

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER )  
COOPERATIVE, INC. TO ADJUST ) CASE NO. 94-336  
ELECTRIC RATES )

O R D E R

On November 21, 1994, East Kentucky Power Cooperative, Inc. ("East Kentucky") filed an application for authority to implement new wholesale electric rates that will reduce its annual revenues by approximately \$28.0 million. East Kentucky requested that the proposed rates become effective for service rendered on and after January 1, 1995.

On November 7, 1994, the Attorney General, through his Utility and Rate Intervention Division ("AG"), filed a motion requesting the Commission to change the effective date of East Kentucky's proposed rates to obtain their immediate implementation and to coincidentally reduce the fuel adjustment clauses of East Kentucky's 18 member distribution cooperatives to pass this reduction to their ratepayers. The AG argues that early implementation of the reduction will not impair East Kentucky's financial integrity because it has benefitted from certain cost savings and increased sales and has been in an overearnings position for the majority of 1994.

East Kentucky filed a response in opposition to the AG's motion. East Kentucky claims that as a cooperative, any

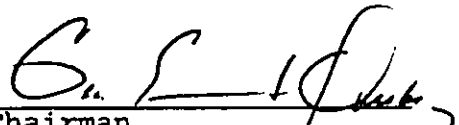
overearnings are credited to the benefit of its member ratepayers and that due to the coordination of rate filings by its member distribution cooperative, early implementation will be costly, confusing, and time consuming. Further, East Kentucky notes that the AG has cited no law or precedent for early implementation and KRS 278.190(2) requires a hearing to precede any such action. The AG filed a reply disputing the claim that ratepayers benefit from any overearnings by East Kentucky but not addressing the legal issue.


Based on the motion and being advised, the Commission finds that KRS 278.190(2) authorizes changes to a utility's rates only after holding a hearing and issuing findings of fact. Further, KRS 278.180(1) requires the Commission to give a utility 30 days notice of any proposed change in the utility's rates. In this instance, East Kentucky's rates will be effective as proposed prior to the expiration of the Commission notice required by KRS 278.180(1).

IT IS THEREFORE ORDERED that the AG's motion to immediately implement East Kentucky's proposed rates hereby is denied.

Done at Frankfort, Kentucky, this 2nd day of December, 1994.

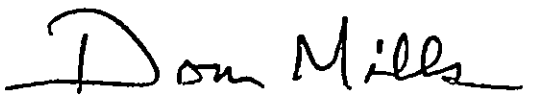
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director