

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 the City of Louisville ("City"), Paddlewheel Alliance ("Paddlewheel") and Jefferson County ("Jefferson") 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.

1. On pages 29-41 of his testimony, Mr. Kinloch discusses LG&E's street lighting rates and proposes three alternatives to the Company's proposed marginal cost pricing. For the options of (1) a separate large street lighting class and (2) a special contract for the City of Louisville ("City"), provide the following information:

a. A detailed description of all discussions and negotiations between the City and LG&E regarding these options since the filing of LG&E's rate application in this case.

b. A detailed description of any discussion of these alternatives by the City and LG&E prior to the filing of this case.

2. On page 39 of his testimony, Mr. Kinloch discusses the possibility of a separate LSL-Large Street Lighting Rate and suggests such a rate for customers with over 10,000 street lights. Since the City has over 23,000 lights, explain why 10,000 lights was suggested as the minimum number of lights for a LSL rate.

3. Mr. Kinloch is advocating embedded cost pricing rather than marginal cost pricing for street lighting rates. Explain whether Mr. Kinloch's opposition to marginal cost pricing is specific to LG&E's street lighting rates or is a general opposition to any marginal cost pricing.

4. In calculating a residential base rate excluding temperature-sensitive load, Mr. Kinloch utilized October 1990 as the least temperature-sensitive month of the test year. Identify and explain any analysis of degree day data and temperature-sensitive months performed by Mr. Kinloch for periods other than

the test year as a means of confirming the appropriateness of using October 1990 in his calculation.

5. In the calculation of a non-temperature sensitive base rate on Exhibit DHK-16, explain the reasons for the following choices for the numbers used as inputs in the calculation:

a. The use of the October 1990 demand of 365,718 KW rather than the base demand of 343,201 KW in calculating the non-temperature sensitive percentage.

b. The use of 100 percent of October 1990 KWH sales rather than the 85 percent of those sales described as non-temperature sensitive on page 48 of Mr. Kinloch's testimony.

6. On Exhibits DHK-18 and DHK-21, 1,615,360,411 KWH is used as the "first 600 KWH sales" for winter rates. This does not agree with the number of 1,030,889,324 KWH shown on DHK-19 and DHK-20 for the "first 600 KWH" and appears to be total winter KWH sales. Please clarify the accuracy of this number and provide corrected Exhibits DHK-18 and DHK-21 as necessary.

7. Exhibit DHK-23 includes the results of the statistical analysis performed by the U of L Urban Studies Center. Explain the selection process used to select the data set supplied to Dr. Price by Paddlewheel Alliance as referenced in paragraph 3 of Mr. Hoover's letter to Mr. Kinloch.

8. Mr. Kinloch's testimony on non-temperature sensitive sales and inverted rates is directed at LG&E's existing rate structure with its break point at 600 KWH. Provide any analysis performed by Mr. Kinloch which calculates an actual level of non-temperature sensitive sales for the residential class.

9. On page 57 of his testimony, Mr. Kinloch indicates that customers with income under \$7,000 use about half the electricity of customers with income over \$15,000. Given this disparity in average use, provide any analysis performed by Mr. Kinloch that identifies the non-temperature sensitive portion of the average electricity used by customers at these different income levels.

10. On pages 64-67 of his testimony, Mr. Kinloch argues against LG&E's proposed increase in the residential customer charge for gas customers. Regarding Mr. Kinloch's proposed customer charge of \$4.45 for residential customers, provide the following information:

a. Any calculation of monthly customer costs for residential gas customers performed by Mr. Kinloch which translates into a \$4.45 charge.

b. Identify the differential in class rates of return Mr. Kinloch finds appropriate in support of his position on the lower risk associated with serving residential customers.

11. Concerning Mr. Kinloch's proposed treatment of storm damage expenses, pages 23 and 24 of his testimony, provide the following information:

a. A detailed explanation as to why the storm damage expense incurred in 1983 and 1984 were more normal than the expenses incurred in 1985 and 1987.

b. The basis for the statement that the storm damage expenses incurred in 1985 are unrepresentative.

c. A narrative of the analysis performed by Mr. Kinloch which supports his proposed treatment of storm damage expenses. Include copies of any supporting workpapers or documents.

12. Concerning the conservation programs discussed on pages 76 through 80 of Mr. Kinloch's testimony, provide the following information:

a. Indicate whether the discussed conservation programs have been presented to LG&E and what response was received.

b. Mr. Kinloch states on page 78 of his testimony that the only reason LG&E has not entered into conservation as a capacity option is the Commission's regulations. Indicate what analysis Mr. Kinloch has performed to reach this conclusion.

