

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR AN ADJUSTMENT OF) CASE NO. 93-093
RATES)

O R D E R

On June 17, 1993, the Attorney General's office, Utility and Rate Intervention Division, ("AG") filed a petition for rehearing of the Commission's June 14, 1993 Order granting East Kentucky Power Cooperative, Inc. ("East Kentucky") a deviation from 807 KAR 5:001, Section 10(6)(u), which requires an electric utility whose annual gross revenues exceed \$5 million to include with its rate application a cost-of-service study. The petition requests that the deviation be rescinded and that East Kentucky be required to file not only one cost-of-service study as required by the regulation, but two such studies: one based on marginal cost; the other based on embedded cost.

East Kentucky filed a response in opposition to the petition, arguing that it would be unreasonably burdensome to require the preparation of two cost-of-service studies in a case filed to decrease revenues. East Kentucky argues that the proposed rate changes are not radical in nature, were developed over a two year process with input from its member distribution cooperatives, and the interests of all customer classes were thoroughly considered.

Based on the petition and the response, and being sufficiently advised, the Commission hereby finds that a marginal cost-of-service study would be useful in analyzing East Kentucky's proposed rates which are based on marginal cost. The Commission notes that its regulation requires a utility to file only one cost-of-service study, although the study must be based on a generally accepted methodology and utilize current and reliable data from a single time period. The AG's petition does not set forth sufficient grounds to persuade us that an embedded cost of service study is essential to a comprehensive review of the reasonableness of East Kentucky's proposed rates.

IT IS THEREFORE ORDERED that:

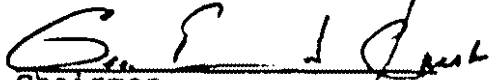
1. The AG's petition for rehearing be and it hereby is partially granted to the extent that the Commission's June 14, 1993 Order granting East Kentucky a deviation from 807 KAR 5:001, Section 10(6)(u), be and it hereby is rescinded.

2. East Kentucky shall file, within 30 days from the date of this Order, a marginal cost-of-service study based on a generally accepted methodology utilizing reliable data from a single time period ending not earlier than December 31, 1992.


3. The AG's request that East Kentucky be required to file two cost-of-service studies be and it hereby is denied without prejudice.

Done at Frankfort, Kentucky, this 7th day of July, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director