

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF JACKSON)
PURCHASE ELECTRIC COOPERATIVE)
CORPORATION FOR PERMISSION TO FLOW)
THROUGH A WHOLESALE RATE INCREASE) CASE NO. 9614
FILED BEFORE THE KENTUCKY PUBLIC)
SERVICE COMMISSION REGULATORY)
COMMISSION BY BIG RIVERS ELECTRIC)
CORPORATION, DOCKET NO. 9613)

O R D E R

After a review of the application of Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase") to flow through the proposed increase in wholesale rates by Big Rivers Electric Corporation ("Big Rivers"), it has been determined that there may be a potential for absorption of a portion of the increase in power costs.

Commission files and financial data contained in the test-year financial exhibits reflect that the Times Interest Earned Ratio ("TIER") allowed in the Commission's Order in Case No. 8863¹ was 2.25X while the TIER earned in the year ended May 31, 1986, was 2.05X. Recognizing the lowering of interest rates and the overall improvement in economic conditions, the Commission has lowered the rates of return allowed in certain cases involving

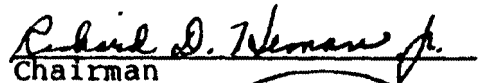
¹ Final Order dated December 29, 1983, Case No. 8863, Notice and Application for Adjustment of Rates for Jackson Purchase Electric Cooperative Corporation.

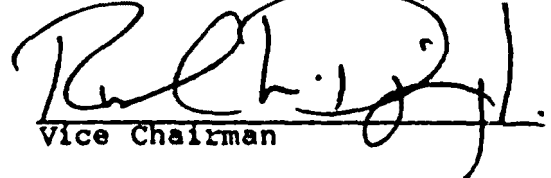
other utilities. Recent decisions involving electric cooperatives have resulted in allowed TIER levels of 2.00X reflecting the Commission's general trend of reducing rates of return and TIER. The rate of return required by Jackson Purchase to produce a 2.00X TIER is 7.26 percent while the test-year actual rate of return was 7.72 percent. The net income required by Jackson Purchase to produce a TIER of 2.00X is \$1,130,179, while the test-year actual net income, without generation and transmission capital credits, was \$1,189,503.

IT IS THEREFORE ORDERED that Jackson Purchase shall provide by October 8, 1986, evidence, including pro forma adjustments and prepared testimony, as to why it should not be required to absorb a portion of the increase in wholesale rates of Big Rivers.

Done at Frankfort, Kentucky, this 17th day of ~~September~~, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director