COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ORDER APPROVING CERTAIN ACCOUNTING TREATMENT OF AMOUNTS PAID FOR COAL CONTRACT RELEASE	)	CASE NO. 10214

O R D E R

IT IS ORDERED that Kentucky Utilities Company ("KU") shall file an original and 12 copies of the following information with this Commission with copies to all parties of record on or before June 7, 1988. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1 (a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

The information requested herein is due no later than June 7, 1988. If the information cannot be provided by this date, KU should submit a Motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such Motion will be considered by the Commission.

1. Provide an explanation, with supportive documentation, for the monthly tonnages shown in Column 2 of Exhibit E for the Coal Ridge 1983 agreement.

2. Based on projected burn rates through 1991, under the proposed contract release, what percentage of KU's coal purchases will be on the spot market, both during the term of the March 1988 contract and afterwards through 1991? Provide supporting documentation.

3. What remedies would KU have under the March 1988 contract if Coal Ridge is unable to fulfill its obligations during the term of the contract?

4. In Exhibit F, page 4, KU witness Tipton states that KU's total exposure in the Coal Ridge litigation was in excess of $40 million. Provide supporting documentation for the amount of $40 million and a detailed explanation of how and why KU chose to settle the litigation and the basis for the $14.5 million lump sum payment.

5. Has KU executed a "contract termination/contract release agreement" with Coal Ridge that specifies the terms of the release, including the payment of $14.5 million by KU to Coal Ridge? Provide copies of any such documents or an explanation of why such documents do not exist.

6. Provide a detailed description of the $14.5 million transaction between KU and Coal Ridge and an explanation of its relevance to the document filed as Exhibit B and titled acknowledgement and discharge of debt, release of assignment and cancellation of consent to assignment.

7. In reference to Exhibit F, page 6, lines 3 through 14.

a. Explain why the Data Resources, Inc. ("DRI"), Spring 1987 Forecast was used to project Coal Ridge price increases while the spot market price increases were based on DRI's Winter 1987-1988 Coal Planner.

b. Explain why the analysis should not be based on the same set of price escalators, i.e., the same source of information.

c. Provide the appropriate pages of the DRI Spring 1987 Forecast and the Winter 1987-1988 Coal Planner used in the company's analysis.

8. In reference to Exhibit E, Tipton Exhibit No. 1.

a. Explain how the company arrived at the interest rate used in the present value calculations. Include the computation of the rate.

b. Provide the supporting workpapers for all present value calculations.

c. Was the present value calculated by months and summed or calculated on the totals? Provide an explanation of why the present value approach used was selected.

d. Explain why the sum of the Coal Ridge Contract Price and the Transportation cost do not equal the amounts shown as the Coal Ridge Delivery Price, in the original contract price extensions, for these months:

February 1989	January 1990	April 1990
April 1989	February 1990	September 1990
August 1989	March 1990	October 1990

e. Provide the workpapers which support and explain how the Combined Coal Ridge and Spot Price was arrived at.

f. Explain why a present value calculation of the total amortization was not included.

Done at Frankfort, Kentucky, this 19th day of May, 1988.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director