

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 August 31, 1999, the Commission granted Kenergy Corp. (Kenergy) a deviation from Administrative Regulation 807 KAR 5:001, Section 10(6)(u), that requires the submission of a cost-of-service study with its application for rate adjustment. We expressly deferred ruling upon whether a cost-of-service study should be required until Kenergy had the opportunity to respond to the arguments of the Kentucky Industrial Utility Customers (KIUC). Having now reviewed the parties arguments, we find that Kenergy should not be required to submit a cost-of-service study.

Kenergy advances two arguments for foregoing a cost-of-service study in this proceeding. First, such study is not timely. Kenergy has been in operation only since July 1, 1999. It asserts that the savings produced from the consolidation of its two predecessors will not be known until after at least 12 months of consolidated operations. Kenergy also argues that no cost-of-service methodology currently exists to allocate costs to special contract customers. It points to two prior Commission proceedings in which the Commission accepted cost-of-service studies that did not quantify various costs to special contract customers.¹

¹ Case No. 90-152, Green River Electric Corporation Notice of Increase in Rates for Retail Electric Service (Dec. 21, 1990); Case No. 10275, Green River Electric Corporation Notice of Increase in Rates for Retail Electric Service (Dec. 27, 1988).

KIUC argues that a cost-of-service study is of paramount importance. It asserts that a valid cost-of-service study for Kenergy can be prepared using the operations of Kenergy's predecessors.² It notes that Kenergy has been able to prepare a consolidated income statement despite Kenergy's relatively short existence.

Having carefully considered the arguments of both parties, the Commission finds that this proceeding should go forward without Kenergy's submission of a cost-of-service study. Given the relative short period in which Kenergy has operated as a consolidated entity and given the Commission's past practice of not requiring a cost-of-service study from Green River Electric Corporation that considers the full cost of serving special contract customers, the Commission finds that a cost-of-service study is likely to be of limited value in this proceeding. While not requiring the submission of a cost-of-service study, we caution Kenergy that it continues to bear the burden of proof to show that the proposed reduction is just and reasonable and will not result in unreasonable discrimination toward any class of utility ratepayer. See KRS 278.190(4).

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.
2. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.
3. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

² Green River Electric Corporation and Henderson Union Electric Cooperative Corporation were consolidated on July 1, 1999 to form Kenergy.

4. All documents that this Order requires to be filed with the Commission shall be served upon all parties of record.

5. Parties shall file the original and 10 copies of all testimony. The original and at least 4 copies of the testimony shall be filed:

- a. With a cover letter listing each witness presenting testimony.
- b. Bound in 3-ring binders or with any other fastener that readily opens and closes to facilitate photocopying.
- c. With witness s testimony tabbed.
- d. With every exhibit to each witness s testimony appropriately marked.

6. To be timely filed with the Commission, a document must be received by the Secretary of the Commission within the specified time for filing except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

7. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

8. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 14th day of December, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-162 DATED DECEMBER 14, 1999

All requests for information to Kenergy shall be served upon Kenergy no later than 01/10/2000

Kenergy shall file with the Commission and serve upon all parties of record its responses to the requests for information no later than 01/24/2000

Any supplemental requests for information shall be served upon Kenergy no later than 02/11/2000

Kenergy shall file with the Commission and serve upon all parties of record its responses to all supplemental requests for information no later than 02/25/2000

Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than 03/10/2000

All requests for information to Intervenor shall be served no later than 03/24/2000

Intervenor shall file with the Commission and serve upon all parties of record its responses to requests for information no later than..... 04/07/2000

Kenergy shall file with the Commission and serve upon all parties of record any rebuttal testimony in verified prepared form no later than 04/21/2000

Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses 04/25/2000

Parties may file with the Commission and shall serve upon all parties of record written briefs no later than..... 05/22/2000