

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|---------------------------------------|---|------------|
| AN EXAMINATION BY THE PUBLIC SERVICE |) | |
| COMMISSION OF THE ENVIRONMENTAL |) | |
| SURCHARGE MECHANISM OF KENTUCKY |) | CASE NO. |
| UTILITIES COMPANY FOR THE SIX-MONTH |) | 2015-00020 |
| BILLING PERIODS ENDING APRIL 30, 2014 |) | |
| AND OCTOBER 31, 2014 |) | |

ORDER

On July 19, 1994, the Commission approved Kentucky Utilities Company's ("KU") environmental surcharge application and established a surcharge mechanism.¹ 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). Therefore, the Commission hereby initiates the six-month review of the surcharge as billed from November 1, 2013, to April 30, 2014, and from May 1, 2014, to October 31, 2014.²

On May 3, 2013, KU filed with the Commission written notification of its election pursuant to 807 KAR 5:001, Section 8, to use the electronic filing procedures in all

¹ Case No. 1993-00465, *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* (Ky. PSC July 19, 1994).

² Since KU's surcharge is billed on a two-month lag, the amounts billed are based on costs incurred from September 2013 through February 2014 and March 2014 through August 2014.

future company six-month and two-year environmental surcharge review proceedings.³ As 807 KAR 5:001, Section 8, permits the Commission to direct the use of electronic filing procedures for proceedings which we initiate on our own motion, we find that electronic filing procedures should be used. As such, KU shall follow the procedures set forth in 807 KAR 5:001, Section 8, when filing any document or paper in this matter.

To facilitate this review, a procedural schedule is set forth in Appendix A, attached hereto and incorporated herein. In accordance with that schedule, KU is to file prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the period under review. In addition, KU is to file its response to the information requested in Appendix B, attached hereto and incorporated herein. Since the period under review in this proceeding may have resulted in over- or under-recoveries, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

Since the approval of its original environmental compliance plan and surcharge mechanism, KU has sought and been granted six amendments to its original environmental compliance plan and surcharge mechanism. Pursuant to our order approving the Settlement Agreement, Stipulation and Recommendation in Case No. 2012-00221,⁴ all costs associated with KU's 2005 and 2006 amended compliance plans were rolled into KU's base rates. As a result, the environmental surcharge provides recovery of the costs associated with the 2009 and 2011 amended environmental

³ Letter from Allyson K. Sturgeon, Counsel for Kentucky Utilities Company, to Jeff Derouen, Executive Director, Public Service Commission (May 3, 2013).

⁴ Case No. 2012-00221, *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* (Ky. PSC Dec. 20, 2012).

compliance plans. When determining its over- or under-recovery of the surcharge in this proceeding, KU should reflect the impacts of these prior cases, as applicable.

IT IS HEREBY ORDERED that:

1. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in this proceeding.

2. Within seven days of the date of this Order, KU shall file a statement as to whether it or its agents waive any right to service of Commission Orders by United States mail.

3. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of an Order of the Commission granting its intervention, file with the Commission a written statement that:

(1) It waives any right to service of Commission Orders by United States mail; and

(2) It, or its authorized agent, possesses the facilities to receive electronic transmissions.

4. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

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

6. Any party who submits a motion to intervene after February 6, 2015 and, upon a showing of good cause, is granted full intervention shall accept and abide by the existing procedural schedule.

7. KU shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the period under review.

8. a. The information requested in Appendix B is due on or before the date set forth in Appendix A. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with an original in paper medium and an electronic version to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Any party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

9. Within seven days of the Commission's granting intervention to a party, KU shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

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

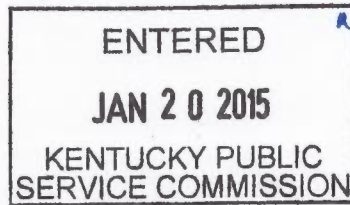
11. The records of Case Nos. 1993-00465, 2000-00439, 2002-00146, 2003-00068, 2003-00434, 2004-00426, 2006-00206, 2009-00197, and 2011-00161⁵ shall be incorporated by reference into the record of this case.

