

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY FOR THE TWO-YEAR)	CASE NO.
BILLING PERIOD ENDING APRIL 30, 2011)	2011-00232

O R D E R

On January 31, 2012, the Commission entered a Final Order in this matter authorizing Louisville Gas and Electric Company ("LG&E"), among other items, to incorporate or "roll-in" to base rates environmental surcharge amounts as proposed by LG&E according to the allocation methodology approved by the Commission on December 15, 2011 in the Settlement Agreement, Stipulation and Recommendation ("Settlement Agreement") in Case No. 2011-00162.¹ On February 3, 2012, LG&E filed a Motion to Correct Order; requesting that the Commission correct what appeared to be inadvertent errors or omissions in the Final Order. On February 7, 2012, Kentucky Industrial Utility Customers, Inc. filed a response expressing its support for LG&E's motion.

On February 23, 2012, LG&E filed a second motion which requests approval of certain revisions and additions to its monthly environmental surcharge ("ES") reporting

¹ Case No. 2011-00162, Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge (Ky. PSC Dec. 15, 2011).

forms. In its second motion, LG&E also requests that the Commission issue an Order to correct the Final Order and approve LG&E's proposed revisions and additions to its monthly ES Forms 1.00, 1.10, and 3.00 by February 29, 2012.

MOTION TO CORRECT

In its Motion to Correct, LG&E stated that every incorporation or "roll-in" of Environmental Cost Recovery ("ECR") revenues requires the consistent allocation of both the incremental ECR revenue amount to be rolled-into base rates and the existing amount of ECR revenues embedded in base rates. LG&E, consistent with the terms of the Commission-approved Settlement Agreement in Case No. 2011-00162, proposed to allocate both the incremental ECR revenue amount to be rolled-in to base rates and the existing amount of ECR revenues embedded in base rates. Exhibit 1 to LG&E's January 5, 2012 Supplemental Information filing in this proceeding contained detailed information concerning the roll-in amounts, which it determined to consist of an incremental amount of \$2,330,762, plus ECR costs already in base rates of \$7,519,891, for a total ECR amount of \$9,850,653 to be rolled-in to base rates.

LG&E states that on page 4 of the Final Order, under the heading Allocation of Roll-In, the third sentence inadvertently identifies the incremental amount of \$2,330,762 as the total amount to be allocated rather than the correct total roll-in amount of \$9,850,653. LG&E states that the same typographical error subsequently appears in that same section (Allocation of Roll-In) at page 5, in the first line on that page, wherein the incremental amount is inadvertently used to describe the total roll-in amount.

LG&E further states that ordering paragraph No. 3, at page 7 of the Final Order, inadvertently omits the word "total" from the second sentence when describing the total

amount of the roll-in to be allocated in accordance with the Settlement Agreement: “The roll-in shall be allocated to the customer classes as described in the Settlement Agreement approved in Case No. 2011-00162.” LG&E suggests that the typographical omission should be corrected by inserting the word “total” between the words “[t]he” and “roll-in” to read: “The *total* roll-in shall be allocated to the customer classes as described in the Settlement Agreement approved in Case No. 2011-00162.”

The Commission has reviewed the Final Order and finds that the amount of ECR revenues to be rolled-in to base rates was misstated and that the word “total” was inadvertently omitted in ordering paragraph 3. The Commission agrees with the corrections requested by LG&E in its Motion to Correct Order.

MOTION TO APPROVE REVISED ES FORMS

On December 15, 2011, the Commission issued a Final Order in Case No. 2011-00162 approving the Settlement Agreement, which included changes to LG&E’s environmental surcharge forms used in LG&E’s monthly environmental surcharge filings. The changes were made to reflect the new allocation methodology to be applied to environmental costs agreed to as part of the Settlement Agreement. At an informal conference on February 22, 2012, which was attended by KIUC and the Attorney General, LG&E informed Commission Staff that the first monthly environmental surcharge reports it prepared utilizing the new allocation methodology and revised forms produced unintended and inaccurate results. LG&E stated that the calculations of the monthly billing factors negatively impacted customer rate classes that were not to be impacted by the new allocation methodology. To correct this problem, on February 23,

2012, LG&E filed proposed revisions to ES forms 1.00, 1.10, and 3.00 that were previously approved as part of the Settlement Agreement in Case No. 2011-00162.

Based on the evidence of record and our review of the documentation provided in support of the changes to the ES forms, the Commission finds that the proposed revisions to the ES forms are necessary to meet the requirements as well as the intent of the Settlement Agreement approved in Case No. 2011-00162.

IT IS THEREFORE ORDERED that:

1. The Commission's Order entered on January 31, 2012 is amended as follows:

a. At page 4, under the heading "Allocation of Roll-In," the third sentence is corrected by deleting the reference to "\$2,330,762 total roll-in" and substituting in its place "\$9,850,653 total roll-in;"

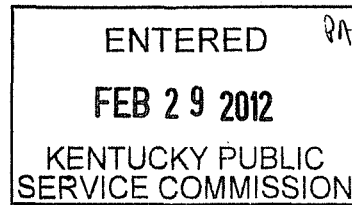
b. At page 5, line one on that page is corrected by deleting the reference to "the roll-in of \$2,330,762," and substituting in its place "the roll-in of \$9,850,653;" and

c. In ordering paragraph No. 3, the second sentence is corrected by adding the word "total," so the sentence reads "[t]he total roll-in shall be allocated to the customer classes as described in the Settlement Agreement approved in Case No. 2011-00162."

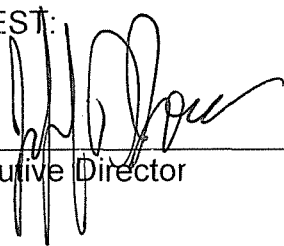
2. All other provisions of the Commission's January 31, 2012 Order shall remain in full force and effect.

3. KU's proposed revisions and modifications to its monthly ES Form 1.00, 1.10, and 3.00 as filed on February 23, 2012 are approved effective with the date of this Order.

By the Commission



ATTEST:



Executive Director

Case No. 2011-00232

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