COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

TIME OF DAY TARIFF FILING BY KENTUCKY POWER COMPANY)) CASE NO. 8871

O R D E R

On October 28, 1983, the Commission issued an Order in this case which approved the experimental time-of-day ("TOD") tariff, CIP-TOD. This tariff was filed by Kentucky Power Company ("Kentucky Power") as required by the Commission's Order of February 28, 1982, in Administrative Case No. 203, The Determinations with Respect to the Ratemaking Standards Identified in Section 111 (d)(1)-(6) of the Public Utility Regulatory Policies Act of 1978. The Order in Administrative Case No. 203 provided a plan for the implementation of TOD rates. The plan consisted of four phases. The first phase was the selection of customers to be included under the TOD rates. The second phase required the utility to perform 12 months of load research on the targeted customers, to educate the customers concerning TOD rates, and to design rates. The third phase was to place the TOD tariffs in effect for 12 months. The fourth phase requires the utility company to perform a cost-benefit analysis of the TOD rates and prepare for the Commission a written report evaluating the 2 years of information gathered from the customers. Currently, the experiment has progressed to the end of the third phase and the question has arisen concerning whether the TOD tariffs should remain in effect until the evaluation required in the fourth phase is completed. This means that the TOD tariffs approved for the 1-year experimental phase would have to be extended for some period for the analysis to be concluded. This period would likely take up to 6 months.

The Order in Administrative Case No. 203 also established a Load Management Task Force to monitor the implementation of TOD rates. The task force is composed of utility personnel, Commission staff and consumer representatives. The task force meets regularly to discuss the status of the implementation of TOD rates. Each of the participating utilities reports on its efforts to inform its customers about TOD rates and also reports any complaints of comments received from its customers. Although several customer concerns have been reported to the task force, no customer appears to have been unduly harmed by the implementation of TOD rates.

Several utility concerns have also been discussed at the meetings. Foremost among these concerns is the erosion of revenues experienced by the utility company as a result of the implementation of TOD rates. However, the Commission has already addressed this concern in a June 8, 1983, Order in Administative Case No. 203. The Commission, in that Order, instructed the utilities to "document any revenue they may lose solely as a result of the implementation of the time-of-day rates in Phase 3 and then request to recover the revenue in the first general rate case after the conclusion of the study." In the case of an extension of the TOD rates beyond 1 year, the revenue loss could increase further, especially for some of the utilities which have a seasonal differential in rates.

Thus the Commission is faced with two choices. One course would be to allow the TOD tariffs to expire and have the customers charged under the provisions of traditional non-time-differentiated rates while the evaluation of the TOD experiment is completed. However, if the evaluation demonstrated that the TOD rates were effective, then they would have to be reinstituted later. The other course would be to keep the TOD tariffs in effect during the period that the experiment is evaluated.

The Commission after careful consideration finds that the best and most practical course to pursue is the extension of the TOD tariffs until the cost-benefit evaluation is completed. Kentucky Power and the other utilities participating in the experiment have expended considerable efforts to explain TOD rates to their customers. To drop TOD rates only to perhaps reinstitute them a short time later if the evaluation of the experiment shows TOD rates to be cost effective would add to customer confusion and offset any good relations that may have been developed during the course of the experiment. Further, the Commission finds that the recovery of any additional revenues that may be lost during the extension of the TOD rates could be considered in the first general rate case after the conclusion of the study. Also, as previously established in Administrative Case No. 203, any general rate increases that might be granted during the study should also be applied to the TOD rates.

The Commission's only concern is that the Load Management Task Force forum may not have presented the opportunity for some customers' complaints to be expressed. In order to alleviate this concern, any customer included in this TOD experiment who believes that he will be unduly harmed by the extension of the TOD rates until the cost-benefit evaluation is completed should state his concerns in writing for the Commission to consider. These statements should express the customer's concern and the extent of the problem if any. The statement should be sent to Mr. Forest Skaggs, Secretary, Public Serice Commission, P. O. Box 615, Frankfort, Kentucky 40602; and a copy should also be sent to Kentucky Power in care of Mr. Robert B. Bibb, Manager, Rates and Tariffs, 1701 Central Avenue, Ashland, Kentucky 41101. The Commission will consider the statements and seek remedies to any particular concerns if such remedies appear necessary.

IT IS THEREFORE ORDERED that Kentucky Power shall provide a copy of this Order to each of the customers currently billed under CIP-TOD.

IT IS FURTHER ORDERED that the CIP-TOD tariff shall remain effective until the cost-benefit evaluation of the TOD tariffs is completed. However, the Commission will consider providing relief for any customer who affirmatively demonstrates that such an extension of the TOD tariff will cause him to be unduly harmed.

Done at Frankfort, Kentucky, this 25th day of September, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Heman Jr.
Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary