

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY UTILITIES)
INC., FOR: (1) ORDER AUTHORIZING A RATE)
INCREASE AND SURCHARGE; (2) INTERIM ORDER)
TO IMMEDIATELY IMPLEMENT ITS PROPOSED)
RATES ON AN EMERGENCY BASIS PURSUANT TO) CASE NO. 9545
KRS 278.190; (3) INTERIM ORDER GRANTING)
SURCHARGE TO PAY KENTUCKY WEST VIRGINIA)
GAS CO., AND SOUTHEASTERN GAS CO. FOR)
DELINQUENT WHOLESALE GAS PURCHASES)

INTERIM ORDER

On March 31, 1986, East Kentucky Utilities, Inc., ("EKU") filed its application seeking \$116,774 in additional annual revenues and a surcharge of \$420,419 to retire delinquent wholesale gas purchases. EKU further requested that the rates and surcharge be granted on an emergency basis pursuant to KRS 278.190. In order to determine the reasonableness of EKU's request for interim rates and surcharge the Commission held a public hearing at its offices in Frankfort, Kentucky on June 4, 1986. The Utility and Rates Intervention Division of the Attorney General's Office ("AG") and the Kentucky West Virginia Gas Company ("Kentucky West") were the sole intervenors to the proceeding. Additional information requested of EKU during the interim hearing was filed on June 19, 1986, with the AG's response being filed on June 24, 1986.

The purpose of interim rate relief is to allow an applicant increased rates prior to the Commission's Final Order in a

proceeding when the applicant demonstrates that non-discretionary expenditures cannot be met during the interim period without materially impairing the credit or operations of the applicant. During the hearing Ernest Jenkins, Vice President and General Manager of Kentucky West, the chief creditor and largest supplier of ECU, testified that it would continue to serve ECU pending the Commission's Order in this proceeding.¹ Further, David D. Allen, president and manager of ECU, testified that ECU has remained current on its payments to Kentucky West.²

In response to an interim hearing request, ECU presented financial statements showing a positive cash-flow for its actual operations for the months of March, April and May 1986, even though it was not adjusted to reflect the elimination of line loss greater than the 5 percent allowed by this Commission for rate-making purposes in its last rate proceeding.³ However, under its current rates ECU projected a negative cash flow for June through September 1986 of \$74,242 and a negative cash flow of \$66,471 utilizing its proposed rates and surcharge. Thus, the proposed rate increase and surcharge would result in a net increase in its cash-flow of \$7,771.⁴ This is clearly immaterial when compared to the general relief being sought.

¹ Transcript of Evidence ("T.E."), June 4, 1986, page 75.

² T.E., page 52.

³ Interim Rate Hearing Information Response, dated June 19, 1986, page 2.

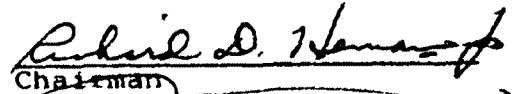
⁴ Ibid., page 5 and 8, beginning June balance minus ending September balance.

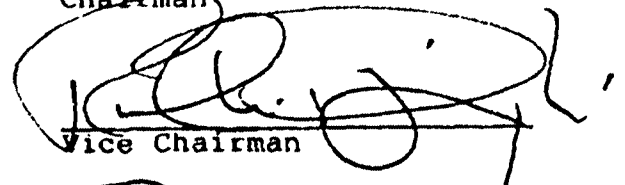
The Commission is therefore of the opinion and finds that, given Kentucky West's willingness to await the Commission's Final Order in this proceeding, the current positive cash flow being experienced by EKU, the immateriality of the anticipated relief from an interim rate and surcharge and the uncertainty of a Final Order allowing a surcharge and/or line loss in excess of 5 percent, EKU's application for an interim rate and surcharge should be denied.

IT IS THEREFORE ORDERED that EKU's application for an interim rate and surcharge is hereby denied.

Done at Frankfort, Kentucky, this 8th day of July, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary