

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION TO AMEND) CASE NO. 2009-00451
TARIFFS)

O R D E R

On February 23, 2010, Jackson Purchase Energy Corporation ("Jackson Purchase") submitted an application for authority to amend certain tariffs. The proposed tariff changes are as follows:

1. Modify Schedule D – Commercial and Industrial Demand Less than 3,000 kW ("Schedule D") to reflect a monthly demand charge based upon installed equipment, rather than a minimum monthly demand charge based upon the highest demand established during the previous 12-month period;
2. Modify Schedule D to lower the monthly demand charge factor from 60 percent to 20 percent of the agreed or contracted capacity, based upon the expected or requested maximum kW demand upon the system;
3. Revise Schedule OL – Outdoor Lighting ("Schedule OL") to eliminate the requirement that a cooperative member pay the cost of any pole for an outdoor light, other than an existing pole;
4. Add to Schedule OL a 150-watt Metal outdoor light to replace the 175-watt light currently included in Schedule OL that is no longer being manufactured; and

5. Modify Section 35 of its Rules and Regulations tariff to change the ownership of mobile home meter poles from the member to Jackson Purchase.

Jackson Purchase's application was initially found to be deficient, having failed to meet the requirements of 807 KAR 5:001, Section 10. Jackson Purchase amended its application on April 15, 2010 and requested permission to deviate from many of the general rate application requirements of 807 KAR 5:001, Section 10. In its May 14, 2010 Order, the Commission granted Jackson Purchase's deviation request, determined that the deficiencies had been cured, and considered the application filed as of April 15, 2010. In the same order, the Commission, pursuant to KRS 278.190, suspended Jackson Purchase's proposed rates for a period of five months, from April 15, 2010 up to and including September 14, 2010. On June 18, 2010, Commission Staff ("Staff") requested additional information from Jackson Purchase in the form of a data request. The requested information was provided by Jackson Purchase on July 2, 2010.

At Jackson Purchase's request, a telephonic informal conference ("IC") was held on July 28, 2010. On August 2, 2010, Jackson Purchase provided supplemental information that Staff requested at the IC. On August 26, 2010, an additional telephonic IC was held to further clarify Jackson Purchase's proposed tariff language relating to the perpetual leasing of its meter poles. Jackson Purchase provided additional information concerning the perpetual lease on September 7, 2010. The matter now stands submitted for a decision based on the evidentiary record.

DISCUSSION – PROPOSED TARIFF MODIFICATIONS

Schedule D – Monthly Demand Charge

Jackson Purchase was granted authority to revise many of its operating tariffs in Case No. 2007-00116,¹ its most recent general rate proceeding. According to Jackson Purchase, upon implementation of the revised tariffs, it encountered unforeseen difficulties and inequities that needed to be corrected. Among the tariff changes were modifications to its Schedule D tariff, which is available to commercial and industrial members demonstrating a billed demand of less than 3,000 kW.

Prior to the Schedule D revisions resulting from Case No. 2007-00116, a “monthly demand charge” based upon Jackson Purchase’s installed transformer capacity was used to recover fixed costs from customers served under its Schedule D rate. Fixed-cost recovery under Jackson Purchase’s current Schedule D is based upon a “minimum monthly demand charge” which is calculated using the preceding 12 months of billing history, rather than installed transformer capacity. The Commission approved Jackson Purchase’s current Schedule D tariff for service rendered on and after June 25, 2008 and it has been in effect since that date.

Jackson Purchase has determined that members served under Schedule D who have significant variations in their load have experienced billings that were unanticipated and are not fair, just and reasonable. Members who are seasonal or experience a seasonal shutdown, along with those who are primary metered, are being adversely affected by the minimum monthly demand charge under the current tariff. Jackson

¹ Case No. 2007-00116, Adjustment of Rates of Jackson Purchase Energy Corporation (Ky. PSC Jun. 17, 2008).

Purchase's equipment investment for primary metered accounts is only in the metering equipment and system reserve capacity, which is significantly less than the investment required to serve accounts that require transformers and other equipment for service. Of the 570 members served under Schedule D, based upon an analysis of the past twelve months, in a given month, a minimum of 35 bills and a maximum of 142 bills have been negatively impacted by the tariff revision. The amount of the negative impacts of the minimum billings has ranged from \$0.38 to \$1,600.56. Jackson Purchase proposes to modify the tariff to return to a monthly demand charge based on the installed transformer capacity at the member's location, rather than the highest demand established during the preceding 12-month period.