13. Concerning Mr. Kinloch's discussion of the proposed retirement of LG&E's Cane Run Unit 3, pages 81 through 84 of his testimony, provide an explanation of why the proposed retirement of Cane Run Unit 3 should be addressed in this proceeding, when the test year ends April 30, 1990, the case uses the historical test-period approach, and the proposed retirement would not occur until early 1991.

14. Concerning the discussion of Edison Electric Institute ("EEI") membership dues on pages 85 through 88 of Mr. Kinloch's testimony, provide the following information:

a. Exhibit DHK-29 was published in late 1985. Indicate whether Mr. Kinloch has reviewed commission decisions on EEI membership dues issued since 1985. Provide the results of this review.

b. In LG&E's last general rate case, the Commission stated it would reconsider the total exclusion of EEI membership dues for rate-making purposes if LG&E could document that the costs of membership dues provided a direct benefit to the rate payers. In light of the Commission's decision, explain the basis for Mr. Kinloch's statement on page 87 of his testimony where he states that cost-benefit analysis of EEI membership is irrelevant.

15. Concerning the discussion of Electric Power Research Institute ("EPRI") membership dues on pages 89 through 95 of Mr. Kinloch's testimony, indicate what analysis Mr. Kinloch has performed of the decisions of other regulatory commissions concerning EPRI membership dues. Include a detailed explanation of the results of any analysis performed.

16. Concerning Exhibit DHK-31, provide the following information:

a. Indicate whether Mr. Kinloch has included any return on rate base relating to Trimble County Unit 1 Construction Work In Progress ("CWIP") as of April 30, 1990.

b. If a return on Trimble County Unit 1 CWIP has not been included in the calculations on Exhibit DHK-31, include a thorough explanation as to why a return on CWIP was excluded.

c. If a return on Trimble County Unit 1 CWIP has been included, indicate where it is incorporated on Exhibit DHK-31.

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

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

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 the Attorney General of Kentucky, by and through his Utility and Rate Intervention Division ("AG"), 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 MICHAEL F. SHEEHAN

1. On page 26 of his testimony, Dr. Sheehan refers to the Commission's 1988 Order in Case No. 10201, In Re: Columbia Gas, at page 60, regarding the impact of increasing customer charges for the residential class.

a. Explain Dr. Sheehan's understanding of the terms of the settlement agreement adopted in Columbia's 1986 rate case, Case No. 9554, regarding revenue allocation and cost shifts between classes.

b. Explain why the results of Case No. 10201, which were significantly impacted by the previous case's settlement agreement, are relevant in this proceeding which has no such reliance on a prior case.

2. On pages 39-42 of his testimony, Dr. Sheehan argues for abolishing the late payment charge.

a. Explain whether it is Dr. Sheehan's position that LG&E's requested rate increase should be increased by \$3.9 million to offset the loss of the late payment charge revenues resulting from this recommendation.

b. Explain whether Dr. Sheehan has performed an analysis on LG&E, or any other utility, on the effectiveness of a late payment charge as an incentive for timely payment of bills.

3. On page 32 of Dr. Sheehan's testimony is a discussion of the job and income impact spending on conservation has versus spending on capital intensive projects. Provide the following information:

a. Describe what analysis Dr. Sheehan has performed to support his statements contained on lines 9 through 17 on page 32. Include copies of any analysis or studies performed.

b. Identify the source of Exhibit MFS-1.

c. Explain in detail why energy conservation spending was equated to the industrial category of "Maintenance and Repair Construction" in Dr. Sheehan's illustration.

4. Concerning the impact on ratepayers of conservation programs, as discussed in lines 15 through 25 on page 33 of Dr. Sheehan's testimony, provide the following information:

a. The basis for the statement that cost effective conservation programs will result in higher real incomes for ratepayers. Include any studies or analysis that support this statement.

b. The basis for the statement that cost effective conservation programs will result in an improved quality of life for ratepayers. Include any studies or analysis that support this statement.

5. Concerning the reduction of bad debt and collection costs resulting from conservation programs, as discussed on page 34 of Dr. Sheehan's testimony, provide the basis for the statement that a conservation program targeted to LG&E's customers would result in substantial reductions in the bad debt and collection expenses of LG&E. Include copies of any studies or analysis which were performed for the LG&E service area, which support this statement.

6. Concerning Dr. Sheehan's conclusion on page 39, requiring LG&E to evaluate conservation programs for cost effectiveness, and implement those programs which were cost effective, provide the following information:

a. Indicate whether Dr. Sheehan has made such an evaluation specifically for LG&E.

b. If Dr. Sheehan has made such an evaluation, indicate which conservation programs should be implemented. Include an estimate of the up front costs of these programs.

