

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE CONTRACT FOR ELECTRIC SERVICE)	
BETWEEN HENDERSON-UNION RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	CASE NO. 93-229
AND COSTAIN COAL COMPANY)	

O R D E R

On June 3, 1993, Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") filed a special contract for retail electric service to Costain Coal Company ("Costain"). Included in the contract is an economic development rate ("EDR") available to Costain in the form of demand charge credits. By Order entered July 1, 1993, the Commission suspended the contract pending further investigation and required that Henderson-Union provide additional information regarding the proposed EDR and the adequacy of Costain's security to support the contract. The Commission required further information from Henderson-Union in an Order entered August 20, 1993.

In responding to the aforementioned Orders, Henderson-Union stated that the proposed EDR complied with the guidelines established in the Commission's decision on EDRs in Administrative Case No. 327 ("Admin. 327").¹ Henderson-Union also indicated it had analyzed Costain's financial condition and found that Costain

¹ Administrative Case No. 327, An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities, Order dated September 24, 1990.

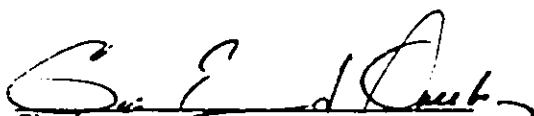
was financially sound and that this finding, along with the existence of three long-term coal supply contracts between Costain and Henderson-Union's wholesale power supplier, Big Rivers Electric Corporation, and Costain's current investment of \$52.5 million for the development of its area coal reserves, led Henderson-Union to conclude that Costain had adequate security to meet its contractual obligations.

After consideration of the record and being otherwise sufficiently advised, the Commission finds that the proposed contract is in substantial compliance with our decision in Admin. 327, is reasonable under the particular facts presented herein, and should be approved.

IT IS THEREFORE ORDERED that Henderson-Union's special contract with Costain be and it hereby is approved effective with the date of this Order.

Done at Frankfort, Kentucky, this 7th day of October, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director