

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR APPROVAL OF ITS)	CASE NO.
2002 COMPLIANCE PLAN FOR RECOVERY BY)	2002-00147
ENVIRONMENTAL SURCHARGE)	

O R D E R

On March 3, 2003, the Kentucky Industrial Utility Customers, Inc. (KIUC) filed a petition for rehearing on one issue adjudicated in the Commission s February 11, 2003 Order. Specifically, KIUC argues that the Commission erred by not making an adjustment to reduce Louisville Gas and Electric Company s (LG&E) environmental surcharge revenue requirement by \$175,000 to reflect a decrease in labor expenses at the Mill Creek generating station. KIUC contends that LG&E conceded that new environmental projects at Mill Creek included in the 2003 Compliance Plan would reduce its environmental operation and maintenance (O&M) expenses through the elimination of four scrubber operators. KIUC argues that the Commission has recognized the principle that when new environmental compliance projects reduce environmental O&M expenses which are already included in existing rates, the reduced O&M expenses must be recognized in the surcharge. By not including an adjustment in the environmental surcharge revenue requirement to reflect a \$175,000 reduction in O&M expenses, KIUC contends that the Commission failed to follow this principle. KIUC dismisses the fact that the scrubber operators were reassigned at Mill Creek as being irrelevant to the surcharge.

On March 14, 2003, LG&E filed its response in opposition to KIUC's petition for rehearing. LG&E states that the Commission's February 11, 2003 Order correctly determined that no offset for reduced O&M expenses was required in the surcharge calculations. LG&E notes that the four employees in question at Mill Creek were reassigned at the generating station and not terminated. LG&E points out that since the employees are still with LG&E, there was no reduction in operation expenses. Since there was no reduction in operation expenses, LG&E claims that no offset to the surcharge calculations was required.

The Commission finds that if the environmental projects included in LG&E's 2003 Plan cause reductions in expenses already included in base rates, those reductions should be reflected as offsets in the environmental surcharge. The record now before us does not indicate whether LG&E's existing base rates include the four employees whose jobs were eliminated by the 2003 Plan. In addition, the record is silent on the functions and duties to which these four employees were reassigned. For these reasons, we will grant rehearing to examine this issue further.

IT IS THEREFORE ORDERED that:

1. KIUC's petition for rehearing is granted.
2. LG&E shall file by April 3, 2003 its responses to the requests for information set forth in Appendix A, attached hereto and incorporated herein by reference.
3. An informal conference shall be held at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky on April 8, 2003 at 1:30 p.m., Eastern Daylight Time, for the purpose of developing a procedural schedule for this rehearing.

Done at Frankfort, Kentucky, this 24th day of March, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00147 DATED March 24, 2003

REHEARING DATA REQUEST

1. Indicate whether the operation and maintenance expenses associated with the four scrubber operators at Mill Creek were included in the December 31, 1998 test year in Case No. 1998-00426.¹
2. Concerning the jobs the four scrubber operators were reassigned to after the installation of new scrubber equipment at Mill Creek:
 - a. Provide a description of the functions and duties of the jobs to which the four scrubber operators were reassigned.
 - b. At the time of the job reassignment, indicate whether the new positions were vacant existing positions or newly created positions.

¹ Case No. 1998-00426, Application of Louisville Gas and Electric Company for Approval of an Alternative Method of Regulation of Its Rates and Service.