

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF ELECTRIC RATES OF)
LOUISVILLE GAS AND ELECTRIC COMPANY TO) CASE NO.
IMPLEMENT A 25 PERCENT DISALLOWANCE OF) 10320
TRIMBLE COUNTY UNIT NO. 1)

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy should be placed in a bound volume with each item tabbed. When numerous 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 respond to questions relating to the information provided. Ensure that copied material is legible. The information requested is due no later than February 11, 1994.

1. Provide the total (including the disallowed portion) capitalized cost of the Trimble County Unit No. 1 ("Trimble") and a breakdown of the total capitalized cost using Federal Energy Regulatory Commission plant accounts.

2. On page 4 of his testimony, M. Lee Fowler states that LG&E transferred the 25 percent disallowed cost of Trimble below-the-line as non-utility property.

a. Provide the accounting entries made to classify the disallowed portion of Trimble as non-utility property, showing the account number, title, amounts, and a description of each entry.

b. Explain the accounting or memo entries made to LG&E's debt and equity accounts to reflect this transfer.

3. On page 17 of his testimony, Fowler discusses the monies returned to LG&E ratepayers through refunds and rate reductions. During what time period was the refund of \$2,500,000 made?

4. On page 19 of his testimony, Fowler discusses the equity sale of the disallowed 25 percent of Trimble.

a. Provide the calculations, workpapers, assumptions, and other documentation which support the cost of the 12.12 percent portion of Trimble sold to the Illinois Municipal Electric Agency ("IMEA") and the 12.98 percent sold to Indiana Municipal Power Agency ("IMPA").

b. Provide the accounting entries, including adjustments to debt and equity accounts, which reflect the sales to IMEA and IMPA showing the account numbers, titles, amounts, and a description of each entry.

5. a. Regarding the sale to IMEA, provide the accounting entries made on LG&E's books relating to revenue or expense transactions which occurred between December 23, 1990, the commercial operation date of Trimble, and February 1991.

b. Regarding the sale to IMPA, provide the accounting entries made on LG&E's books relating to revenue or expense

transactions which occurred between December 23, 1990, and February 1993.

6. On pages 23 through 25 of his testimony, Fowler discusses the maximum amount LG&E believes may be due to its ratepayers. This amount is based on revenues collected subject to refund from May 20, 1988, through December 31, 1990, less refunds made in late 1989 and 1990. Why was this amount not stated in current dollars?

7. On page 31 of his testimony, Fowler states that it would be inappropriate for the Commission to disallow 25 percent of the construction work in progress ("CWIP") included in rate base in Case No. 10064.¹

a. Reconcile this statement with the Commission's prior decision in this case that "[a]djustments should be made to reflect the disallowance of 25 percent of Trimble County based on the level of construction work in progress at the test year ended August 31, 1987, and the adjusted rate base, capital and operating revenues and expenses contained in the Order of July 1, 1988 in Case No. 10064."²

b. Why would a 25 percent disallowance of the Trimble CWIP included in rate base in Case No. 10064 improperly disallow 25 percent of the Trimble CWIP included in rate base in Case No. 8924³

¹ Case No. 10064, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company.

² Commission's July 19, 1988 Order, at 2.

³ Case No. 8924, General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company.

when the incremental increase in Trimble CWIP between the two rate cases exceeds the potential disallowance?

c. Calculate the rate base disallowance of 25 percent of Trimble CWIP and the corresponding adjustments to LG&E's capitalization as of August 31, 1987. Provide all workpapers, assumptions, and supporting documentation.

8. Fowler Exhibits 1 and 2 contrast the amount of Trimble CWIP in rate base and the actual amount on LG&E's books during the same periods.

a. Describe "regulatory lag" as experienced in historic test year rate cases.

b. With the exception of the disallowance issue, are the results shown in these exhibits a good example of regulatory lag?

c. In periods of significant utility plant construction, is regulatory lag a normal occurrence when the historic test year is used in general rate cases?

Done at Frankfort, Kentucky, this 28th day of January, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director