COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR AN ORDER APPROVING THE TRANSFER OF CERTAIN FINANCIAL ASSETS	)))))	CASE NO. 2000-490

O R D E R

On December 27, 2000, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (jointly "Applicants") filed a petition requesting clarification and reconsideration of the Commission's December 13, 2000 Order approving, on a 3-year pilot basis, the transfer of certain customer accounts receivable to subsidiary corporations. Specifically, the Applicants request clarification of ordering paragraph 1(d), which provides, in part, that "LG&E and KU shall sell their respective receivables only if the sale results in no net cost increases to ratepayers." The Applicants maintain that this condition could be interpreted to mean that sales of receivables will be subject to being voided in the future if the Commission finds that such sales resulted in higher costs to ratepayers. They further suggest that the cited language is ambiguous to the extent that it does not indicate whether a cost-benefit analysis must be done on a daily basis or whether the pilot program will immediately terminate once a daily sale of receivables is not cost effective.

The Applicants suggest revising paragraph 1(d) by deleting the above-cited sentence and establishing a reporting requirement for them to annually file their detailed cost-benefit analyses for each month of the previous calendar year. Such a reporting requirement would be similar to what the Applicants are required to file with the Virginia State Corporate Commission relative to its approval of the sale of receivables for KU.

The Applicants also request reconsideration of the requirement in the December 13, 2000 Order that bank fees and other associated costs should be recorded as below-the-line expenses in Account Nos. 415 through 426.5. Based on prior decisions by the Federal Energy Regulatory Commission ("FERC"), the Applicants assert that all costs incurred as a result of the sale of receivables should be recorded in Account No. 431.

Kentucky Industrial Utility Customers ("KIUC") filed a response which concurs with the relief requested by the Applicants. KIUC agrees that if the sale of receivables results in net cost increases to ratepayers, the remedy should be a rate-making adjustment, rather than voiding or terminating the pilot program. KIUC further states that the determination of whether the sale of receivables is cost effective should only be made by specific Commission findings in an appropriate proceeding, not by implication from the absence of any objections when the Applicants file their annual status reports. With respect to the request to record bank fees and other associated costs in Account No. 431, KIUC does not object based on its understanding that this is a below-the-line expense account.

Based on the petition and being otherwise sufficiently advised, the Commission finds good cause to modify its December 13, 2000 Order. The intent of that Order was to establish rate-making remedies in the event that the Commission subsequently determined the Applicants' sale of receivables to be not cost effective. The intent was not to void sales that had already taken place or to automatically terminate the program should a particular sale of receivables be not cost effective. Accordingly, the Commission will modify ordering paragraph 1(d) of its December 13, 2000 Order by deleting the first sentence and substituting a requirement that the Applicants file annual status reports detailing their respective cost-benefit analyses for each month of the prior calendar year.

The Commission further finds that the Applicants' request to record bank fees and other associated costs in Account No. 431 is reasonable and appropriate. Following the established FERC precedent supports and affirms the substantive findings in the December 13, 2000 Order that such expenses should be recorded below the line, rather than being charged to ratepayers as proposed by the Applicants.

IT IS THEREFORE ORDERED that:

1. The Commission's December 13, 2000 Order is modified as follows:

a. The first sentence in ordering paragraph 1(d) is eliminated, and that paragraph is revised to provide as follows:

> LG&E and KU shall file by February 28, 2002, and again 12 months thereafter, a report detailing on a monthly basis the amount of accounts receivables each has sold, the average discount factor, and a cost-benefit analysis for the prior calendar year. The burden shall be on LG&E and KU to demonstrate in future proceedings that there is no net increase in costs to ratepayers as a result of the Commission's approval of this petition.

b. LG&E and KU shall record all bank fees and associated costs in Account No. 431, and shall maintain their records in such manner that the effects of the transaction can readily be determined.

2. All provisions of the December 13, 2000 Order not expressly modified herein remain in full force and effect.

3. This case is closed.

Done at Frankfort, Kentucky, this 16th day of January, 2001.

By the Commission

ATTEST:

Executive Director