

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GREEN RIVER ELECTRIC CORPORATION )  
NOTICE OF INCREASE IN RATES FOR ) CASE NO. 10275  
RETAIL ELECTRIC SERVICE )

O R D E R

Green River Electric Corporation's ("Green River") responses to the Commission's Information Request No. 2, Item 18 and Information Request No. 3, Item 5, disclose that Green River has formed an unregulated, subsidiary corporation to engage in the distribution of satellite-delivered programming to its customers. The diversification by a regulated utility into an unregulated business venture necessitates a detailed examination by the Commission to ensure that no cross-subsidization occurs and that neither the utility nor its ratepayers are subject to undue risk. To fulfill its responsibility, the Commission must request additional information from Green River related to its business diversification.

The Commission also notes that its Information Request No. 3, Item 6(a), asked Green River to provide workpapers supporting its determination of certain classifiers utilized in its cost-of-service study. Green River's response stated that workpapers were not readily available but that examples of the minimum intercept methodology could be provided. The Commission

is of the opinion that Green River should provide the examples offered.

IT IS THEREFORE ORDERED that Green River shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. 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 insure that it is legible. The information requested herein is due no later than October 20, 1988. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 4

1. Provide a schedule showing the amount of expenses related to the National Rural Telecommunications Cooperative ("NRTC") included in the test year. For each item, provide a brief description and explanation for the expense.

2. For each Green River employee, officer or director associated with activities of NRTC during the test year, provide the name, position, and hours involved.

3. Explain in detail the manner in which the membership in NRTC and associated expenses were accounted for during the test year and the manner in which they were reflected in the 1987 Annual Report filed with the Commission.

4. The response to Item No. 18 indicates that Green River joined NRTC as a result of strong interest indicated in Green River's service area. Provide a detailed discussion regarding the information upon which Green River relied in the determination that "strong interest" had been indicated.

5. Provide any information which Green River deems necessary to support its contention that participation in Kentucky Telecommunications, Inc. ("KTI") is an appropriate response to the needs of its member-consumers.

6. Provide the Articles of Incorporation of KTI, business plan and list all owners and their proportionate share of ownership. Also provide a thorough discussion of the manner in which the memberships in NRTC were exchanged for shares in KTI including the accounting entries made by Green River to record the transaction.

7. Explain in detail the manner in which the directors and officers of KTI were selected. Provide a discussion of any fringe benefits or compensation to which these individuals will be entitled.

8. Provide the following information regarding Green River's loans to KTI:

a. The date, interest rate, and amount of funds loaned.

b. A discussion of the obligations of KTI to Green River arising from the loan(s).

c. A description of the nature and extent of any property pledged by KTI to secure the loan(s) from Green River.

d. A current estimate of the amount of additional funds that Green River anticipates loaning KTI over the next 2 years.

9. Provide copies of the January and September 1987 issues of Down The Line which were the basis for Green River's surveys. For each issue, provide the total number mailed to member-consumers, the total responses received and the total cost of each issue.

10. Provide a schedule showing the amount of expenses relating to or charged to either NRTC or KTI subsequent to the test year. For each item, provide a brief description and explanation for the expense. Include a discussion of Green River's accounting treatment for each item.

11. Provide copies of the minutes of Green River Board of Directors' meetings at which there was any discussion of NRTC or KTI.

12. Provide examples of the minimum intercept methodology.

Done at Frankfort, Kentucky this 7th day of October, 1988.

PUBLIC SERVICE COMMISSION

*Richard D. Neuman, Jr.*  
For The Commission

ATTEST:

Executive Director