

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) CASE NO. 9709
ITS TRIMBLE COUNTY UNIT NO. 1 FOR)
PLANNING, BUDGETING, REPORTING AND)
TAX PURPOSES)

O R D E R

On September 30, 1986, Louisville Gas and Electric Company ("LG&E") filed a petition with this Commission that it be allowed to employ a 1990 completion date of its Trimble County Unit No. 1 for planning, budgeting and reporting purposes.

As a result of the passage of the Tax Reform Act of 1986 ("Tax Reform Act"), the petition was filed in response to the Commission's Order in Case No. 9243¹ which provided in part that LG&E file monthly reports on Trimble County Unit No. 1 and include information concerning any changes that might affect the in-service date. Under the Tax Reform Act, LG&E stated it would not be able to claim approximately \$30,900,000 in Investment Tax Credits on progress expenditures in the years 1986 through 1990 and would have a reduction in cash flow because of less favorable depreciation rates unless Trimble County Unit No. 1 qualified as

¹ Final Order dated June 2, 1986, Case No. 9243, An Investigation and Review of Louisville Gas and Electric Company's Capacity Expansion Study and the Need for Trimble County Unit No. 1.

"transition property." To qualify as "transition property" under the Tax Reform Act, LG&E must be able to demonstrate by the end of 1986 that it is reasonable to expect that Trimble County Unit No. 1 will be placed in-service prior to January 1, 1991.

In order to clarify LG&E's petition, the Commission held an informal conference at the Commission's offices with representatives of LG&E and the Consumer Protection Division of the Office of the Attorney General ("AG") on December 9, 1986. The Commission decided at that meeting to hold another informal conference on December 19, 1986, after all intervenors in Case No. 9243 had been notified of the present proceedings. LG&E was to notify those intervenors of the conference and provide them with copies of all material filed in connection with this proceeding.

Present at the December 19, 1986, informal conference were representatives for LG&E, the AG, Kentucky Industrial Utility Customers, and Utility Rate Cutters Incorporated ("URCK").

SUMMARY

Based on the evidence of record in this case, the Commission is of the opinion that it is not essential that the decision in Case No. 9243 be altered to allow LG&E to consider its Trimble County Unit No. 1 as in-service prior to January 1, 1991, and that it would be consistent with the Order in Case No. 9243 to consider Trimble County Unit No. 1 as transition property for tax purposes, under the Tax Reform Act.

In support of this finding the Commission realizes that initial start-up and synchronization of a new generating unit occurs well in advance of the date the unit is available for

reliable operation. If LG&E plans to employ the Trimble County Unit No. 1 on a reliable basis in July 1991 or later, as was ordered by the Commission in Case No. 9243, it is consistent with this Order and reasonable to expect that Trimble County Unit No. 1 may be considered in-service by January 1, 1991, prior to its completion date. Therefore, nothing in the Commission's Orders in Case No. 9243 precludes LG&E from making a planning decision with respect to an appropriate in-service date, including a date in 1990. Furthermore, nothing in this Order should be construed as a change in the Commission's decision in Case No. 9243 or as a determination by the Commission with respect to the rate base treatment of the plant, future treatment of construction work in progress, or the recovery of the cost of the Trimble County Unit No. 1 when completed.

The Commission hereby reiterates, and upholds its findings in Case No. 9243 that the need for Trimble County Unit No. 1 will be reviewed in a formal proceeding in 1987, and as a part of Administrative Case No. 308,² and nothing in this Order should be considered as precluding the Commission from exercising any option available to it including the examination of the need for the facility in those proceedings.

At the December 19, 1986, conference URCK filed a motion to dismiss this case. In accordance with the previous findings herein, the motion of URCK to dismiss this case should be denied.

² An Inquiry into Kentucky's Present and Future Electric Needs and the Alternatives for Meeting those Needs.

IT IS THEREFORE ORDERED that:

1. The motion of LG&E to amend the Order in Case No. 9243 be and it is hereby denied.

2. Nothing in the Order in Case No. 9243 precludes LG&E from making a planning decision with respect to an appropriate in-service date, including 1990, that is prior to the completion date for Trimble County Unit No. 1.

3. Nothing in the Order shall be construed as a change in the Commission's decision in Case No. 9243 or as a determination by the Commission with respect to the rate base treatment of the plant, future treatment of construction work in progress, the recovery of the cost of the Trimble County Unit No. 1 when completed, or as precluding the Commission from exercising any option available to it including the examination of the need for the facility in the review docket and as a part of Administrative Case No. 308.

4. The motion of URCK to dismiss this case be and it is hereby denied.

Done at Frankfort, Kentucky, this 24th day of December, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Henman, Jr.
Chairman

Paul H. ...
Vice Chairman

James M. Williams
Commissioner

ATTEST:

Executive Director