COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF LOUISVILLE GAS AND ELECTRIC COMPANY TO OFFER EXCESS OR NONSTANDARD SERVICE TO ITS ELECTRIC AND GAS CUSTOMERS	))))	CASE NO. 95-276

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file the original and 10 copies of the following information with the Commission within 10 days of the date of this Order. When a response requires multiple pages, each page should be indexed appropriately, for example, Item 1(a), Page 2 of 4. With each response include the name of the witness who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible.

1. Explain how $10,000 was selected as the minimum cost of an individual project that could qualify for recovery under the proposed "excess facilities" tariffs.

2. Provide the rationale for the provision allowing LG&E to refuse service for any project with a cost in excess of $100,000 and an explanation for the choice of $100,000 as the cut-off level.

3. The proposed tariffs contain an initial term of service of ten years that is described on page three of LG&E's cover letter as "necessary to ensure that the costs of excess facilities will be completely recovered."

a. Do this provision and the related explanation mean that the costs of the facilities will be fully recovered from the customer after ten years of paying the facilities charge?

b. Given the finite lives of the facilities in question, why do the tariffs not include a maximum term, or stopping point, at which time the facilities charge would cease?

4. The proposal bases the facilities charge on a percentage, representing LG&E's carrying costs, that is to be applied to the estimated "original cost" of the excess or nonstandard facilities.

a. Does LG&E intend that this estimated "original cost" remain constant over the term of the facilities charge so that the resulting charge, such as the $1,275 used in the example in LG&E's cover letter, remains constant over the entire term of the service? Explain.

b. Given that depreciation begins to accrue at the time the facilities are installed, explain why the percentage should be applied to the "original cost" of the facilities rather than their net depreciated cost.

c. Did LG&E consider any recovery mechanisms for excess or nonstandard facilities other than the proposed facilities charge? If yes, describe the other mechanisms and explain why they were rejected in lieu of the proposed charge.

5. In the calculations of carrying charge rates LG&E assumes a "book life of asset" of 35 and 29 years, respectively, for gas and electric distribution plant. Explain how the 35 and 29 years were derived and describe the assets included in the derivation.

Done at Frankfort, Kentucky, this 13th day of September, 1995.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director