

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

On June 29, 1988, Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") filed an application to flow-through an increase in rates granted its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers"), in Case No. 10265, Big Rivers Electric Corporation's Notice of Change in Rates and Tariffs for Wholesale Electric Rates. Henderson-Union did not request the approval of any additional revenues or margins in its flow-through application.

Henderson-Union is one of four member distribution cooperatives of Big Rivers. The proposed rates to flow-through the increase proposed by Big Rivers, excluding aluminum smelter delivery points, would produce additional revenue of \$1,757,964.

A hearing upon notice was held on November 14, 1988 at the Commission's offices in Frankfort, Kentucky. The only intervenor

in this case was the Utility and Rate Intervention Division of the Attorney General's Office.

In its application, Henderson-Union filed a series of adjustments to its test-year financial statements. For the test year, Henderson-Union reported net income of \$1,033,577 and a Times Interest Earned Ratio ("TIER") of 1.99X. Henderson-Union's proposed adjustments resulted in an adjusted test-year net income of \$1,223,414 and a TIER of 2.09X. In 1982, Henderson-Union was granted a return which provided a TIER of 2.25X. Henderson-Union sought to flow-through the entire Big Rivers purchased power increase. Since Henderson-Union's adjusted TIER of 2.09X is below the last approved TIER of 2.25X, no absorption of the purchased power increase should be required. Therefore, the Commission has determined that Henderson-Union should be allowed to flow-through the total increase in purchased power costs from Big Rivers.

KENTUCKY TELECOMMUNICATIONS, INC. ("KTI")

During the course of its investigation in this proceeding, the Commission was made aware of Henderson-Union's entry into the non-utility business of satellite telecommunications by joining KTI, a corporation originally formed as a subsidiary of Green River Electric Corporation ("Green River"). Henderson-Union responded to numerous inquiries of the Commission through formal information requests and at the public hearing. The Commission has determined that a formal investigation should be initiated into the issue surrounding the entry of Green River and the other

rural electric cooperatives into the non-utility business of satellite telecommunications. Therefore, the issues raised in this proceeding will be deferred for review in the Commission's administrative proceeding.

On December 2, 1988, Henderson-Union filed a petition, pursuant to 807 KAR 5:001, Section 7, requesting confidential treatment for the Rural TV Lease Analysis filed in response to the Commission's request for information regarding Henderson-Union's decision to participate in KTI. On December 7, 1988, an amended petition was filed seeking confidential treatment for the November 29, 1988 letter of explanation from John West, Manager of Henderson-Union, discussing the Rural TV Lease Analysis. Henderson-Union's petitions incorporate by reference the petition for confidentiality filed by Green River Electric Corporation in Case No. 10275, Green River Electric Corporation Notice of Increase in Rates for Retail Electric Service, relating to similar proprietary cost information. Based on the petitions, and being advised, the Commission is of the opinion and finds that the described documents contain information not otherwise publicly available regarding the marketing and pricing of satellite TV programming, the disclosure of which would result in public access to valuable commercial information. Therefore, Henderson-Union's motion for confidentiality should be granted.

SUMMARY

The Commission, having considered the evidence of record, and being advised, is of the opinion and finds that:

1. The actual increase allowed Big Rivers, excluding aluminum smelter delivery points, in Case No. 10265 will result in an increase in power costs to Henderson-Union, excluding aluminum smelter delivery points, of \$1,757,964.

2. Henderson-Union's financial condition would be materially impaired if it were not allowed to recover the increased wholesale power costs allowed in Case No. 10265.

3. The revised rates and charges in Appendix A, attached and incorporated hereto, are designed to reflect only the increased power costs from Big Rivers allowed in the final Order in Case No. 10265.

IT IS THEREFORE ORDERED that:

1. Henderson-Union be and it hereby is authorized to flow-through the increased power costs resulting from the rate increase granted its wholesale power supplier, Big Rivers, in Case No. 10265.

2. The rates in Appendix A shall be placed into effect on the effective date of the Big Rivers' wholesale power increase.

