

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|-----------------------------|---|----------------|
| AN INQUIRY INTO KENTUCKY'S |) | |
| PRESENT AND FUTURE ELECTRIC |) | ADMINISTRATIVE |
| NEEDS AND THE ALTERNATIVES |) | CASE NO. 308 |
| FOR MEETING THOSE NEEDS |) | |

O R D E R

On April 8, 1987, an informal conference was held at the Commission's offices in Frankfort. The purpose of the conference was to discuss the need for a task force to work with the Commission, and the need for a consultant to assist, in the development of a comprehensive planning regulation. At the conference there was general agreement that the formation of a task force was reasonable. However, it was suggested that the need for a regulation and the services of a consultant were not obvious and should be considered by the task force.

TASK FORCE MEMBERS

By letter of April 10, 1987, the Commission requested that each of the parties and the Office of Kentucky Legal Services Programs provide the name of their representative to the task force. The following have been selected to serve on the task force:

1. Mr. Nicholas Tibberts
Executive Assistant to the Senior
Vice President of Planning
American Electric Power Service Corporation
Kentucky Power Company

2. Mr. A. D. Baker
Vice President
Engineering and Construction
Kentucky Utilities Company
3. Mr. Robert E. Lyon
Manager System Planning and Budget
Louisville Gas and Electric Company
4. Mr. Donald I. Marshall
Manager, Rate and Economic Research Department
Union Light, Heat & Power Company
5. Mr. B. Scott Reed
Vice General Manager, Engineering
Big Rivers Electric Corporation
6. Mr. Paul Atchison, Manager
System Planning Department
East Kentucky Power Cooperative, Inc.
7. Mr. Dean Stanley
President and General Manager
Green River Electric Corporation
Rural Electric Distribution Cooperatives
8. Honorable Pamela Johnson
Assistant Attorney General
Office of the Attorney General
Utility and Rate Intervention Division
9. Mr. David Kinloch
Utility Ratecutters of Kentucky
10. Mr. John M. Studebaker
Chairman, KIUC
Manager, Engineering
Bundy Tubing
Kentucky Industrial Utility Customers
11. Mr. Fred W. Tolin
Chief Electrical Engineer
National-Southwire Aluminum Company
12. Honorable Anthony G. Martin
Executive Director
Office of Kentucky Legal Services Programs
13. Mr. Chuck Buechel
Deputy Executive Director
Public Service Commission

ROLE OF THE TASK FORCE

The Commission reaffirms its position stated in its prior Orders in this case and Case No. 9243¹ that all reasonable options, related to both supply and demand, will be reviewed and evaluated on a company-specific basis and from a statewide perspective.

The Commission believes the primary role of the task force is to prepare a draft regulation for the Commission. Based on comments at the conference and on the review of similar activities in Kentucky and other states, the Commission has determined a written regulation is necessary. The involvement of the regulators and customers in the utility resource planning process on an ongoing basis will be much more productive than pursuing these issues in the adversarial forum of a rate case proceeding.

At this stage of the process it is difficult to determine if the task force will need a consultant to prepare a regulation for Commission consideration. The Commission believes the task force should determine on its own whether it needs the services of a consultant. As discussed herein the Commission has decided that it will require the services of an independent consultant for various purposes including the formulation of a regulation.

The task force must develop procedures to insure that the positions of the minority members are expressed to the Commission.

¹ Case No. 9243, An Investigation and Review of Louisville Gas and Electric Company's Capacity Expansion Study and the Need for Trimble County Unit No. 1, Order entered October 14, 1985, page 23.

The Commission believes it would be inappropriate to allow a majority to dominate the task force and as a result prevent legitimate, reasonable concerns and alternatives from being presented.

Further, the task force should develop a means to report to the Commission on related concerns that were expressed at the April 8 conference. These concerns include: an assessment of the existing transmission grid in Kentucky and proposals to improve it; a review of the current power brokering in Kentucky and recommendations for future brokering or dispatching in Kentucky; a review of current power plant operation and suggestions to assure maximum efficiency in the future; and possibilities for bulk power sales which would better utilize the utilities' capacity reserves and also allow the export of Kentucky's coal resources by wire. The task force should also present reports on other topics, as it sees fit, to the Commission.

SCHEDULE FOR THE TASK FORCE

It is anticipated that the task force will complete its primary role of drafting a comprehensive planning regulation by the end of this year. This seems to be a reasonable expectation since several states have similar regulations which the task force can use as a basis for preparing a regulation.

COMMISSION CONSULTANT

Although the task force will need to determine if it needs a consultant, the Commission has determined that it will require the services of a consultant. The consultant will be needed to assist the staff and advise the Commission. It is anticipated that a

consultant will be useful in the final preparation and consideration of a proposed regulation. Once a regulation is developed and put into effect a consultant will be needed to work with the staff to review the initial filings to make certain they are consistent with the regulation and to assist in compiling the reports and to review and evaluate the information from a statewide perspective. It is also expected that a consultant would participate in any hearings that are needed.

Further the Commission finds that the cost of the consultant to be employed by the Commission should be charged on a prorated basis to the six major electric utilities in the state (Kentucky Power Company, Kentucky Utilities Company, Louisville Gas and Electric Company, Union Light, Heat and Power Company, Big Rivers Electric Corporation and East Kentucky Power Cooperative, Inc.). The cost of the consultant's services will be considered as a cost of service for rate-making purposes in future rate cases. If the task force determines it needs a consultant, then similar arrangements should be provided.

IT IS THEREFORE ORDERED that:

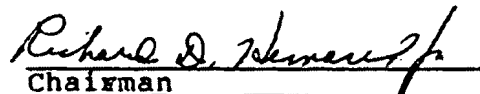
1. A task force be and hereby is established. It shall consist of those identified previously in this Order. The primary role of the task force is to prepare a draft comprehensive planning regulation by the end of this year.

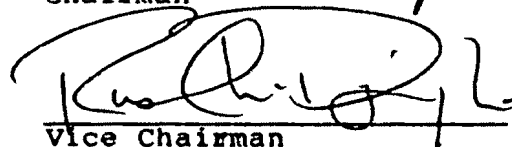
2. The cost of the Commission's consultant shall be charged on a prorated basis to the state's six major electric utilities. The cost will be considered as a cost of service for rate-making

purposes in future rate cases. If the task force determines it needs a consultant, then similar arrangements shall be provided.

Done at Frankfort, Kentucky, this 5th day of June, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director