

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT IN ELECTRIC)
AND GAS RATES OF LOUISVILLE GAS) CASE NO. 8924
AND ELECTRIC COMPANY)

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company shall file an original and 12 copies of the following information with the Commission within 1 week of the date of this Order. 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 insure that it is legible. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

Issue: PRC Forma Adjustments and Test Year Expenses

1. As soon as available, provide the actual amounts of the increases for Major Medical Insurance and Blue Cross-Blue Shield coverage effective January 1, 1984, which had previously been projected as shown in Item No. 16 of the response to the PSC data request of November 18, 1983.

2. Provide the most recent report on the status of the proposed legislation affecting license fees for hydroelectric dams and future reports, as they become available, as per Item No. 7 of the response to Attorney General Data Request No. 1.

3. Provide the following information regarding the test-year level of expense for Account No. 502, Operation of Boiler Plant, shown in Item 31(a) of the response to the PSC data request of December 29, 1983:

a. A detailed explanation of the necessity and magnitude of the materials expense of \$684,000 for "Soda Ash Additive System" incurred during the test year, and why there had been no such expense during the 12-month period immediately preceding the test year.

b. A detailed analysis of the \$973,000 increase in materials expense for "Sludge Disposal Equipment" during the test year, including, but not limited to, the following information:

(1) Was there an outside contractor hauling sludge prior to the test year?

(2) How much sludge was hauled during the test year compared to the preceding 12 months?

(3) For what reasons does the company employ an outside contractor for sludge hauling rather than use its own personnel and equipment?

(4) How much was paid the outside contractor during the test year and how were those amounts determined - i.e., amount of sludge hauled, hours worked, etc.?

4. The financial and operating statistics report filed as Item No. 7 of the response to KIUC Data Request No. 1 shows that Paddy's Run Unit 5 was retired from the books in 1983 and Unit 6 is scheduled for retirement in 1984. Provide the following information concerning these retirements:

a. When in 1983 was Unit 5 retired and what were the accounting entries made to record that retirement?

b. What was the net depreciated cost of Unit 6 at the end of the test year and when in 1984 will it be retired?

c. No electricity was generated by these units during the test year, according to the company's monthly reports. Will either of these units remain in service as peaking units after being retired from the company's books?

5. The response to Item 31(g) of the PSC data request of December 29, 1983, refers to the increasing costs of several employee fringe benefits. In order to give the Commission more detail about the total magnitude of these costs, as well as other employee related costs, provide the company's normalized annual cost for the following items:

a. Health Insurance.

b. Retirement Plan.

- c. Group Life Insurance.
- d. Social Security Contributions.
- e. Unemployment Taxes.
- f. Other Benefits (itemize).

Issue: Coal Inventory

6. Did LG&E consider the costs related to the number of orders and/or the size of the orders in its coal inventory report entitled, "A Study of the Optimal Level of Coal Inventory" provided in response to Question 45 of the PSC's data request dated December 29, 1983?

7. Provide a graph of LG&E's monthly ending coal inventory levels including coal receipts (in tons) and coal burns (in tons) from September 1, 1983 through August 31, 1983.

Issue: Appropriate Return on Equity

8. Provide an update of Ronald Exhibit 3 showing the pre-tax coverage ratios less AFC for 1983, as soon as the data becomes available.

9. Provide an update of Schedule 2, page 2 of WDM 2, for the 12 months ended December 31, 1983, as soon as the data becomes available.

10. Provide an update of Schedule 7, WDM 7, for 1983, as soon as the data is available.

Issue: Appropriate Capital Structure

11a. Regarding LG & E's response to item 14, PSC data request of December 29, 1983: which rating agencies were consulted and provided advice?

11b. What was the advice of the rating agencies?

Issue: Appropriate Cost of Short-Term Debt

12. Referring to item 26, page 1 of PSC data request of November 18, 1983: How is the interest rate for Trust Demand Notes determined?

13. Referring to Wilkerson Exhibit 5, line 5: How is the interest rate for Other Notes Payable to Banks determined?

Issue: Depreciation Rates

14. Refer to response 36(a) of PSC data request of December 29, 1983;

a. Are the depreciation rates for SO₂ equipment, at the Cane Run, Paddy's Run and Mill Creek Stations, composite rates for all capital equipment items associated with and a part of the SO₂ equipment?

b. Why are the depreciation rates different for each generating unit?

c. Why is the depreciation rate for Paddy's Run No. 6 unit so much greater than for the other units?

d. Under "transmission" what does "Proj. 289" and "Non Proj." mean?

e. Under "Common Utility" what is included in the "PURPA" and "Other" categories?

Issue: Proposed Agreement with East Kentucky Power

15. Response to PSC Data Request of December 29, 1983, Item 19-c, page 2, indicates that a proposed agreement between EKP and LG&E has been prepared. Provide the proposed agreement, EKP's comments and all relevant correspondence including internal memos.

Issue: Load Forecasts and Construction Plans for Trimble County

16. Response to PSC Data Request of December 29, 1983, Item 19-a refers to a memorandum from R. E. Lyon to Fred Wright. The memo updates the company's load forecasts. Page 4 of the memo states that a capacity/load analysis would be undertaken. Please provide this analysis and any supporting documentation.

Issue: Embedded Cost-of-Service Study

17. Response to PSC Data Request of December 29, 1983, Item 23 states that a zero-intercept analysis was used to determine the customer cost component of joint distribution facilities. In previous studies presented to the Commission a minimum system approach was used. Provide an explanation of why the zero-intercept method was chosen for the present cost-of-service study.

Issue: Marginal Cost-of-Service Study

18. Response to PSC Data Request of December 29, 1983, Item 24, page 2 of 99, line (1) refers to the unit investment for a combustion turbine of \$315/kw. Provide support for this figure.

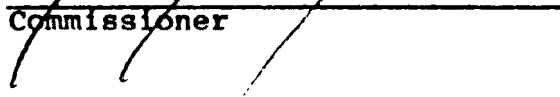
19. PSC Data Request of December 29, 1983, Item 24, page 19 of 99 states that the production cost analysis was performed using the then current "official" demand and energy forecasts. Item 19 provides updated forecasts as of December 16, 1983. Has the production cost analysis been revised to reflect the updated forecast? If so, please provide. If not, provide an explanation of why it has not.

Done at Frankfort, Kentucky, this 25th day of January, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary