

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

ADJUSTMENT OF RATES OF HENDERSON-UNION)
RURAL ELECTRIC COOPERATIVE CORPORATION)
TO PROVIDE ADEQUATE REVENUES FOR ITS) CASE NO. 8397
OPERATION)

O R D E R

On May 4, 1982, Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") informed the Commission that one of its large consumers, Anaconda Company, had reduced its load requirements by one third effective May 2, 1982. Henderson-Union sought the incorporation of this issue in the pending rate case because the effect of the reduction in load requirements by Anaconda would reduce Henderson-Union's net margins. However, Henderson-Union did not submit sufficient information for the Commission to fully evaluate the effect of this reduction in sales.

IT IS THEREFORE ORDERED that Henderson-Union shall file an original and six copies of the following information with this Commission, with a copy to the Attorney General's Division of Consumer Protection, by May 31, 1982. If neither the requested information nor a motion for an extension of time is filed by the stated date, the Commission will not be able to consider the effect of the reduction in Anaconda's load in this rate proceeding.

1. Provide a comparative analysis of the actual monthly demand and energy sales to Anaconda for the test year and each month that data is available subsequent to the test year (provide May as soon as information is available); and the projected demand and energy sales for the twelve month period beginning June 1, 1982. Include all underlying assumptions used in estimating the sales to Anaconda for the twelve month period ending June 30, 1983. For each month in which the actual demand was significantly below the contract demand explain the reason for the reduced demand.

2. Provide the actual and anticipated revenues from the sales in number (1) above.

3. Provide the actual and anticipated costs associated with the sales in number (1) above. Provide all work papers used to determine the estimated costs including all assumptions used in this determination. Where estimated costs may be different than projections contained in the pro-forma data included in this rate case explain in detail each discrepancy.

4. Provide any documents prepared by Anaconda reflecting the anticipated purchases for the 12 month period ending June 30, 1983.

5. If such information is available either from Henderson-Union or Anaconda, provide the analysis requested in number (1) above on a per pot line basis and identify the pot line to be shut down. If this information is not available, explain why it is not.

6. Provide a copy of the current contract between Henderson-Union and Anaconda including any amendments subsequent to the date of the contract.

7. Identify specifically the terms and conditions of the power contract with Anaconda regarding reductions in demand that will be in effect for the duration of the cutback by Anaconda.

8. Provide a copy of the current power supply contract (including all amendments) between Henderson-Union and Big Rivers Electric Corporation. Identify the specific terms and conditions of that contract regarding reductions in demand that will be in effect for the duration of the cutback by Anaconda.

9. Provide details of the standard policy and/or contractual obligations of Henderson-Union or Big Rivers to attempt to sell any of the surplus capacity resulting from the reduction of the load to Anaconda.

10. Provide your best estimate of the potential to sell any of the surplus capacity resulting from the reduction of the load to Anaconda. Include the effects, as requested in items 2 and 3 above, on revenues and expenses of any anticipated sales.

11. Provide any written notices from Anaconda prior to the letter of April 26, 1982, of the potential shutdown of one aluminum potline. If notice was given in other than written form provide the date and substance of the notice.

12. Explain in detail the reason for the shutdown of the potline and state whether the shutdown could be deemed to be due to Force Majeure under the terms of the power supply contract.

13. Provide an analysis of the monthly demand and energy usage and revenue for Anaconda for the last five calendar years. If such information is available, provide the usage on the basis of each of the three potlines of Anaconda.

14. In your letter of May 3, 1982, you state that the effects of the reduction in load will equal to one third of your margins from Anaconda or approximately \$90,000. Please explain in detail how this amount was determined. Include all work papers reflecting the anticipated reductions in revenues and expenses and an explanation of all underlying assumptions used in this analysis.

Done at Frankfort, Kentucky, this 21st day of May, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary