COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF BIG RIVERS ELECTRIC CORPORATION OF REDUCTION IN RATES ) CASE NO. 8283

O R D E R

On July 10, 1981, Big Rivers Electric Corporation ("Company") filed with the Commission an application for reduction in rates. The Company filed the following exhibits in support of the requested rate reduction:

| Exhibit No. | Description |
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| 1 | Board Resolution |
| 2 | Present Tariff |
| 3 | Proposed Tariff |
| 4 | Financial Exhibit |
| 5 | Description of Property |
| 6 | Financial Statements for 12 Months Ending May 31, 1981 |
| 7 | Memorandum of Intersystem Power Transactions January - June 1981 |
| 8 | Revised 1981 Budget |
| 9 | Estimated Generation Capacity and Margins Associated with Intersystem Sales July 1 - December 31, 1981 |

The exhibits show that for the five months ended May 31, 1981, the Company has achieved a margin of $7,283,000; has been able to achieve these margins as a result of sales to other utilities ("intersystem sales") of $15,853,000; has realized margins from these sales of $4,028,478 for the six months ended June 30, 1981; and has realized wheeling charges of $205,425 during this same period. The margins from intersystem sales are estimated to be approximately $1,749,000 for the period July 1 through December 31, 1981.

The Company proposes to reduce rates to customers for all margins realized on intersystem sales made for the period July 1 through December 31, 1981. This reduction in rates would be accomplished by amending its tariffs to include an intersystem sales adjustment credit as shown in Exhibit 3, page 5 of 6. Since these sales are dependent on availability of capacity, the Company proposes to return these margins to its members on the basis of kw demand. The Company does not propose to return to its members margins earned on wheeling charges during the period July 1 through December 31, 1981. The reason cited by the Company in its application is that these charges are not as predictable as power sales. The Company also proposes that the intersystem sales credit be terminated as of December 31, 1981. The Company cites scheduled outages of Unit 1 of Henderson Municipal Power & Light's (HMP&L) Station 2, overhaul of two turbines, increase in wage cost, and continued inflation as reasons for this request.

The Commission has carefully reviewed the application and exhibits filed by the Company in this matter. As the Company points out in its application, the Commission's Order in the Company's last general rate application (Case No. 7917) recognized that the Company had capacity available to achieve intersystem sales significantly greater than the $3,843,982 included by the Company and accepted by the Commission in that case. For that reason the Commission put the Company on notice in that Order that it would "closely monitor the financial condition of Big Rivers to assure excessive earnings did not occur."

In reviewing the financial exhibits, the Commission notes that using five months actual and seven months estimated data, the Company anticipated margins of $8,052,718 (Exhibit 8). In arriving at this estimated margin, the Company estimated intersystem sales for the last seven months of 1981 at $3,010,000. Data filed with the Commission shows actual revenue from intersystem sales for June 1981 amounted to $3,073,896. Thus, the Company achieved in June a level of intersystem sales in excess of the level estimated for the last seven months of 1981.

The Commission recognizes that intersystem sales depend on a number of factors. The two principal factors, however, are availability of capacity and the needs of interconnected utilities. It is apparent to the Commission that absent some abnormal event, the Company will have capacity available to generate power for intersystem sales. The needs of interconnected utilities are not as certain but it is reasonable to believe the Company will be able to achieve a significant level of intersystem sales during the last six months of 1981. The Commission concludes that the filing by the Company is a timely, good faith response to the Commission's notice in Case No. 7917 that it would monitor the margins earned by the Company in order to assure excessive earnings did not occur.

Based on the foregoing analysis of the application and exhibits filed by the Company, the Commission finds that:

1. During the first six months of 1981 the Company has realized revenues and margins from intersystem sales significantly

in excess of the amounts included for purposes of fixing rates in Case No. 7917.

2. The Company estimates it will achieve a significant level of revenues and margins from intersystem sales during the last six months of 1981.

3. Actual margins from intersystem sales achieved during the months of July through December of 1981 and charges earned for the wheeling of power should be returned to the Company's customers.

4. The Company's proposal to amend its tariffs to provide for an intersystem sales adjustment credit is a reasonable method of achieving this result.

5. The intersystem sales credit provision of the Company's tariff shall remain in effect until all margins and wheeling charges earned from intersystem sales realized during the months of July through December of 1981 have been returned to the Company's customers.

6. The Company should include a provision in its tariff which states that the intersystem sales adjustment credit will terminate when margins and wheeling charges realized on intersystem sales for the period July 1 through December 31, 1981, have been returned to its customers.

7. The Company should provide a final accounting to the Commission showing by month for this period revenue, cost, margins, and wheeling charges related to intersystem sales and by month the margins and wheeling charges refunded to each of its customers.

IT IS THEREFORE ORDERED that the Company's proposal to reduce rates through an intersystem sales adjustment credit from July 1 through December 31, 1981, be and is hereby approved.

IT IS FURTHER ORDERED that charges earned for the wheeling of power during the period July 1 through December 31, 1981, be included in determining the amount refunded to the Company's customers each month.

IT IS FURTHER ORDERED that the Company should include a provision in its tariff that the intersystem sales adjustment credit will terminate when the margins realized from intersystem sales and wheeling charges during this period have been returned to its customers.

IT IS FURTHER ORDERED that the Company provide a final accounting of margins and wheeling charges earned on intersystem sales and the refunds made to its customers.

IT IS FURTHER ORDERED that this revision in the Company's tariff shall be effective on and after the date of this Order.

Done at Frankfort, Kentucky, this 13th day of August, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Volz
Chairman

Katherine Randall
Vice Chairman

Denn Harrigan
Commissioner

ATTEST:

Secretary