

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF HARRISON COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION OF)
CYNTHIANA, KY FOR A REVISION TO ITS) CASE NO. 10304
RETAIL TARIFFS TO IMPLEMENT A RETAIL)
MARKETING RATE FOR SPECIAL RETAIL)
APPLICATIONS)

O R D E R

On July 1, 1988, Harrison County Rural Electric Cooperative Corporation ("Harrison County") filed a revision to its retail electric tariffs to become effective on August 1, 1988. Pursuant to KRS 278.190(2), the Commission on July 27, 1988 suspended the effective date of the revision until January 1, 1989. The revision provides for an off-peak retail marketing rate for special retail applications.

The retail marketing rate is designed to offer a 40 percent discount to the energy rate of Tariff Rate 1 Farm and Home Service to consumers eligible for that same tariff. This rate offering is in conjunction with the Marketing Rate of the Wholesale Power Rate Schedule A of East Kentucky Power Cooperative, Inc. ("EKPC") approved by the Commission in Case No. 10281, The Notice of East Kentucky Power Cooperative, Inc. of a Revision to Its Wholesale Electric Power Tariff to Implement a Wholesale Power Marketing Rate for Special Retail Applications. This wholesale power marketing rate offers to Harrison County and EKPC's other member

cooperatives a 20 percent discount to the current wholesale power energy rate for off-peak power used for designated marketing programs.

The initial application of Harrison County's marketing rate will be for the use of Electric Thermal Storage ("ETS") devices. ETS is a technology that allows heat to be stored in one time period and used in another. Specifically, the ETS device can be controlled by the utility to store heat at night during off-peak hours and to discharge heat as needed, with no contribution to on-peak load.

The Commission has previously allowed electric utilities to charge special rates for power used by ETS devices. In December 1986, we permitted South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") and EKPC to conduct a three-year pilot program involving ETS units. The load research data produced by that program indicates that ETS is a favorable off-peak load building technique which improves load factor.

The Commission assumes that Harrison County will incorporate many of the features of the ETS pilot program into its own marketing programs. Of special interest to the Commission is any contract between the utility and its retail customers. In the ETS pilot program, for example, South Kentucky RECC contracted with each ETS customer guaranteeing, inter alia, that the energy used by the ETS unit would be discounted at least 40 percent for ten years and that off-peak power would be available for charging the ETS unit for at least ten hours daily. If similar contracts are used by Harrison County, they should be standardized and used for

all customers seeking the retail marketing rate. Any failure to standardize such contracts would constitute a violation of KRS 278.170. Furthermore, a copy of the standardized contract should be filed as part of Harrison County's tariff.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the revised tariff should be accepted provided that it is amended to state that the retail marketing rate applies only to programs which are expressly approved by the Commission to be offered under the Marketing Rate of EKPC's Wholesale Power Rate Schedule A.

IT IS THEREFORE ORDERED that:

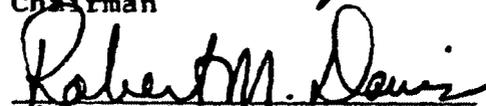
1. Harrison County's Off-Peak Retail Marketing Rate (Rate 1 ETS) Tariff as filed with the Commission on July 1, 1988 be and hereby is denied.

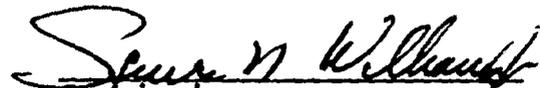
2. Within 20 days of the date of this Order, Harrison County shall file with this Commission an Amended Tariff complying with the findings of this Order, or request a hearing to present evidence to show why the proposed tariff should be accepted without modification.

Done at Frankfort, Kentucky, this 9th day of September, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director