COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF LOUISVILLE)
GAS AND ELECTRIC COMPANY TO REVISE)
THE SMALL POWER PRODUCTION AND CO-) CASE NO. 95-239
GENERATION PURCHASE RATE SCHEDULES)
SPPC-I & II)

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file the original and 12 copies of the following information with the Commission no later than July 31, 1995. 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.

1. Under the first of the proposed capacity resource requirement conditions, LG&E would not purchase power from a qualifying facility ("QF") if system demand is equal to or less than LG&E's previously arranged capacity. 807 KAR 5:054, Section 6(1), requires a utility to purchase any energy and capacity which is made available from a QF except (1) when purchases from the QF will result in costs greater than those which the utility would incur if it generated an equivalent amount of energy instead of purchasing that energy or (2) during a system emergency.

a. Is LG&E proposing to establish an additional condition under which it will not purchase power from a QF?

b. Explain how LG&E's proposal is consistent with the above regulation.

2. LG&E is proposing to implement hourly pricing for purchases of power delivered from QFs.

a. How will QFs be kept informed of LG&E's hourly prices?

b. Explain how hourly prices will be established.

c. What is the relationship between hourly prices and the purchase price (P_M), as discussed on pages 4-5 of the May 1, 1995 application.

3. Under LG&E's proposal, a QF must commit a specific level of contract capacity to LG&E. However, LG&E is under no obligation to purchase this capacity from the QF.

a. How will a QF ever be able to commit to such an arrangement?

b. Does LG&E contend that this is an equitable relationship? Explain.

4. On page 3 of the May 1, 1995 application, LG&E states that, "[t]he cost to LG&E of inter-utility market power, includes both capacity charges and energy charges." Does LG&E always pay both capacity and energy charges when it purchases power from the inter-utility market?

5. LG&E defines "system demand" as LG&E's retail electric load, less contracted interruptible capacity, plus reserve margin

requirements. What reserve margin requirements will LG&E use in determining system demand?

6. LG&E defines per unit avoided capacity cost as the effective purchase power price from the inter-utility market less the actual variable fuel expenses for LG&E's coal and natural gas fired production facilities. If the inter-utility market purchase price is, as LG&E contends, made up of both capacity and energy charges, why is LG&E using its own fuel expenses to determine the avoided capacity cost instead of the energy charges associated with the inter-utility purchases?

7. LG&E is proposing to reduce the term of the SPPC-II schedule to five years. Explain how a QF will be able to commit the resources or acquire the financing necessary to build its facility if its contract with LG&E is limited to five years.

8. LG&E states that a shorter contract term will give a QF the flexibility to seek other customers should other opportunities arise. Is a QF constrained in any manner from seeking other customers? Explain.

9. LG&E does not indicate the manner or frequency in which a QF will be notified whether LG&E intends to purchase power or the amount of power to be purchased by LG&E.

a. Will LG&E determine on an hourly basis whether to purchase power from a QF and the amount to be purchased?

b. In what manner and how often will LG&E notify a QF of LG&E's purchase decisions?

c. Will LG&E's notice procedures in any way restrict a QF from finding other buyers for its power?

10. 807 KAR 5:054, Section 7(3), requires a utility to design and offer a standard contract to QFs. Provide a copy of LG&E's standard contract.

11. Refer to the proposed SPPC-II schedule:

a. On Sheet No. 15-F, on the first line of the Capacity Component Payments section, should the word "in" instead be "is"?

b. On Sheet No. 15-G, in the third numbered paragraph at the top of the page, should the equation $D_i > [C_{LG\&E} = C_{QF}]$ instead be $D_i > [C_{LG\&E} + C_{QF}]$?

Done at Frankfort, Kentucky, this 17th day of July, 1995.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director