3. Henderson-Union shall within 20 days from the date of this Order file its revised tariff sheets setting out the rates and charges approved herein.

4. Henderson-Union's petition for confidentiality, as amended, be and it hereby is granted.

Done at Frankfort, Kentucky, this 27th day of December, 1988.

PUBLIC SERVICE COMMISSION

Chairman

Robert M. Davis

Vice Chairman

Spencer N. Williams

Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10276 DATED 12/27/88

The following rates and charges are prescribed for the customers in the area served by Henderson-Union Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

SCHEDULE A - RESIDENTIAL

Monthly Rate:

Customer Charge per Delivery Point	\$6.45
Energy Charge per KWH	.059721

SCHEDULE B - FARM, GOVERNMENT OR COMMERCIAL

Monthly Rate:

Customer Charge per Delivery Point	\$11.50
Energy Charge per KWH	.065049

SCHEDULE B-1 - FARM OR COMMERCIAL

Monthly Rate:

Customer Charge per Delivery Point	\$11.50
Demand Charge per KW	3.50
Energy Charge per KWH	.058986

SCHEDULE LP-3 - LARGE POWER DEDICATED DELIVERY POINT

Monthly Rate

Customer Charge per Delivery Point	\$17.20
Demand Charge per KW - 100% Ratchet	8.80
*Energy Charge per KWH:	
First 100,000 KWH	.030689
All Over 100,000 KWH	.025095
School Taxes added to bill if applicable	
Kentucky Sales Taxes added to bill if applicable	

SCHEDULE LP-3 - LARGE POWER NON-DEDICATED DELIVERY POINT

Monthly Rate

Customer Charge per Delivery Point	\$17.20
Demand Charge per KW - 100% Ratchet	8.80
*Energy Charge per KWH:	
First 100,000 KWH	.030689
All Over 100,000 KWH	.025095
School Taxes added to bill if applicable	
Kentucky Sales Taxes added to bill if applicable	

SCHEDULE LP-4 - LARGE POWER

Customer Charge per Delivery Point	\$17.20
Demand Charge per KW	8.80
Energy Charge per KWH	
First 100,000 KWH	.028500
All Over 100,000 KWH	.024534

SCHEDULE SL - STREET LIGHTS

Monthly Rate

Sodium or Mercury Vapor Lamp	
8,000 Lumen	\$4.76
20,000 Lumen	\$9.00

SCHEDULE D - SECURITY LAMP

Monthly Rate

Sodium or Mercury Vapor Lamp	
8,000 Lumen	\$7.64
20,000 Lumen	\$11.04

INDUSTRIAL CONSUMERS SERVED UNDER SPECIAL CONTRACTS

Peabody Coal Company
Breckinridge Coal Mine

Monthly Rate

Demand Charge Per KW - 100% Ratchet \$8.80

For all delivery points, the billing demand in kilowatts shall be member's maximum integrated thirty-minute demand at such delivery point during each billing month, determined by meters which record at the end of each thirty-minute period the integrated kilowatt demand during the preceding thirty-minutes, or such maximum integrated thirty-minute demand achieved during any one of the eleven preceding months, or the contract demand, whichever shall be greater.

*Plus an energy charge of 21.2498 mills per KWH consumed.

Alcan Aluminum Corporation

The rates to Alcan Aluminum Corporation shall be the Variable Aluminum Smelter Power Rate contained in the tariff of Big Rivers, attached herein, plus \$0.0001 per kilowatt hour per month. Upon termination of the Variable Aluminum Smelter Power Rate, the rate applicable to Alcan shall be the rate charged the Corporation by its wholesale power supplier, plus \$0.0001 per kilowatt hour per month.

VARIABLE ALUMINUM SMELTER RATE

RATE

Initial Rate Charges Subject to Adjustments

The following rates shall apply to sales for resale to primary aluminum smelter customers that purchase power under the Variable Smelter Power Rate Schedule.

1. Base Variable Aluminum Smelter Rate

a. Demand Charge

\$8.80 per kilowatt of contract demand