

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF EAST)	
KENTUCKY POWER COOPERATIVE, INC. FOR)	CASE NO.
THE SIX-MONTH BILLING PERIODS ENDING)	2009-00039
DECEMBER 31, 2007; JUNE 30, 2008; AND)	
DECEMBER 31, 2008; AND THE PASS-)	
THROUGH MECHANISM FOR ITS SIXTEEN)	
MEMBER DISTRIBUTION COOPERATIVES)	

O R D E R

By Order dated February 23, 2009, the Commission initiated this review of:

1. East Kentucky Power Cooperative, Inc.'s ("EKPC") environmental surcharge as billed to its member distribution cooperatives¹ for the six-month periods ending December 31, 2007; June 30, 2008; and December 31, 2008; and
2. The environmental surcharge retail pass-through mechanisms ("ES pass-throughs") of EKPC's 16 distribution cooperatives as billed to their retail customers for the six-month periods ending January 31, 2008; July 31, 2008; and January 31, 2009.

¹ EKPC's member distribution cooperatives are: Big Sandy Rural Electric Cooperative Corporation; Blue Grass Energy Cooperative Corporation; Clark Energy Cooperative, Inc.; Cumberland Valley Electric, Inc.; Farmers Rural Electric Cooperative Corporation; Grayson Rural Electric Cooperative Corporation; Inter-County Energy Cooperative Corporation; Fleming-Mason Energy Cooperative ("Fleming-Mason"); Jackson Energy Cooperative; Licking Valley Rural Electric Cooperative Corporation; Nolin Rural Electric Cooperative Corporation; Owen Electric Cooperative ("Owen Electric"); Salt River Electric Cooperative Corporation; Shelby Energy Cooperative, Inc.; South Kentucky Rural Electric Cooperative Corporation ("South Kentucky"); and Taylor County Rural Electric Cooperative Corporation.

Two of EKPC's cooperatives, Owen Electric and Fleming-Mason, sought and were granted intervention. The Commission subsequently ordered EKPC's other 14 member cooperatives to be made parties to the case because the issues under review could directly affect their retail pass-through mechanisms.

In response to a Staff data request asking whether the member cooperatives recommended making any changes to their existing ES pass-throughs, 13 recommended no changes, while three suggested changes. The three that proposed changes were Owen Electric, Fleming-Mason, and South Kentucky.

Both Owen Electric and Fleming-Mason endorse modifying the existing flow-through allocation, which is now based on the total revenue of the member cooperative, to an allocation based on wholesale environmental surcharge revenue per EKPC's rate schedules. This change can be adopted without changing EKPC's environmental surcharge or that of any other distribution cooperative. Owen Electric and Fleming-Mason have filed amended tariffs to implement the proposed changes and have directly notified their respective customers whose bills might be adversely affected by this change.²

South Kentucky, however, has proposed to change from a total revenue allocation to a kWh allocation basis. This allocation would require both EKPC and all 16 member cooperatives to similarly adopt a kWh allocation, although only South Kentucky has proposed this change. South Kentucky has not provided notice of this proposed

² Owen Electric Response to July 7, 2009 Supplemental Data Request of Commission Staff at 1b and 1c and Fleming-Mason Response to July 7, 2009 Supplemental Data Request of Commission Staff at 1b and 1c.

change to those customers that might be adversely affected, nor has it filed an amended tariff showing the proposed changes.³

Therefore, if South Kentucky chooses to pursue implementation of a kWh allocation, it will need to request a hearing and it will have the burden of proof to demonstrate that this allocation should be adopted by EKPC and all 16 distribution cooperatives. Furthermore, it will need to file a proposed amended tariff setting forth the kWh allocation and provide notice of the proposed change to its affected customers.

The Commission, on its own motion, HEREBY ORDERS that:

1. Any party desiring a hearing in this matter shall, within 10 days of the date of this Order, file a motion requesting a hearing and an accompanying statement identifying any material issues of fact that warrant a hearing.

2. If South Kentucky desires a hearing on the implementation of its kWh allocation methodology, it shall, within 10 days of the date of this Order:

a. File a motion requesting a hearing and identifying any material issues of fact that warrant a hearing;

b. File a revised tariff showing the proposed changes necessary to its existing tariff to implement a kWh allocation; and

c. Publish notice of the proposed change to its customers that are proposed to be billed under the revised allocation methodology.

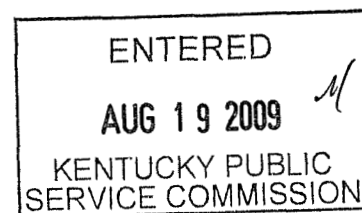
3. If South Kentucky does not desire a hearing on its kWh methodology, it shall, within 10 days of the date of this Order, file a response stating whether it prefers to retain its existing retail pass-through mechanism or implement the alternative pass-

³ Id.

through mechanism preferred by Owen Electric and Fleming-Mason. If it prefers to implement the alternative pass-through mechanism, its response shall include:

- a. A revised tariff showing the proposed changes necessary to implement the alternative mechanism; and
- b. A copy of the notice to its customers that might be adversely affected by the proposed change to the alternative mechanism.

By the Commission



ATTEST:



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