

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION BY LOUISVILLE GAS AND ELECTRIC)
COMPANY THAT IT BE ALLOWED TO EMPLOY)
A 1990 COMPLETION DATE OF ITS TRIMBLE) CASE NO. 9709
COUNTY UNIT NO. 1 FOR PLANNING,)
BUDGETING, REPORTING AND TAX PURPOSES)

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by November 19, 1986, or within 7 days after the date of this Order, whichever is later. Where a narrative discussion or explanation is requested, explain in detail all components used in each calculation including the methodology employed and all assumptions applied in the derivation of each calculation. Careful attention should be given to copied material to insure that it is legible. If the information cannot be provided by the due date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 1

1. With reference to the impact of the loss of the investment tax credit on LG&E's cash flow, provide workpapers and a

complete narrative discussion supporting the loss of \$30,900,000 for the investment tax credit noted on page 8 of the Application.

2. With reference to Exhibit 1, provide workpapers and a complete narrative discussion in support of all calculations.

3. With reference to Exhibit 1, provide an explanation of the tax basis adjustments of \$38,000,000.

4. Identify all sections of the Tax Reform Act upon which LG&E's Application is based. Include a narrative discussion of all assumptions made by LG&E with regard to the tax treatment of Trimble County Unit No. 1.

5. With the exception of the tax effects, provide any additional savings or costs by moving the completion date forward to December 1990.

6. Provide a brief description and the date filed with the Commission of any and all reports regarding Trimble County Unit No. 1 filed subsequent to the Commission's Order in Case No. 9243.¹

7. Provide a copy and a thorough discussion of LG&E's "marketing policy" referred to on page 7 of the Application.

8. With reference to the Tax Reform Act, to what penalties will LG&E be subject if the Commission allows completion by December 31, 1990, and LG&E actually completes Trimble County Unit No. 1 subsequent to that date?

¹ An Investigation and Review of Louisville Gas and Electric Company's Capacity Expansion Study and the Need for Trimble County Unit No. 1, Final Order dated June 2, 1986.

9. With reference to the Tax Reform Act, will LG&E be able to recapture the investment tax credit in a future period assuming that reasonable expectation of the completion date cannot be provided by December 31, 1986, and LG&E actually completes Trimble County Unit No. 1 by December 31, 1990?

10. Provide LG&E's interpretation of "reasonable expectation" as stated on page 4 of the Application.

11. Provide any and all correspondence between LG&E and the Internal Revenue Service with regard to the effect of the Tax Reform Act on LG&E with regard to Trimble County Unit No. 1.

12. Do you consider the Order in Case No. 9243 to preclude LG&E from completing the Trimble County Unit No. 1 earlier than July 1, 1991, if management decides that the Unit will be needed prior to that date? If not, could LG&E conclude for Tax purposes that it has a "reasonable expectation" that the Unit will be in service prior to January 1, 1991?

13. In LG&E's opinion, can LG&E provide reasonable expectation that Trimble County Unit No. 1 can be completed by December 31, 1990, absent Commission approval of this petition? Why or why not?

14. Are LG&E's reasons for moving the completion date forward 6 months based on the tax savings only? If not, please explain.

15. Does LG&E feel that Trimble County Unit No. 1 will be used and useful as of December 1990? If yes, what situations have changed for the Commission to alter its previous opinion?

Done at Frankfort, Kentucky, this 14th day of November, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Warner, Jr.
For the Commission

ATTEST:

Executive Director