

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AMENDMENT NO. 1 TO THE AGREEMENT )  
FOR ELECTRIC SERVICE BETWEEN )  
HENDERSON UNION ELECTRIC ) CASE NO. 94-313  
COOPERATIVE AND COSTAIN COAL )  
COMPANY )

O R D E R

On July 28, 1994, Henderson Union Electric Cooperative ("Henderson Union") filed an amendment to its existing agreement to provide electric service to Costain Coal Company's East Portal site.<sup>1</sup>

The Commission finds, pursuant to KRS 278.190, that further proceedings are necessary in order to determine the reasonableness of the proposed amendment.

IT IS THEREFORE ORDERED that:

1. The proposed amendment be and it hereby is suspended for five months from August 27, 1994 up to and including January 26, 1995.

2. Henderson Union shall file, within 15 days of the date of this Order, its responses to the request for information set forth in Appendix A, attached hereto.

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<sup>1</sup> Case No. 93-229, The Contract for Electric Service Between Henderson-Union Rural Electric Cooperative Corporation and Costain Coal Company, Order dated October 7, 1993.

3. Nothing contained herein shall prevent the Commission from entering a final decision in this case prior to the termination of the suspension period.

Done at Frankfort, Kentucky, this 25th day of August, 1994.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 94-313 DATED August 25, 1994.

1. Refer to Addendum 7 of the proposed Amendment No. 1 to the Agreement for Electric Service between Henderson Union Electric Cooperative ("Henderson Union") and Costain Coal, Inc. ("Costain").

a. By what means will Henderson Union monitor Costain's net worth?

b. What is Costain's current net worth?

c. Why is Henderson Union not requiring Costain to provide a bond or letter of credit as a condition of entering the amendment?

d. Why is Henderson Union amenable to waiting until Costain's net worth falls below twice the amount of the termination charges plus the demand credits before requiring a bond or letter of credit?

2. In Case No. 93-229<sup>1</sup> Henderson Union indicated it was comfortable with an unsecured agreement in part because of Costain's coal contracts with its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers"). Big Rivers has recently filed, in Case No. 92-490-C,<sup>2</sup> information on its litigation in the Union Circuit Court to rescind the three

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<sup>1</sup> Case No. 93-229, The Contract for Electric Service between Henderson-Union Rural Electric Cooperative Corporation and Costain Coal Company.

<sup>2</sup> Case No. 92-490-C, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1993 to April 30, 1994.

contracts it has with Costain.

a. Should Big Rivers prevail in its litigation against Costain what would be the impact on Costain's ability to meet its obligations under the agreement for electric service?

b. If Big Rivers' contracts with Costain are terminated, will Costain continue to have a market for the coal mined from the sites served by Henderson Union or would those sites be shut down?

c. Given the pending litigation, explain Henderson Union's and Big Rivers' rationale for agreeing to spend approximately \$200,000 to extend service to Costain's proposed Asher Fan Substation.