

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE )  
DIVERSIFICATION OF RURAL ELECTRIC )  
COOPERATIVE CORPORATIONS INTO THE ) ADMINISTRATIVE  
SATELLITE-DELIVERED TELEVISION ) CASE NO. 326  
PROGRAMMING SERVICES )

O R D E R

By Order entered December 28, 1988, the Commission initiated this investigation and requested each Rural Electric Cooperative Corporation ("RECC") in the Commonwealth to provide information regarding its diversification into satellite-delivered television programming services. The Commission has reviewed the responses provided by the RECCs and has found inconsistencies in accounting for the transactions. The Commission has also reviewed the annual reports and audit reports filed by the RECCs and has found that involvement in satellite-delivered programming has not been adequately disclosed.

A primary concern of this investigation was to ascertain whether the RECCs were properly accounting for diversified activities and whether reporting by the RECCs adequately disclosed those activities. The Commission finds that it is now necessary to take steps to establish accounting and reporting guidelines to ensure that RECC diversification into satellite-delivered television programming services are properly accounted for and reported.

In Case No. 10296,<sup>1</sup> the Commission discussed its concerns regarding Kentucky Utilities Company's ("KU's") reorganization and the conditions and requirements which the Commission believed were necessary to ensure that the interests of the ratepayers are protected. The Commission's concerns related to three areas: the protection of utility resources; the ability to monitor the corporate activities of KU, the holding company, and any other subsidiary; and the reporting requirements to assist the Commission in its monitoring activities. A copy of the October 6, 1988 Order in Case No. 10296 is attached as Appendix A. The Commission believes that some of the concerns expressed in Case No. 10296 are applicable to its concerns in this proceeding.

Therefore, the Commission has established an informal conference to be held on September 14, 1989, at 10 a.m. in Hearing Room No. 2 of the Commission's offices in Frankfort, Kentucky. While the conference is open to all parties of record, the Commission encourages those parties with similar interests to coordinate their efforts through a representative. At a minimum, participants should include representatives from each of these groups: cooperatives participating in Kentucky Telecommunications, Inc.; Salt River Rural Electric Cooperative Corporation; and all other cooperatives. The participants should

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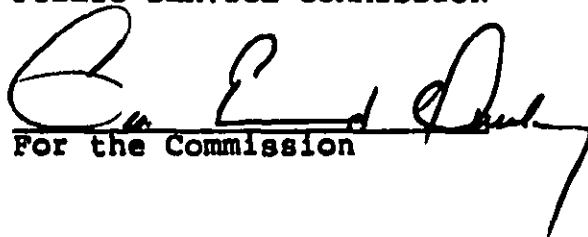
<sup>1</sup> Case No. 10296, The Application of Kentucky Utilities Company to Enter Into an Agreement and Plan of Exchange to Carry Out Certain Transactions in Connection Therewith, Commission Order dated October 6, 1988 and final Order dated January 30, 1989.

be prepared to discuss in depth how the KU guidelines could be adapted to the RECC situation, as well as describing the specific steps each RECC has taken to address the types of concerns outlined in the KU Order. The Commission advises the participants that the representatives attending the informal conference should be qualified to address the management and accounting issues which will be discussed.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 17th day of August, 1989.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Executive Director