

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE CONTRACT FILING OF GRAYSON	)	
RURAL ELECTRIC COOPERATIVE	)	
COOPERATION WITH COOK FAMILY	)	CASE NO. 91-140
FOODS, LTD.	)	

O R D E R

On April 10, 1991, Grayson Rural Electric Cooperative Corporation ("Grayson") filed for Commission approval an Industrial Power Agreement ("Agreement") with Cook Family Foods, Ltd. ("Cook"). The Agreement, which was executed on March 1, 1991, has an effective date of March 1, 1991, and a minimum term of four years from the effective date.

By Order dated May 10, 1991, the Commission suspended the proposed Agreement for five months and directed Grayson to provide additional information regarding Cook's projected loads, the required substation and transmission facilities, projected loads other than Cook's, and the contract provisions regarding a potential default by Cook. Grayson's responses were filed on May 29, 1991.

The Agreement sets forth the terms and conditions of Grayson's service to Cook, including, among other things, the minimum contract demands at which Cook will be billed under Grayson's Rate Schedules 13a and 14a, the conditions under which

those minimum demands may change, and the upper limits on Cook's actual demand. Section 13 of the Agreement designates East Kentucky Power Cooperative, Inc. ("East Kentucky"), Grayson's wholesale power supplier, as a third-party beneficiary due to its investment of approximately \$160,000 in substation facilities which, in part, will be used to serve Cook. Section 13 further provides East Kentucky the right to bring a cause of action to recover its investment in the event of Cook's default under the Agreement.

The record shows that Cook's load will require approximately one-half the capacity of the new substation constructed by East Kentucky with the remaining one-half being required for system reliability and load growth other than Cook's. East Kentucky uses a third-party beneficiary clause, such as that included in Section 13 of the Agreement, when new facilities are constructed to serve other needs of the distribution system as well as the needs of a specific customer. If special facilities required by a customer are not useful to the remainder of the distribution system, East Kentucky then requires additional security from the customer.


Based on the evidence of record and being otherwise sufficiently advised, the Commission finds the Agreement adequately sets out the provisions of Grayson's service to Cook. The new substation is required by the growing Cook load and other load growth on Grayson's system. Given that Cook's load will require only one-half the capacity of the new substation being

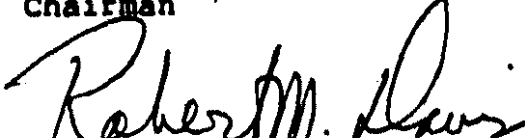
constructed by East Kentucky, the Commission will not require any financial guarantee from Cook for the protection of East Kentucky in the event of Cook's default.

IT IS THEREFORE ORDERED that Grayson's Agreement with Cook be and it hereby is approved.

Done at Frankfort, Kentucky, this 22nd day of July, 1991.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

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Commissioner

ATTEST:

  
Executive Director