

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY) CASE NO. 95-060
UTILITIES COMPANY AS BILLED FROM)
AUGUST 1, 1994 TO JANUARY 31, 1995)

O R D E R

On July 19, 1994, the Commission approved Kentucky Utilities Company's ("KU") environmental surcharge application and established a surcharge mechanism. Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). The Commission hereby initiates its first six-month review of KU's environmental surcharge.

IT IS THEREFORE ORDERED that:

1. KU shall appear at the Commission's offices in Frankfort, Kentucky, at the date and time set forth in Appendix A, attached to this Order, to submit itself to examination on the application of its environmental surcharge as billed to consumers from August 1, 1994 through January 31, 1995.¹

¹ Since KU's surcharge is billed on a two-month lag, the amounts billed from August 1994 through January 1995 are based on costs incurred from June 1994 through November 1994.

2. KU shall give notice of the hearing in accordance with the provisions of 807 KAR 5:011, Section 8(5). At the time publication is requested, KU shall forward a duplicate of the notice and request to the Commission.

3. KU shall, within 15 days from the date of this Order, file the information requested in Appendix B, attached to this Order, along with any prepared testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the review period.

4. The procedural schedule set forth in Appendix A shall be followed by KU and other parties to this proceeding.

5. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to questions related to the information, with copies to all parties of record and an original and 10 copies to the Commission.

6. KU's monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

Done at Frankfort, Kentucky, this 1st day of March, 1995.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 95-060 DATED MARCH 1, 1995

KU shall serve responses to the initial request for information no later than	03/16/95
All additional requests for information to KU shall be served no later than	03/31/95
KU shall serve responses to additional requests for information no later than	04/10/95
Intervenor testimony, if any, in verified prepared form shall be served no later than	04/25/95
All requests for information to Intervenors shall be served no later than	05/10/95
Intervenors shall serve responses to requests for information no later than	05/22/95
Last day for KU to publish notice of hearing date	05/24/95
Public Hearing is to begin at 10:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, for the purpose of cross-examination of witnesses of KU and Intervenors	05/31/95
Briefs shall be filed by	06/30/95

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 95-060 DATED MARCH 1, 1995

INITIAL INFORMATION REQUEST

1. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the July 19, 1994 Order in Case No. 93-465 for the billing period August 1994 through January 1995. Include any supporting workpapers, assumptions, or other documents as necessary.

2. For each month in the billing period August 1994 through January 1995, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported for Pollution Control Deferred Income Taxes and Pollution Control Deferred Investment Tax Credits.

3. Refer to ES Form 2.1, Plant, CWIP, and Depreciation Expense, for November 1994.

a. For each project listed, indicate the percentage of completion as of November 30, 1994.

b. For each project still in progress as of November 30, 1994, indicate whether the project was on schedule, behind schedule, or ahead of schedule. Provide the expected completion date if different from information filed in the Case No. 93-465 application, Lucas Exhibit 1.

4. Refer to ES Form 2.3, Inventory of Emission Allowances, for November 1994.

a. Describe the circumstances of the March 1993 purchase of 12,900 allowances, 1995 vintage year.

b. Provide the calculation of the weighted average cost

of the allowance ending inventory.

c. Explain the function of the Extension Allowance Pooling Group. Indicate when the Group was organized and when KU joined. Describe the Group's activities during the period June through November 1994.

5. The instructions for ES Form 2.5 state that in any month where significant changes occur in the five subaccount expense levels, KU is to attach an explanation of the reason(s) for the change.

a. Explain the changes in the expense levels for Subaccount No. 51207, Ash Handling - Maintenance, reported for August, September, and October 1994.

b. Explain the changes in the expense levels for Subaccount No. 51208, CEMS and Precipitator Maintenance, reported for June, July, September, and October 1994.

c. Explain the change in the expense level for Subaccount No. 51209, Scrubber Maintenance, reported for June 1994.

d. Why did KU not provide explanations concerning the expense level changes listed above? If KU did not consider the subaccount changes to be significant, provide KU's definition of significant.

6. Refer to the ES Form 2.5 for each month of the review period. On five separate occasions, the balance in a particular subaccount for a generating station was reported as a negative balance. Explain how the expense subaccount balance was negative on each of the five occasions.

7. Refer to KU's application in Case No. 93-465, Lucas

Exhibit 1, and ES Form 2.5. Identify the specific project shown on Lucas Exhibit 1 that corresponds with each of the generating station subaccounts listed below. If a subaccount does not correspond with a specific project in the compliance plan, explain why the subaccount has been included in the surcharge.

- a. Tyrone - Subaccount No. 51207, Ash Handling - Maintenance.
- b. Green River - Subaccount No. 50205, Scrubber Operation.
- c. Green River - Subaccount No. 51207, Ash Handling - Maintenance.
- d. Green River - Subaccount No. 51209, Scrubber Maintenance.
- e. Pineville - Subaccount No. 51207, Ash Handling - Maintenance.

8. ES Form 3.0 for the review period shows KU's monthly revenue for July 1993 through November 1994. However, the monthly total company revenue shown in Column 8 differs from the revenue shown in KU's monthly financial reports for each of the 17 months. Provide a 17-month reconciliation of ES Form 3.0 and KU's monthly financial reports and explain the reason(s) for the differences.

9. Provide a breakdown of the non-jurisdictional revenue reported in ES Form 3.0, Column 7, for each expense month under review. This breakdown should identify, for each sale: (1) the buyer; (2) the revenues generated by the sale; (3) the KW or KWH sold; and (4) a description of the sale by type, i.e., firm, interruptible, economy, etc.

10. Explain how the non-jurisdictional revenue was derived for the review period. Are off-system sales included in non-jurisdictional revenue? If no, explain why they are excluded.

11. Refer to Appendix A of the Commission's July 19, 1994 Order in Case No. 93-465 and KU's Emission Allowance Management Strategy Plan ("Management Strategy") filed on February 8, 1995. Indicate where in the Management Strategy the following issues are addressed:

- a. Current market prices and activity.
- b. Allowance market mechanisms (i.e., auctions, private trades).
- c. Alternative strategies (banking, sales, portfolio approaches).
- d. Valuation of emission allowances for planning (i.e., economy energy pricing, power plant dispatch).

12. Who is KU's Allowance Coordinator and what is the Coordinator's position within KU's organizational structure?