⁵ Case No. 1993-00465, *Kentucky Utilities Company* (Ky. PSC July 19, 1994); Case No. 2000-00439, *The Application of Kentucky Utilities 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 Surcharge Tariff* (Ky. PSC Apr. 18, 2001); Case No. 2002-00146, *Application for Amended Environmental Compliance Plan and a Revised Surcharge to Recover the Costs* (Ky. PSC Feb. 11, 2003); Case No. 2003-00068, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Periods Ending January 31, 2001, July 31, 2001, January 31, 2002, and January 31, 2003, and for the Two-Year Billing Periods Ending July 31, 2000 and July 31, 2002* (Ky. PSC May 4, 2004); Case No. 2003-00434, *An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company* (Ky. PSC June 30, 2004); Case No. 2004-00426, *The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of Its 2004 Compliance Plan and Recovery by Environmental Surcharge* (Ky. PSC June 20, 2005); Case No. 2006-00206, *The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct a Selective Catalytic Reduction System and Approval of Its 2006 Compliance Plan for Recovery by Environmental Surcharge* (Ky. PSC Dec. 21, 2006); Case No. 2009-00197, *Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2009 Compliance Plan for Recovery by Environmental Surcharge* (Ky. PSC Dec. 23, 2009); and Case No. 2011-00161, *Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge* (Ky. PSC Dec. 15, 2011).

12. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

13. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00020 DATED **JAN 20 2015**

- All requests for intervention shall be filed no later than.....02/06/15
- KU shall file its prepared direct testimony and responses to the information requested in Appendix B no later than.....02/16/15
- An informal conference shall begin at 1:30 p.m., Eastern Standard Time, in Conference Room No. 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the discussion of issues.....03/05/15
- All additional requests for information to KU shall be filed no later than03/19/15
- KU shall file responses to additional requests for information no later than04/02/15
- Intervenor testimony, if any, in verified prepared form shall be filed no later than04/14/15
- All requests for information to Intervenors shall be filed no later than04/22/15
- Intervenors shall file responses to requests for information no later than05/01/15
- Last day for KU or Intervenors to request a hearing or submit this case for decision based on the record.....05/08/15

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00020 DATED **JAN 20 2015**

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO KENTUCKY UTILITIES COMPANY

1. Concerning the rate of return on the two amendments to the environmental compliance plan, for the period under review, calculate any true-up adjustment needed to recognize changes in KU's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in KU's jurisdictional capital structure as of February 28, 2014. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment is to be included in the determination of the over- or under-recovery of the surcharge for the corresponding billing period under review. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

2. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the applicable billing period. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period under review. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings KU has submitted during the billing period under review. Include a calculation of any additional over- or under-recovery amount KU believes needs to be recognized for the review period. Include all supporting calculations and documentation for any such additional

over- or under-recovery. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

3. Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported during each billing period under review for Pollution Control Deferred Income Taxes. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

4. Refer to ES Form 2.50, Pollution Control – Operations & Maintenance Expenses, for the September 2013 through August 2014 expense months. For each expense account number listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

5. In Case No. 2000-00439, the Commission ordered that KU's cost of debt and preferred stock would be reviewed and re-established during the six-month review case. Provide the following information as of February 28, 2014, with all exhibits and schedules in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible:

a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and Kentucky jurisdictional bases.

b. The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest

rates were determined. If applicable, provide the blended interest rates on total company and Kentucky jurisdictional bases. For each outstanding debt listed, indicate whether the interest rate is fixed or variable.

c. KU's calculation of its weighted average cost of capital for environmental surcharge purposes.

6. Provide the actual average residential customer's usage. Based on this usage amount, provide the dollar impact the over/under recovery will have on the average residential customer's bill for the requested recovery period. Provide all supporting calculations and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

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