

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF LOUISVILLE GAS)	CASE NO. 95-455
AND ELECTRIC COMPANY AS BILLED FROM)	
MAY 1, 1995 TO OCTOBER 31, 1995)	

O R D E R

On April 6, 1995, the Commission approved Louisville Gas and Electric Company's ("LG&E") 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 LG&E's environmental surcharge.

In anticipation that all parties in Case No. 94-332¹ will desire to participate in this proceeding, the Kentucky Industrial Utility Customers ("KIUC"); the Attorney General ("AG"); Metro Human Needs Alliance, Inc., People Organized and Working for Energy

¹ Case No. 94-332, The Application of Louisville Gas and Electric Company for Approval of Compliance Plan and to Assess a Surcharge Pursuant to KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products, final Order dated April 6, 1995.

Reform and Anna Shed ("Residential Intervenor"); and Jefferson County, Kentucky will be deemed parties herein.

IT IS THEREFORE ORDERED that:

1. LG&E 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 May 1, 1995 through October 31, 1995.²

2. LG&E 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, LG&E shall forward a duplicate of the notice and request to the Commission.

3. LG&E shall, within 14 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 LG&E 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.


² Since LG&E's surcharge is billed on a two-month lag, the amounts billed from May 1995 through October 1995 are based on costs incurred from March 1995 through August 1995.

6. KIUC, the AG, the Residential Intervenors, and Jefferson County, Kentucky are hereby made parties of record in this proceeding.

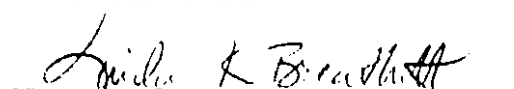
7. LG&E's monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

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

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-455 DATED OCTOBER 17, 1995

LG&E shall serve responses to the initial request for information no later than	10/31/95
All additional requests for information to LG&E shall be served no later than	11/10/95
LG&E shall serve responses to additional requests for information no later than	11/20/95
Intervenor testimony, if any, in verified prepared form shall be served no later than	12/04/95
All requests for information to Intervenor shall be served no later than	12/18/95
Intervenor shall serve responses to request for information no later than	01/03/96
Last day for LG&E to publish notice of hearing date	01/04/96
Public Hearing is to begin at 10:00 a.m., Eastern Standard 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 LG&E and Intervenor	01/11/96
Briefs shall be filed by	02/12/96

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 95-455 DATED OCTOBER 17, 1995

INITIAL INFORMATION REQUEST

1. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the April 6, 1995 Order in Case No. 94-332 for the billing period May 1995 through October 1995. Include any supporting workpapers, assumptions, or other documents as necessary.

2. For each month in the billing period May 1995 through October 1995, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts LG&E has reported for Pollution Control Deferred Income Taxes.

3. Refer to ES Form 2.2, Plant, CWIP, and Depreciation Expense, for August 1995.

a. For each project listed, indicate the percentage of completion as of August 31, 1995.

b. For each project still in progress as of August 31, 1995, 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. 94-332 application.

4. When computing the monthly Environmental Compliance Rate Base, why has LG&E not shown any amounts for Pollution Control Deferred Investment Tax Credits? If there were Pollution Control Deferred Investment Tax Credits associated with the Net Eligible Pollution Control Plant, explain why LG&E has not included the tax credits in the rate base calculations.

5. In its April 6, 1995 Order, the Commission required LG&E to deduct \$12,588,441 from eligible pollution control plant in service and \$3,095,533 in accumulated depreciation. These amounts represented environmental compliance plant in service retired or to be retired due to the implementation of LG&E's compliance plan. The retirements constituted costs already included in existing rates.

a. During the review period, has LG&E experienced any additional retirements of environmental compliance plant in service?

b. If yes to part (a), provide the following information:

- (1) The month of the retirement.
- (2) The amount of plant in service retired.
- (3) The amount of accumulated depreciation associated with the plant retired.
- (4) The amount of associated pollution control deferred income taxes.
- (5) The amount of associated pollution control deferred investment tax credits.
- (6) The annual amount of depreciation expense, taxes, and insurance related to the retirement.
- (7) The project in the approved compliance plan which resulted in the retirement.

Include the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts LG&E has reported.

c. If no to part (a), does LG&E expect there will be any further retirements once the approved compliance plan is fully implemented? If so, indicate when and what projects will result in a retirement.

6. During the review period, LG&E has included \$366,174 in permitting fees in its surcharge calculations. Provide a schedule identifying the agencies paid the permitting fees.

7. On October 6, 1995, LG&E filed its "Acid Rain Program - Emission Allowance Management Strategy Plan" pursuant to the Commission's April 6, 1995 Order in Case No. 94-332.

a. Identify the individuals by name and company position at LG&E who were primarily responsible for the preparation of the filed Emission Allowance Management Strategy Plan.

b. Identify the individuals by name and company position at LG&E who are primarily responsible for current emission allowance activities. Emission allowance activities include, but are not limited to:

(1) Tracking allowance pricing and market conditions.

(2) Allowance pricing relative to coordinated sales.

(3) Evaluating the possible purchase of Phase I allowances.

(4) Scenario development associated with the management and handling of allowances.

(5) Comparison of the market value of allowances versus the actual cost of scrubbing.

(6) Tracking of allowances sold at EPA auctions and auction proceeds.