

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENDERSON UNION)
ELECTRIC CORPORATION FOR A) CASE NO.
DECREASE IN EXISTING RATES AND FOR) 97-220
APPROVAL OF CONTRACTS)

O R D E R

On July 25, 1997, Henderson Union Electric Corporation ("Henderson Union") applied for approval of interim and permanent tariffs which reflect proposed reductions in the rates of its wholesale supplier Big Rivers Electric Corporation ("Big Rivers"). Henderson Union requests that its interim rates be effective for service rendered on and after September 1, 1997, and remain in place until the earlier of August 31, 1998 or the closing of Big Rivers' plan of reorganization. Since filing its application, Henderson Union has twice revised its proposed tariff to reflect technical changes and clarifications. Henderson Union has also requested approval of changes in its wholesale power contract with Big Rivers and in its retail electric service agreement with Alcan Aluminum.

In Case No. 97-204,¹ Big Rivers has applied for, inter alia, Commission approval of interim and permanent rates for its distribution cooperatives. It has requested that its interim rates be effective for service rendered on and after September 1, 1997, and remain in place until the earlier of August 31, 1998 or the closing of its plan of reorganization.

¹ Case No. 97-204, The Application of Big Rivers Electric Corporation, Louisville Gas and Electric Company, Western Kentucky Energy Corp., Western Kentucky Leasing Corp., and LG&E Station Two Inc. for Approval of Wholesale Rate Adjustment for Big Rivers Electric Corporation and For Approval of Transaction (filed June 30, 1997).

Finding that further proceedings were necessary to investigate their reasonableness, the Commission has suspended Big Rivers' proposed interim rates for one day and allowed them to become effective, subject to change, for service rendered on and after September 2, 1997. The Commission has further found that Big Rivers' interim rates should remain in effect only until the issuance of a final order determining the reasonableness of the proposed permanent rates.

Based upon its review of Henderson Union's application and its actions in Case No. 97-204, the Commission finds that further proceedings are necessary to determine the reasonableness of Henderson Union's proposed rates and transactions and that such proceedings cannot be completed prior to September 1, 1997. The Commission further finds that Henderson Union customers should be allowed the benefits of the lower rates on an interim basis while the merits of the utility's application are considered. Accordingly, the Commission will suspend the interim rates for one day and allow them to become effective subject to change for service rendered on and after September 2, 1997. Any change will operate prospectively only, thereby eliminating any potential for retroactive adjustments.

The Commission also finds that since its statutory authority to review rate applications is limited by KRS 278.190(3) to 10 months, and the procedural schedule established herein should result in a final Order during the first quarter of 1998, the interim rates approved herein should remain in effect only until issuance of a final rate order determining the reasonableness of the proposed permanent rates.

IT IS THEREFORE ORDERED that:

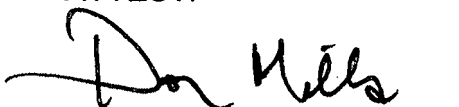
1. Henderson Union's interim rates and tariffs bearing an issue date of June 30, 1997, as twice revised, are suspended for one day, to be effective, subject to change, with service rendered on and after September 2, 1997.
2. Henderson Union's proposed contract amendment with Big Rivers and its proposed retail electric service agreement amendment are approved for service on and after September 2, 1997, subject to change.
3. Within 20 days of the date of this Order, Henderson Union shall file its revised tariff sheets setting forth the interim rates and tariffs made effective herein with a notation at the bottom of each page reflecting the effective date and the statement, "Interim rates subject to change."

Done at Frankfort, Kentucky, this 29th day of August, 1997.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director