Schedule D – Demand Charge Factor

Jackson Purchase states that the 20 percent factor proposed in subpart 4 better approximates the \$1.00 per kW installed transformer capacity used in the formula for subpart 3 than the 60 percent factor used in the current tariff. Subpart 3 will not be applicable to primary metered customers, so the factor in subpart 4 is reduced to reflect the reduced investment for those customers. The 20 percent factor would be available only to customers with a service agreement or contract. However, the 20 percent factor assures investment recovery in the unlikely event that the transformer capacity does not properly recover investment.

If the proposed changes are approved, the four Schedule D demand factors used to determine the monthly demand charge will be the greatest of the following four subparts:²

² Subparts 3 and 4 are the only two subparts that would differ from what is currently in Jackson Purchase's Schedule D tariff.

1. The maximum kW demand registered in the current billing period applied to the current demand charge;
2. The maximum power factor adjusted demand registered in the current billing period applied to the current demand charge;
3. The capacity charge based on the applicable installed transformer capacity in accordance with the following formula:

Capacity Charge = Installed Transformer Capacity (kW) X \$1.00 per kW; or

4. 20 percent of the agreement or contract capacity, based on the expected or requested maximum kW demand upon the system, applied to current demand charge.

Based upon its review of 12 months of billings, Jackson Purchase states that no member would receive an increase in their bill as a result of the changes to the Schedule D tariff, if approved.

Schedule OL - Outdoor Lighting Tariff - Pole Charge

Jackson Purchase currently requires any Member wishing to install outdoor lighting to pay the cost of any new pole. Under the proposed tariff, Jackson Purchase would install one pole per service location for an outdoor lighting fixture at no additional cost to the member. The member would be responsible for any costs incurred by Jackson Purchase for additional poles for outdoor lights. Jackson Purchase would maintain the pole and fixture without cost to the member, unless the member has negligently damaged the pole. In the past 12 months, only two members have chosen to pay for a pole used for outdoor lighting. The impact upon the rates of other members should be zero, or de minimus.³

³ Application, Testimony of G. Kelly Nuckols at page 6.

Schedule OL – Outdoor Lighting Tariff - Addition of 150-Watt Lighting Fixture

Jackson Purchase also proposes to add another lighting fixture to Schedule OL. The 175-watt Metal fixture in the tariff is no longer manufactured. The 150-watt fixture replaces the discontinued fixture. Jackson Purchase filed cost justification for the proposed \$12.34 charge for the 150-watt Metal fixture.

Ownership of Meter Poles for Mobile Homes

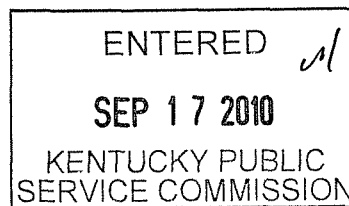
Jackson Purchase's proposal to modify its policy concerning distribution line extensions to mobile homes by changing the ownership of meter poles from the member to Jackson Purchase arises from concern over the safety of its service personnel. Prior to the current tariff becoming effective in July 2008, a flat \$25.00 fee was required for installation of a meter pole. Under the current tariff, a member requiring a pole to be set for the installation of a meter for a mobile home must pay Jackson Purchase's actual costs incurred to install the pole and, in turn, the member assumes ownership of the pole. Jackson Purchase proposes to install any meter pole for a new service to a mobile home subject to a perpetual lease fee of \$100 which will be part of Jackson Purchase's non-recurring charges tariff. If an existing pole is determined unsafe, a member will pay a one-time fee of \$100.00 and Jackson Purchase will set a new pole. The member will be responsible for having the equipment transferred from the old pole to the new pole. Jackson Purchase will then own the pole and will replace the pole if it becomes unsafe. Jackson Purchase further proposes to purchase the member-owned meter poles that have been installed since its last rate case by paying the member the difference between the installation cost and the proposed \$100.00 lease fee. Thereafter, Jackson Purchase will be responsible for all meter poles in its system.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Jackson Purchase's request for approval of the tariff revisions discussed herein is reasonable and should be approved.

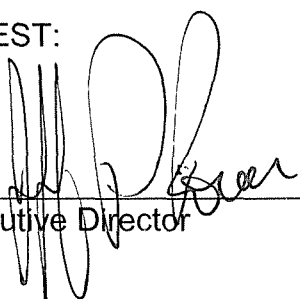
IT IS THEREFORE ORDERED that:

1. Jackson Purchase's proposed tariff modifications as set forth in its April 15, 2010 application are approved and effective as of the date of this Order.
2. Within 20 days of the date of this Order, Jackson Purchase shall file revised tariff sheets with the Commission setting out the rates, charges, and tariff modifications approved herein.

By the Commission



ATTEST:



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