QUESTIONS FOR CARL G. K. WEAVER

7. Concerning Dr. Weaver's Statement 14, provide the following information:

a. Explain how the exclusion of unamortized premiums, unamortized discounts, and issuing expenses from the permanent capitalization does not result in a misstatement of the permanent capitalization.

b. Explain why repayment of priority claims in a liquidation would be the basis for excluding unamortized premiums on long-term debt from the total capitalization of LG&E.

QUESTIONS FOR THOMAS C. DEWARD

8. Concerning the proposed adjustment to increase total debt capital, relating to the gas stored underground at April 30, 1990, page 14 of Mr. DeWard's testimony, provide the following information:

a. Explain how Mr. DeWard determined that the financing of gas stored underground was not already included in the total debt capital. Include any analysis or workpapers which support this determination.

b. Explain in detail why Mr. DeWard has used a 12-month average balance for gas stored underground.

9. Concerning Mr. DeWard's proposal to allocate the entire Trimble County Unit 1 ("Trimble County") disallowance to common equity, pages 15 through 17 of his testimony, provide the following information:

a. Explain Mr. DeWard's understanding of how the expenditures for Trimble County were financed; that is, was Trimble County financed solely through common equity, or were debt capital and stock issues also utilized.

b. Explain why the disallowed portion of Trimble County should not be removed from the components of capitalization which financed the project.

10. Concerning the proposed adjustment to total capitalization for fuel and supplies increases, page 18 of Mr. DeWard's testimony, provide the basis for Mr. DeWard's determination that the increases in the fuel and supplies balances were solely the result of LG&E preparing for Trimble County. Include any analysis or supporting workpapers.

11. Concerning Schedule 5 of Mr. DeWard's testimony, provide the basis for Mr. DeWard's determination that the increases between the ending monthly balances for April, 1989 and April, 1990, for coal, fuel oil, materials and supplies, and stores expense un-

distributed related solely to LG&E preparing for the operation of Trimble County. Include any analysis performed or supporting workpapers.

12. Concerning Schedule 6 of Mr. DeWard's testimony, provide an explanation as to what the purpose of Schedule 6 is, since Mr. DeWard did not present a net original cost rate base.

13. Concerning the discussion about budget information, page 26 of Mr. DeWard's testimony, provide a thorough explanation as to how a budgeted level of revenues or expenses would constitute a reasonable level of activity for rate-making purposes.

14. Concerning the proposed adjustments to fringe benefit expenses, provide the following information:

a. Indicate if it is Mr. DeWard's understanding that the temporary project employees will not remain with LG&E after the completion of Trimble County. Include the basis for Mr. DeWard's understanding.

b. Explain in detail why it is inappropriate to expense all the 401-K expenses. Include any supporting documentation or analysis.

c. Explain in detail why the supplemental executive retirement plan expense should not be borne by ratepayers. Include any supporting documentation or analysis.

d. Explain in detail why it is not appropriate to base the pension expense on the current actuarial assumptions. Include any supporting documentation or analysis.

15. Concerning the proposed adjustments for customer growth, pages 32 and 33 of Mr. DeWard's testimony, provide the basis for

Mr. DeWard's opinion that the following expenses should not increase due to customer growth:

- a. Advertising expenses.
- b. Property insurance.
- c. Rents.
- d. Maintenance of general plant.

16. Concerning the proposed adjustment to Edison Electric Institute dues, page 34 of Mr. DeWard's testimony, provide the basis for Mr. DeWard's opinion that the listed activities are not appropriate for rate-making purposes.

17. Concerning the proposed adjustment to the directors and officers liability insurance, provide a description of the research Mr. DeWard has performed examining the rate-making treatment of this expense in other jurisdictions. Include the results of this research.

18. Concerning the proposed adjustment to office supplies and professional service expense, page 38 of Mr. DeWard's testimony, provide a detailed explanation of why it is appropriate to use the prior year level of expenses. Include the results of any analysis performed by Mr. DeWard which determined that the prior year level of expenses represented a reasonable, on going level of expense.

19. Concerning Schedule 18 of Mr. DeWard's testimony, provide the following information:

- a. A thorough explanation of the basis for Mr. DeWard's assumptions that \$500,000 in additional Trimble County

expenses were incurred in the test year, but were not adjusted by LG&E.

b. The calculations used to arrive at Mr. DeWard's proposed adjustment of \$500,000. Include copies of all supporting workpapers and analysis.

20. Concerning the proposed adjustment to commitment fees, page 44 of Mr. DeWard's testimony, provide the basis for Mr. DeWard's opinion that LG&E will no longer incur such fees.

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

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director