

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GREEN RIVER ELECTRIC)
CORPORATION AND HENDERSON UNION)
ELECTRIC COOPERATIVE CORPORATION FOR) CASE NO. 99-162
APPROVAL OF RATE DECREASE FOR KENERGY)
CORP., CONSOLIDATION SUCCESSOR)

ORDER

IT IS ORDERED that Kenergy Corp. ("Kenergy") shall file the original and 8 copies of the following information with the Commission no later than February 25, 2000, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. Refer to Kenergy's Response to the Commission's Order of January 10, 2000, Item 1(b) and Attachment 1(b).

a. What consideration, if any, did Kenergy give to providing its direct-served customers a 4 percent reduction to its adder?

b. If Kenergy considered a 4percent reduction to the adder assessed to its direct-served customers, state its reasons for ultimately rejecting this option.

c. Based on the financial information contained in Attachment 1(b), provide the annual amount of a reduction that would reflect a 4percent reduction in Kenergy's adder to direct-served customers.

2. Refer to Kenergy's Response to the Commission's Order of January 10, 2000, Item 3(a)(1). This response is not responsive to the Commission's request as it fails to explain how Kenergy determined the level of the reduction should be 4 percent. Explain how Kenergy (or its predecessors) determined that 4 percent was the appropriate level to use for its proposed rate reduction. Include with your response all analyses and studies used or considered by Kenergy (or its predecessors) to determine that a 4 percent reduction was appropriate.

3. Refer to Kenergy's Response to the Commission's Order of January 10, 2000, Attachment 3(b)(1). In his letter to Mr. Toler, Mr. Stanley stated that KRS 278.455 permitted the exclusion of special contract customers from a rate reduction under certain conditions and that KRS 278.455 authorized the proposed actions of Kenergy (and its predecessors).

a. How did this interpretation of KRS 278.455 influence the decision of Kenergy (and its predecessors) to exclude its direct-served customers from the proposed rate reduction?

b. If Kenergy and its predecessors had known that its proposed reduction would not meet the requirements of KRS 278.455, what changes, if any, would they have made in Section 15 of the Consolidation Agreement? Explain.

Done at Frankfort, Kentucky, this 11th day of February, 2000.

By the Commission

ATTEST:

Executive Director