

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 KENTUCKY ) CASE NO. 96-605  
UTILITIES COMPANY AS BILLED FROM )  
AUGUST 1, 1994 TO JULY 31, 1996 )

O R D E R

IT IS ORDERED that Kentucky Utilities Company ("KU") shall file an original and 10 copies of the following information with this Commission, with a copy to all parties of record. 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. The information requested herein is due no later than January 27, 1997.

1. Refer to the Direct Testimony of Ronald Willhite, page 3. KU proposes that a positive correction factor be applied to the first full billing month following the Commission's decision in this proceeding. The positive correction factor indicates that KU under-recovered the surcharge during the last 6-month period.

a. In the three previous review cases, KU proposed the application of the correction factor to the next 6-month period, regardless of whether there was an

over- or under-recovery of the surcharge. Why is KU now proposing to collect the calculated under-recovery in one month?

b. Would KU agree that the return of over-recoveries or the collection of under-recoveries should be accomplished over similar time periods? If no, explain why not.

2. KRS 278.183(3) states in part:

Every two (2) years the commission shall review and evaluate past operation of the surcharge, and after hearing, as ordered, shall disallow improper expenses, and to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of each utility.

KU's proposed positive correction factor only covers the last six months of the surcharge operation. Since this proceeding is the two year review, explain why KU did not propose an over- or under-recovery adjustment and correction factor for the entire review period.

3. Refer to the response to the Commission's December 18, 1996 Order, Item 1. Summing the four ES Form 4.0 schedules filed in this response, the Total Over/(Under) Collection for Review Period is an over-recovery of \$1,281,854.

a. Would it be correct that this total over-recovery includes the amount of over-recovery determined in Case No. 96-196,<sup>1</sup> which KU began returning to ratepayers with its November 1996 surcharge billings?

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<sup>1</sup> Case No. 96-196, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company as Billed from August 1, 1995 to January 31, 1996, final Order dated October 17, 1996.

b. Would the \$1,281,854 total, adjusted for the over-recovery determined in Case No. 96-196, reflect the net over-recovery for KU for the two-year period? If no, explain why not.

4. Refer to the response to the Commission's December 18, 1996 Order, Item 1. For each of the referenced amounts, provide a reconciliation between the reported amount and the amount originally filed with the monthly surcharge filings. Indicate which is the correct amount.

a. ES Form 4.1, Period December 1995 through May 1996, Column 4 - Inventories: Spare Parts, Limestone & Emission Allowances for December 1995.

b. ES Form 4.0, page 2 of 3, Period June through November 1994, Column 3 - Expense Month Total Company Revenues, June and July 1994.

5. Provide the workpapers supporting the calculation of the monthly amounts shown in the response to Item 1 relating to the Pollution Control Working Capital Allowance and the monthly Incremental Operation and Maintenance Expenses. If adjustments other than those ordered in Case No. 96-196 are reflected, describe the adjustment and explain the reason it is necessary.

6. Refer to the response to the Commission's December 18, 1996 Order, Item 5. For each of the five projects identified in Item 5, prepare a schedule of outstanding work orders which reflects the amounts reported as Construction Work in Progress for that project during the period December 1995 through May 1996. In addition,

a. Indicate whether the work order was part of the original project construction or is a new work order directly related to an approved project.

b. Identify those work orders which were closed during this period.

c. For new work orders, describe the nature of the work to be performed and explain how this work order is directly related to the approved project.

7. Refer to the response to the Commission's December 18, 1996 Order, Item 7. Although believing Items 7(a) through 7(d) were not applicable to this review, KU provided the information since it was readily available. KU stated that Items 7(e) and 7(f) requested deferred tax and deferred investment tax credit information that was not readily available and time consuming to compute. However, in the Willhite Direct Testimony, at 7, KU recommends holding this docket open pending the outcome of the appeals of Case No. 93-465,<sup>2</sup> and, after determining the need for refunds, proceed in this case with the incorporation into base rates of the environmental surcharge costs covered in this review period. The requested deferred tax information is germane to the determination of any required refunds resulting from the final decision in the appeals of Case No. 93-465. Provide the information as originally requested in Items 7(e) and 7(f).

8. Refer to the response to the Commission's December 18, 1996 Order, Item 8. KU has proposed that the Commission not incorporate any surcharge amounts into existing base rates at this time. As the Commission has yet to rule on this proposal, the approach KU would propose for the base rate adjustment is relevant to this case. Provide the originally requested information. Further, include the calculation of the amount KU would propose to be incorporated into existing base rates.

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<sup>2</sup> Case No. 93-465, The Application of Kentucky Utilities Company to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products.

Done at Frankfort, Kentucky, this 17th day of January, 1997.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director