COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF GAS AND ELECTRIC RATES OF LOUISVILLE GAS AND ELECTRIC COMPANY	) CASE NO. 90-158

O R D E R

IT IS ORDERED that Kentucky Industrial Utility Customers ("KIUC") shall file the original and 12 copies of the following information with the Commission by October 24, 1990, with a copy to all parties of record. 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. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

QUESTIONS FOR KENNETH EISDORFER

1. Exhibit KE-1, Schedule 1, shows load factors and MCF per customer for commercial and industrial sales and transportation customers. Mr. Eisdorfer cites this schedule on pages 6 and 7 of his testimony in discussing the lower levels of demand-related costs for transportation customer versus the levels for sales customers.

a. Of the KIUC members that are transportation customers, identify the number that were sales customers prior to the advent of transportation services.

b. Identify the number of KIUC transportation customers that were not sales customers prior to the advent of transportation service, but rather, relied solely on alternative fuel sources.

2. In his testimony, Mr. Eisdorfer argues for lower transportation rates for industrial customers. In support of this position, as shown on Exhibit KE-1, Schedule 2 and Schedule 4, Mr. Eisdorfer has made rate and revenue calculations based on the requested overall rate of return (Schedule 2) and the highest sales class rate of return (Schedule 4).

a. Explain why Mr. Eisdorfer believes the industrial transportation class is comparable to sales customers in terms of risk and, therefore, should not be required to produce a higher class rate of return.

b. Explain the factors considered by Mr. Eisdorfer in evaluating the relative risks associated with serving different customer classes.

3. Mr. Eisdorfer identifies various qualitative factors - MCF use, load factor, etc. - to distinguish between sales customers and transportation customers. Identify and explain any qualitative factors that Mr. Eisdorfer believes distinguish sales service from transportation service.

4. Provide a detailed description of the differing characteristics of commercial and industrial transportation service that Mr. Eisdorfer believes supports the need for separate commercial and industrial rates.

5. On Schedules 3 and 8, Mr. Eisdorfer shows his calculation of LG&E's class rates of return at present rates and proposed rates and the class deviations from the overall rate of return. In analyzing the class deviations and determining whether each class is moving closer to the overall rate of return under LG&E's proposed rates, explain Mr. Eisdorfer's decision to compare the class rates of return at present rates to the overall rate of return at present rates rather than the overall return at proposed rates.

6. In his discussion of class revenue distribution, Mr. Eisdorfer recommends reducing the class revenue subsidies he has calculated by 20 percent. Explain the process by which Mr. Eisdorfer determined that 20 percent was the appropriate amount of reduction.

7. Regarding the recommendation by Mr. Eisdorfer that fuel costs should be recovered strictly through the operation of the fuel clause, explain Mr. Eisdorfer's understanding of how this proposal complies with the Commission's fuel adjustment clause regulation.

8. Provide all workpapers used to derive Exhibit KE-1, Schedules 1-11. Show and fully explain all calculations, determinations, and assumptions.

9. Provide a complete copy of Mr. Eisdorfer's gas cost-of-service study. Provide a complete copy of Mr. Eisdorfer's electric cost-of-service study if different from Mr. Kalcic's study.

QUESTIONS FOR LANE KOLLEN

10. Provide an explanation as to why Mr. Kollen did not include a determination of net original cost rate base for LG&E in his testimony.

11. On page 12 of Mr. Kollen's testimony, he states that contractual commitments constitute highly certain known and measurable changes. Provide an explanation of whether Mr. Kollen believes these types of transactions are known and measurable if they occur five months past the test-year end in a historical test-year proceeding.

12. On page 27 of his testimony, Mr. Kollen proposes that the Commission reject LG&E's proposed adjustments for November 1990 union wage adjustment, the Electric Power Research Institute membership dues, and the July 1990 sales tax increase. The stated basis for Mr. Kollen's proposal is that LG&E has not proposed all

the appropriate pro forma adjustments which should have been made. Indicate whether there are any other reasons why these adjustments should not be included for rate-making purposes.

13. Provide a detailed explanation as to how budgeted amounts for revenues and expenses constitute a basis for determining the reasonableness of a revenue or expense for rate-making purposes.

14. On page 40 of his testimony, Mr. Kollen proposes that the downsizing costs of LG&E should be amortized over a 10 year period. Provide the following information:

a. The basis for recommending a 10 year period. Include any studies or analysis which support this recommendation.

b. Explain why downsizing costs already expensed in the test year should be amortized over future periods.

<u>QUESTIONS FOR RANDALL J. FALKENBERG</u>

15. Beginning on page 8 of his testimony, Mr. Falkenberg discusses planning issues and presents KIUC's position on those issues. If the Commission follows Mr. Falkenberg's recommendation to follow a historical test year in the processing of this case, provide an explanation of the revenue requirements impact the Ohio Valley Electric Corporation, the retirement of Cane Run Unit 3, and the upgrading of LG&E's hydroelectric facilities have on this case.

<u>QUESTIONS FOR VERNON J. OSIECKI</u>

16. Provide a complete description of specific DSM programs GE Appliances recommends that LG&E consider implementing.

17. Provide a description of how a DSM rebate program would operate.

18. Describe fully the DSM programs implemented by GE Appliances which resulted in a 20 percent reduction in electrical usage and a 19 percent reduction in peak demand.

19. Did GE Appliances receive any incentives from LG&E to invest in these DSM programs? Explain.

20. What were the total investment and implementation costs associated with GE Appliances' DSM programs?

21. Describe fully the cost-of-service principles LG&E should use to allocate DSM costs to ratepayers. Specifically explain how allocation factors should be developed and how each of LG&E's customer classes would be affected by these cost allocations.

QUESTIONS FOR BRIAN KALCIC

22. Provide all workpapers used to derive the probability of peak monthly weights shown on Exhibit BK-1, Schedule 4. Show and fully explain all calculations, determinations, and assumptions.

23. Provide all workpapers used to derive the cost-of-service results shown on Exhibit BK-1, Schedule 5. Show and fully explain all calculations, determinations, and assumptions.

24. Provide a complete copy of Mr. Kalcic's electric cost-of-service study.

Done at Frankfort, Kentucky, this 15th day of October, 1990.

ATTEST:

Executive Director

PUBLIC SERVICE COMMISSION

For the Commission