

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GREEN RIVER ELECTRIC)	
CORPORATION AND HENDERSON UNION)	
ELECTRIC COOPERATIVE CORPORATION FOR)	CASE NO. 99-162
APPROVAL OF RATE DECREASE FOR KENERGY)	
CORP., CONSOLIDATION SUCCESSOR)	

ORDER

On May 20, 1999, Green River Electric Corporation ("GREC") and Henderson Union Electric Cooperative Corporation ("HUECC") jointly applied, pursuant to KRS 278.455, for approval of a 4-percent reduction in the rates for their non-direct serve member-customers. The proposed rate adjustment was to become effective upon July 1, 1999 when GREC and HUECC consolidated and formed Kenergy Corporation ("Kenergy"). Finding that the application did not comply with KRS 278.455, the Commission, on July 1, 1999, rejected it and directed the applicants to bring the application into compliance with KRS 278.455 or Administrative Regulation 807 KAR 5:001, Section 10.

On August 16, 1999, Kenergy filed an amended application pursuant to 807 KAR 5:001, Section 10, and requested deviations from certain filing requirements specified in that regulation. Kenergy also requests that the proposed rate reduction for non-direct serve member-customers become effective on September 1, 1999 or, in the alternative, be suspended for one day and then take effect subject to change. Kenergy has also

moved that the Commission reduce the required notice period for the proposed rate reduction to 15 days.

In response to Kenergy's motion and application, Kentucky Industrial Utility Customers ("KIUC") has advised the Commission that Kenergy's proposed rate reduction should be permitted to take effect subject to change after hearing. KIUC, however, contends that Kenergy's request for a deviation from the requirement of Administrative Regulation 807 KAR 5:001, Section 10, for a cost-of-service study requirement should be denied. In support of its position KIUC states, among other things, that a cost-of-service study is key evidence in determining which customer classes share in the rate reduction. KIUC further contends that longstanding Commission policy requires that in the absence of a cost-of-service study a rate adjustment should be apportioned to all rate classes on the basis of total revenue. Granting a deviation of the cost-of-service study requirement would therefore require significant changes to Kenergy's proposed rate reduction.

In its reply to KIUC's response, Kenergy reiterates that the rates be permitted to go into effect on September 1 and that the Commission grant it until September 10, 1999 to fully reply to KIUC's arguments regarding the need for a cost-of-service study. Kenergy acknowledges that the Commission has the authority to direct the filing of a cost-of-service study at any point in these proceedings and will not contest any Commission directive to produce such study.

Having considered the motion and responses and being otherwise sufficiently advised, the Commission finds that Kenergy's motion for deviation from the filing requirements of Administrative 807 KAR 5:001, Section 10, and for a shortened notice

period should be granted. As Kenergy has acknowledged the Commission's authority to require the filing of a cost-of-service study at a later date and has represented that it will not contest such action, granting the motion will not prejudice the rights of any party. The Commission will not determine whether a cost-of-service study should be required until after Kenergy has fully responded to KIUC's response.

Based on the application, responses, and being otherwise sufficiently advised, the Commission finds that further proceedings are necessary in order to determine the reasonableness of the proposed rates and that such proceedings cannot be completed prior to September 1, 1999. In such circumstances, the Commission typically suspends the proposed rates for the maximum period of time provided for in KRS 278.190(2). However, since the proposed rates represent a reduction in rates, there is no good reason to deny Kenergy's customers the benefits of lower rates on an interim basis while the merits of the application are investigated.

Nevertheless, certain specific aspects of the proposed rate reduction have already been characterized by KIUC as being unreasonable. Thus, to protect the interests of all concerned while still allowing customers the benefits of lower rates, the Commission will suspend the proposed rates for one day and allow them to become effective subject to change for service rendered on and after September 2, 1999. Any change will operate prospectively only, thereby eliminating any potential for retroactive adjustments.

The Commission further finds that since its statutory authority to review rate applications is limited by KRS 278.190(3) to ten months, and as final decision in this

matter should be rendered before that time, the proposed rates approved herein should remain in effect only until issuance of a final rate order.

IT IS THEREFORE ORDERED that:

1. Kenergy's requested deviations from Administrative Regulation 807 KAR 5:001, Section 10, are granted.

2. Kenergy's request to reduce the notice period to the Commission to 15 days is granted.

3. The Commission reserves the right to require Kenergy to perform a cost-of-service study during the course of this proceeding should we determine that such study is necessary.

4. Kenergy's amended application is accepted as filed as of August 16, 1999.

5. Kenergy's proposed rates are suspended for one day, to be effective, subject to change, with service rendered on and after September 2, 1999.

6. Within 20 days of the date of this order, Kenergy shall file its revised tariff sheets setting forth the rates made effective herein with a notation at the bottom of each page reflecting the effective date and the statement, "Interim rates subject to change."

7. Kenergy shall no later than September 10, 1999, file with the Commission its response to KIUC's arguments regarding the need for a cost-of-service study.

Done at Frankfort, Kentucky, this 31st day of August, 1999.

By the Commission

ATTEST:

Executive Director