

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY TO AMORTIZE, BY MEANS OF)
TEMPORARY DECREASE IN RATES, NET) CASE NO. 93-113
FUEL COST SAVINGS RECOVERED IN)
COAL CONTRACT LITIGATION)

O R D E R

IT IS ORDERED that Kentucky Utilities Company ("KU") shall file, no later than August 16, 1993, an original and 12 copies of the following information with the Commission, 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. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. On page 7 of the Application, KU discusses the recovery of its litigation expenses.

a. Explain how KU recorded these expenses on its books during the nine years of litigation.

b. Explain how KU allocated the litigation expenses between Kentucky jurisdictional, Virginia jurisdictional (for the Old Dominion Power Company), and FERC jurisdictional operations.

c. Provide itemized listing of all litigation expenses for which KU seeks recovery.

d. Provide supporting invoices for the litigation expenses for which KU seeks recovery.

2. On page 9 of his testimony, Robert M. Hewett discusses the refund plan proposed in Virginia and the Virginia State Corporation Commission ("Virginia Commission") Staff report.

a. Provide complete copies of the Virginia Commission staff report.

b. Compare the Virginia fuel cost recovery mechanism with the Kentucky Fuel Adjustment Clause and identify all points where the two methods differ.

c. Identify the intervening parties in the Virginia proceeding.

d. State the current status of the Virginia proceeding as of the response date to this Order. Provide a copy of the Virginia Commission's final Order if a ruling has been made by the response date of this Order, or as soon as the ruling has been entered.

3. State the current status of the FERC proceeding. If staff reports or final rulings have been issued by the response date to this Order, provide complete copies of these documents.

4. Concerning KU's proposed refund plan:

a. Explain in detail why the refund is proposed to be spread over a 12-month period rather than a shorter time frame.

b. For the average residential customer, calculate what the total average refund would be, separating the refund between principle and interest.

c. Explain what federal and state income tax effects, if any, could be experienced by customers receiving a refund. Distinguish the tax effects between current and former customers. Include citations to appropriate sections of the applicable income tax codes.

5. For each customer situation described below, explain how that customer would be treated under the proposed refund plan.

a. A customer leaves the KU system before the 12-month refund amortization period is completed.

b. A customer enters the KU system before the 12-month refund amortization period is completed.

6. Prepare a refund plan which would return the funds to those customers who were on KU's system during the period from April 1985 through December 1990. The plan should assume the refund would be made over a period not to exceed three months. Include all assumptions used to develop this alternative refund plan.

7. Provide a description of each specific problem KU believes it would encounter if the Commission ordered that the refunds should be made to the customers on KU's system during the April 1985 through December 1990 period.

8. At page 11 of his testimony, Mr. Hewett states that KU has estimated that it would cost \$383,000 to process and mail checks to former customers. Explain how KU arrived at this amount and include all supporting workpapers.

9. Provide a copy of KU's request for rulings from the Internal Revenue Service ("IRS") concerning the tax treatment for the refund.

10. Provide a copy of the IRS rulings within 10 days of their receipt by KU.

Done at Frankfort, Kentucky, this 6th day of August, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director