<u>Industrial Class 5</u>
Service Charge	\$ 900.00
kW Demand	\$ 6.00
All kWh	\$.0352

	<u>Industrial Class 6</u>
kW Demand	\$ 6.18
All kWh	\$.0348

Street Lighting Class 7

175W MV Standard	\$ 6.28
175W MV Existing Pole	\$ 5.32
400W MV Existing Pole	\$ 8.62
100W HPS Standard	\$ 4.63
100W HPS Existing Pole	\$ 4.12
250W HPS Standard	\$ 9.11
250WHPS Existing Pole	\$ 8.49

Private Lighting Class 8

175W MV Standard	\$ 6.28
175W MV Existing Pole	\$ 5.32
400W MV Existing Pole	\$ 8.62
70W MV Standard	\$ 3.51
70W HPS Existing Pole	\$ 3.00
100W HPS Standard	\$ 4.40
100W HPS Existing Pole	\$ 3.89
250W HPS Standard	\$ 9.11
250W HPS Existing Pole	\$ 8.49

Pole Attachments

	<u>Rate (\$/month)</u>
Two Party Poles	
Cable Pole Attachments	\$.5386
Three Party Poles	
Cable Pole Attachments	\$.3340