

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR APPROVAL OF AN) CASE NO. 98-426
ALTERNATIVE METHOD OF REGULATION OF)
ITS RATES AND SERVICES)

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR APPROVAL OF AN ALTERNATIVE) CASE NO. 98-474
METHOD OF REGULATION OF ITS RATES)
AND SERVICES)

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) shall file with the Commission the original and 12 copies of the following information relating to their respective witnesses no later than August 26, 1999, 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.

1. Except for the inclusion of a rate credit, did the amendments to LG&E s and KU s applications produce any changes to the proposed electric performance-

based regulation (PBR) mechanism? If yes, provide a detailed explanation of each change.

2. Refer to the Rebuttal Testimony of Ronald L. Willhite, page 11. Does Mr. Willhite believe that an earnings sharing mechanism (ESM) that included a deadband, both above and below an earnings threshold, would constitute a balanced proposal? Explain the response.

3. Refer to the Rebuttal Testimony of Mark N. Lowry, page 2. Is the imposition of an ESM consistent with the regulation of electric utilities within the United States? Explain the response.

4. Refer to the Lowry Rebuttal Testimony, page 9. Concerning the performance-based rate plan established for South Central Bell by the Commission in 1994, was Mr. Lowry aware that South Central Bell had been under a form of ESM since 1988? Explain the response.

5. Refer to the Lowry Rebuttal Testimony, page 16. Concerning Mr. Lowry's notation of the Commission's decision in Case No. 98-292:¹

a. Was Mr. Lowry aware that the removal of the ESM was the result of a rehearing request?

b. Was Mr. Lowry aware of why an ESM had originally been established for Cincinnati Bell Telephone Company in Case No. 98-292? Provide Mr. Lowry's understanding of this issue.

¹ Case No. 98-292, The Application of Cincinnati Bell Telephone Company for Authority to Increase and Adjust Its Rates and Charges and to Change Regulations and Practices Affecting Same, rehearing Order dated July 26, 1999.

c. Was Mr. Lowry aware of the reasons why the Commission decided to remove the ESM on rehearing? Provide Mr. Lowry's understanding of this issue.

d. Are the telecommunications and retail electric industries in Kentucky at the same stage of development concerning competition? Would Mr. Lowry agree that the telecommunications industry is much further along in the development of competition for the retail market in Kentucky than the retail electric industry? Explain the responses.

6. Refer to the Lowry Rebuttal Testimony, Rebuttal Exhibit MNL-2. Provide the following information concerning the ESMs listed in this exhibit relating to energy companies:

a. For each jurisdiction, describe the status of retail electric restructuring as of the date Mr. Lowry prepared this exhibit.

b. For each energy company listed, indicate the date that the ESM initially became effective.

c. For each energy company ESM identified, provide the citation to the proceeding that initially established the ESM.

7. Refer to the Rebuttal Testimony of Gerhard Haimberger, page 4. Concerning the fuel cost recovery component of the PBR, is it correct that LG&E's and KU's fuel procurement effectiveness will be measured against that of a select group of surrounding electric utilities, rather than a direct comparison to the market price of coal? Explain the response.

8. Refer to the Rebuttal Testimony of Dr. Lawrence Kaufmann, page 6. Concerning the SAIDI and SAIFI calculations:

a. As contained in the proposed PBR, is it correct that the SAIDI and SAIFI values do not recognize the effects of major storms that produce extended outages?

b. If the response to part (a) above is yes, provide a detailed explanation of how Dr. Kaufmann concludes that these measures represent simple yet comprehensive measures of customers entire direct experience with sustained outages.

Done at Frankfort, Kentucky, this 19th day of August, 1999.

By the Commission

ATTEST:

Executive Director