

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.
AND ELECTRIC COMPANY FOR THE SIX-MONTH)	2003-00001
BILLING PERIOD ENDING APRIL 30, 2002)	

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.¹ Pursuant to KRS 278.183(3), at 6-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). Therefore, the Commission hereby initiates the 6-month review of the surcharge as billed from May 1, 2002 to October 31, 2002.²

¹ Case No. 1994-00332, 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.

² Since LG&E's surcharge is billed on a 2-month lag, the amounts billed from May 2002 through October 2002 are based on costs incurred from March 2002 through August 2002.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. LG&E shall appear at the Commission's offices on the date set forth in Appendix A, to submit itself to examination on the application of its environmental surcharge as billed to consumers from May 1, 2002 through October 31, 2002. At the public hearing there shall be no opening statements or summaries of testimony.

3. LG&E shall give notice of the hearing in accordance with the provisions of Administrative Regulation 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.

4. LG&E shall, by the date set forth in Appendix A, file the information requested in Appendix B, attached hereto and incorporated herein, along with its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the period under review.

5. Any party filing testimony shall file an original and 9 copies.

6. 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 6 copies to the Commission.

7. Within 5 days of the Commission granting intervention to a party, LG&E shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for each review period.

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

9. The case records of Case Nos. 1994-00332, 2000-00386,³ and 2002-00193⁴ shall be incorporated by reference into the record of this case.

Done at Frankfort, Kentucky, this 16th day of January, 2003.

By the Commission

ATTEST:


Executive Director

³ Case No. 2000-00386, The Application of Louisville Gas and Electric Company for Approval of an Amended Compliance Plan for Purposes of Recovering the Costs of New and Additional Pollution Control Facilities and to Amend Its Environmental Cost Recovery Surcharge Tariff; final Order dated April 18, 2001; rehearing Orders dated May 14, 2001 and August 30, 2001.

⁴ Case No. 2002-00193, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Periods Ending April 30, 2000, October 31, 2000, October 31, 2001, and April 30, 2002 and for the Two-Year Billing Period Ending April 30, 2001.

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00001 DATED January 16, 2003

- LG&E shall file its prepared direct testimony and responses to the information requested in Appendix B no later than..... 02/07/03
- An informal technical conference is to begin at 1:30 p.m., Eastern Standard Time, in Conference Room 1 of the Commission s offices at 211 Sower Boulevard, Frankfort, Kentucky for the discussion of issues 02/13/03
- All additional requests for information to LG&E shall be filed no later than..... 02/26/03
- LG&E shall file responses to additional requests for information no later than..... 03/12/03
- Intervenor testimony, if any, in verified prepared form shall be filed no later than 03/26/03
- All requests for information to Intervenors shall be filed no later than..... 04/09/03
- Intervenors shall file responses to requests for information no later than..... 04/23/03
- LG&E may file with the Commission the testimony of its rebuttal witnesses in written verified form no later than 05/07/03
- Last day for LG&E to publish notice of hearing date 05/07/03
- Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission s offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses of LG&E and Intervenors..... 05/14/03
- Briefs, if any, shall be filed by..... 06/06/03

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00001 DATED January 16, 2003

FIRST DATA REQUEST OF COMMISSION STAFF TO LOUISVILLE GAS AND ELECTRIC COMPANY

Billing Period May 1, 2002 through October 31, 2002

1. Provide the following information concerning LG&E s rate of return on its 1995 Plan as of October 31, 2002:

a. Calculate any true-up adjustment needed to recognize changes in the weighted average cost of LG&E s pollution control debt during this review period. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment determined is to be included in the determination of the over- or under-recovery of the surcharge for this review period.

b. LG&E s weighted average cost of its pollution control debt.

2. Provide the following information concerning LG&E s rate of return on its 2001 Plan as of October 31, 2002:

a. Calculate any true-up adjustment needed to recognize changes in LG&E s cost of debt, preferred stock, or changes in LG&E s electric capital structure. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment determined is to be included in the determination of the over- or under-recovery of the surcharge for this review period.

b. The outstanding balances for long-term debt, short-term debt, preferred stock, accounts receivable financing, and common equity. This information is to be provided on total company and electric operations only bases.

c. The blended interest rates for long-term debt, short-term debt, preferred stock, and accounts receivable financing. Include all supporting calculations showing how these interest rates were determined. If applicable, provide the blended interest rate on total company and electric operations only bases.

d. LG&E s calculation of its overall rate of return for the 2001 Plan.

3. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months of March 2002 through October 2002. The expense months of September and October 2002 have been included in order to show the over- and under-recovery adjustments for the months included for the billing period under review. Include a calculation of any additional over- or under-recovery amount LG&E believes needs to be recognized for this 6-month review. Because this review period includes the 1995 Plan and 2001 Plan, LG&E may find it beneficial to determine any over- or under-recovery separately for the respective plans and net the results as a single over- or under-recovery amount. Include any supporting calculations, assumptions, and documentation for such an additional over- or under-recovery.

4. Refer to ES Form 2.00, Determination of Pollution Control Operating Expenses, for the expense months of March 2002 through August 2002. During this period, LG&E has included \$398,088 in permitting fees in its surcharge calculations. Provide a schedule identifying the agencies paid the permitting fees.

5. Refer to ES Form 3.0, Monthly Average Revenue Computation R(m), for the expense months of March 2002 through August 2002. Concerning the transactions classified as brokered sales :

a. Identify any expenses incurred by LG&E in association with these transactions. If any of these expenses are included in the determination of the monthly environmental surcharge revenue requirement, indicate for each expense month the account(s) and the amount of expenses associated with brokered sales.

b. Provide the following for each expense month in question:

1) A listing of the sellers and corresponding buyers involved with these brokered sales.

2) The total MWH sold in each expense month associated with brokered sales transactions.

3) Indicate whether the brokered sales revenues for each expense month reflect the total revenues or revenues net of all expenses.