COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION'S FILING OF AMENDMENT NO. 2 TO THE INDUSTRIAL POWER AGREEMENT WITH ASAHI MOTOR WHEEL COMPANY, INC.	)	CASE NO. 90-145

O R D E R

On May 14, 1990, South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed Amendment No. 2 to the Industrial Power Agreement with Asahi Motor Wheel Company, Inc. ("AMW") to be effective on June 1, 1990.

The Commission finds that, pursuant to KRS 278.190, further proceedings are necessary in order to determine the reasonableness of the proposed amendment and that such proceedings cannot be completed prior to the proposed effective date. The Commission further finds that, pursuant to KRS 278.180(1), the contract amendment cannot become effective prior to June 13, 1990.

IT IS THEREFORE ORDERED that:

1. The proposed Amendment No. 2 to the Industrial Power Agreement with AMW be and it hereby is suspended for five months from the proposed effective date, through November 13, 1990.

2. South Kentucky shall provide an original and 10 copies of its responses to the information request set forth in Appendix A, attached hereto and incorporated herein by reference, within 20 days of the date of this Order.

Done at Frankfort, Kentucky, this 24th day of May, 1990.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 90-145 DATED 5/24/90

1. Provide a detailed explanation of East Kentucky Power Cooperative's ("EKPC") total capital expenditures to date in facilities specifically to serve the AMW load. When were these expenditures made?

2. Will EKPC fully recover these capital expenditures under the provisions of the proposed Amendment No. 2 to Industrial Power Agreement with AMW ("amendment")? Explain fully and provide all workpapers if an analysis or calculations are necessary.

3. Provide separate and detailed present value determinations of the expected cash flow streams resulting from the $240,000 reimbursement from EKPC to AMW and the $240,000 contribution in aid of construction from AMW to EKPC. Provide all assumptions and workpapers.

4. Discuss what consequences, if any, the difference between the present values of these two cash flow streams will have on EKPC's earnings. Explain how this present value analysis might be offset or affected by interest earned by EKPC on the $240,000 in billings in excess of actual demand levels.

5. Has a reimbursement such as this ever been proposed by EKPC or any of its member distribution cooperatives before? Explain fully why such a reimbursement is being proposed for AMW.

6. Explain fully why AMW's actual electricity requirements are so much less than those originally estimated and contracted for.

7. Explain fully why AMW's contract demand under the proposed amendment is only 1,000 KW when its actual usage is in the range of 2,000 KW as stated in the May 10, 1990 cover letter accompanying the amendment.

8. How many new jobs did AMW originally plan to create? How many new jobs have actually been created by AMW to date?

9. What consideration, if any, has EKPC given to becoming a taxable corporation within the next five years? If EKPC were to become a taxable corporation, explain fully the tax implications of the contribution in aid of construction paid by AMW.

10. Is EKPC willing to amend any existing customer contract when the customer's consumption is projected to be below the minimum level set forth in the contract? If yes, explain why EKPC utilizes customer contracts. If no, explain why EKPC is willing to amend the contract with AMW.

11. Provide a detailed description of each benefit that will be received by EKPC and South Kentucky as a direct result of the proposed contract amendment.

12. Based on AMW's projected operating level through 1994, provide an estimate of the total amount of revenue that will be foregone by EKPC as a result of the proposed contract amendment.