

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GREEN RIVER ELECTRIC CORPORATION'S)	
NOTICE OF INCREASE IN RATES FOR RETAIL)	CASE NO. 90-152
ELECTRIC SERVICE)	

O R D E R

On January 9, 1991, National-Southwire Aluminum Company ("NSA") filed a petition for rehearing of the Commission's December 21, 1990 Order approving a general rate increase for Green River Electric Corporation ("Green River"). The sole issue raised by NSA is an equity management plan. NSA states that the Commission failed to make any findings on either the recommendation in Staff's testimony that Green River adopt an equity management plan or NSA's entitlement to its share of capital credits. NSA contends that absent such findings, the Order might be interpreted by Green River to mean that an equity plan need not be adopted. NSA requests that findings be made that Green River should establish an equity management plan and that an administrative proceeding be initiated to address such plans. On January 18, 1991, Green River filed a response in opposition to NSA's petition for rehearing.

The revenues granted to Green River are sufficient to produce a 2.0X TIER. While both Green River and Staff recommended that the Commission adopt a 2.0X TIER, only Staff's analysis was based on the use of an equity management plan. Staff extensively

discussed the derivation and use of equity management plans, but made no recommendation that such plan be adopted by Green River. To the extent that our December 21, 1990 Order, in reciting NSA's position on this issue, implied that such a recommendation was made, that Order is inaccurate.

The Commission is convinced that an equity management plan is a useful asset in the financial management of an electric cooperative. Consequently, each cooperative is strongly encouraged to review and analyze such plans for the purpose of adopting one that best meets the cooperative's needs and goals. The Commission's past experience of reviewing such plans on a case-specific basis has worked well. There is nothing in the record to indicate that an administrative case on this issue is needed or would be beneficial. With respect to Green River, the evidence indicates that with a 2.0X TIER, earnings will not be sufficient to rotate capital credits over the next ten years. NSA does not dispute this, but argues that Green River should be able to start rotating capital credits some time between the years 2000 and 2005. Assuming that this time frame is accurate, there is no reason to conclude that Green River will not have adopted an equity management plan long before that time.

IT IS THEREFORE ORDERED that NSA's petition for rehearing be and it hereby is denied.

