

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF HENDERSON-UNION RURAL)
ELECTRIC COOPERATIVE CORPORATION)
THAT ON AUGUST 1, 1988, OR AT SUCH)
TIME AS BIG RIVERS ELECTRIC)
CORPORATION'S RATE INCREASE BECOMES)
EFFECTIVE IT WILL ADJUST AND) CASE NO. 10276
INCREASE ITS RATES TO FLOW THROUGH)
THE INCREASED WHOLESALE CHARGES OF)
BIG RIVERS ELECTRIC CORPORATION)
SOUGHT IN PUBLIC SERVICE COMMISSION)
CASE NO. 10265)

O R D E R

Henderson-Union Rural Electric Cooperative Corporation's ("Henderson-Union") response to the Commission's Information Request No. 1, Item 18, discloses that Henderson-Union 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 Henderson-Union related to its business diversification.

IT IS ORDERED that Henderson-Union shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data 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 insure that it is legible. The information requested herein is due no later than October 24, 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 a motion will be considered by the Commission.

Information Request No. 3

1. With reference to Henderson-Union's Response to Information Request No. 1, Item No. 18, provide the following information:

a. A copy of the survey referenced in the minutes which indicated an interest in satellite TV programming services.

b. Indicate how many surveys were sent out, how many responses were received, and a tabulation of the responses concerning the satellite TV question.

c. The minutes of the annual meeting indicate the survey was taken in May of 1988. Indicate if any costs of this survey were incurred during the test year, and if so, the amount of those costs and the accounts they were recorded.

2. Provide the following information regarding Henderson-Union's affiliation with Kentucky Telecommunications, Inc. ("KTI"):

- a. The date on which KTI was incorporated.
- b. A description of the manner in which KTI was capitalized. Include a discussion of Henderson-Union's ownership interest.
- c. The Articles of Incorporation of KTI, business plan, and a list of all owners and their proportionate share of ownership.
- d. A list of the directors and officers of KTI.
- e. 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.
- f. The entries made by Henderson-Union to record its ownership share in KTI. Include any test year and subsequent to the test year transactions.

3. If Henderson-Union is or was a member of the National Rural Telecommunications Cooperative ("NRTC"), provide the following information:

- a. When did Henderson-Union join NRTC?
- b. For each Henderson-Union employee, officer, or director associated with activities of NRTC during the test year, provide the name, position, and hours involved.
- c. 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. Provide a schedule showing the amount of expenses related to the NRTC or KTI included in the test year. For each item, provide a brief description and explanation for the expenses.

5. 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 Henderson-Union's accounting treatment for each item.

6. Provide the date, interest rate, and amount of any funds loaned by Henderson-Union to KTI. Provide a discussion of the obligations of KTI to Henderson-Union arising from any loan.

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

Done at Frankfort, Kentucky, this 17th day of October, 1988.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director