

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 29th  
day of September, 1987.

Case No. EO-88-98

In the matter of Arkansas Power & Light  
Company to establish Economic Development  
Rates for customers in the Missouri service  
area of the Company.

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ORDER APPROVING TARIFF ON EXPERIMENTAL BASIS

On September 2, 1987, Arkansas Power & Light Company (Company) filed a new tariff applicable to new or existing industrial customers that add new or increased electric load. This rider is known as an Economic Development Rider (N37) and includes a standard form contract.

The purpose of the Economic Development Rider for industrial customers is to encourage the addition of new, or increase existing, demand during the nonsummer months. The contract is for a period of five years and provides a reduced rate for billing purposes applicable to the new or increased monthly demands during the nonsummer months.

Commission Staff has recommended this tariff be suspended and hearings scheduled so all interested parties will have an opportunity to address the potential violation of Section 393.130, the economic effect of the tariff upon existing customers, the precedent for other utilities and the ratemaking treatment of any revenues generated by the tariff. Public Counsel filed a Motion To Suspend the tariff stating that because of the provisions of the tariff parties are precluded from contesting any contract or the economic benefits from any contract in a future rate case.

The Commission has shared some of the same concerns as Staff and has been reluctant to allow tariffs similar to the one proposed here to become effective. The

Commission's concerns, though, must be weighed against the potential economic benefit which could occur in the region served by Company. Since these potential benefits can only occur if a tariff is in effect, the Commission must attempt to reach a solution that can determine whether any benefits will outweigh any detriments. The Commission has also determined that any potential benefit from an economic development tariff can only be ascertained after the tariff has been effect for a length of time. The Commission has also determined that suspension of the proposed tariff and a hearing would not result in obtaining the needed evidence as to any benefits since only after the tariff has been implemented can it be ascertained whether any benefit has occurred. The Commission therefore has determined that only after the tariff has been in existence for a number of years can an assessment be made of its economic effect. Since only by implementation can the benefits from the proposed tariff be determined, the Commission has determined that the Economic Development Rider should be allowed to go into effect on an experimental basis. Any new load obtained by Company through a contract executed pursuant to this tariff shall receive the experimental discount for a five-year period after the execution of the contract.

Ratemaking treatment of any revenue generated by the tariff can be handled under the provision entitled PROCEDURE on Original Sheet No. 34. There, the tariff provides that any contracts signed shall "be approved by the Commission for ratemaking purposes, including test year revenues in rate cases." The Commission has determined this language gives it broad latitude in any rate case for the treatment of revenues generated by the tariff.

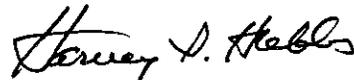
It is, therefore,

ORDERED: 1. That the tariff filed by Arkansas Power & Light Company as an Economic Development Rider is hereby approved on an experimental basis, and any contract signed pursuant to this rider will be in effect for five (5) years.

ORDERED: 2. That the Motion To Suspend filed by the Office of Public Counsel is hereby denied.

ORDERED: 3. That this order shall become effective on the 2nd day of October, 1987.

BY THE COMMISSION



Harvey G. Hubbs  
Secretary

(S E A L)

Steinmeier, Chm., Musgrave  
and Fischer, CC., Concur.  
Mueller and Hendren, C.,  
Absent.