

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF ELECTRIC RATES OF)
LOUISVILLE GAS AND ELECTRIC COMPANY TO) CASE NO. 10320
IMPLEMENT A 25 PERCENT DISALLOWANCE OF)
TRIMBLE COUNTY UNIT NO. 1)

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 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. The information requested herein is due no later than March 4, 1994.

1. In the response to Item 7(b) of the January 28, 1994 Order, LG&E states that a 25 percent disallowance of the Trimble County Unit No. 1 ("Trimble") construction work in progress ("CWIP") included in Case No. 10064¹ would represent a 25 percent disallowance of the Trimble CWIP allowed in rate base in Case No.

¹ Case No. 10064, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company.

8924³ and a 25 percent disallowance of the incremental increase in CWIP between these two general rate cases. The Commission announced its decision to disallow 25 percent of Trimble on July 1, 1988. In its July 19, 1988 Order in this proceeding, the Commission decided to utilize the test year ending August 31, 1987 in Case No. 10064.

a. Explain why the Commission should not disallow 25 percent of the total Trimble CWIP included in the test year in Case No. 10064. Include copies of any state or Federal commission decisions or authoritative references which support LG&E's position.

b. Identify any Commission Order in Case Nos. 9934³, 10064, or this proceeding where the Commission has indicated the 25 percent disallowance would not be applied prospectively.

c. As the Commission allowed 100 percent of the test year Trimble CWIP in rate base in Case No. 10064, explain how LG&E would propose to recognize the 25 percent disallowance for the Case No. 10064 test year.

2. In Case No. 90-158⁴ LG&E included an adjustment to remove 25 percent of Trimble by applying the disallowance percentage to the test-year end balance of Trimble CWIP.

³ Case No. 8924, General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company.

³ Case No. 9934, A Formal Review of the Current Status of Trimble County Unit No. 1.

⁴ Case No. 90-158, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company.

a. Explain how I&E's proposal which was accepted by the Commission in Case No. 90-158 is consistent with the arguments raised in the response to Item 7(b) of the January 28, 1994 Order.

b. Explain why I&E objects to applying the same approach it proposed and the Commission accepted in Case No. 90-158 to the test-year end balance of Trimble CWIP in Case No. 10064.

3. In the response to Item 7(c) of the January 28, 1994 Order, I&E calculated a rate base and capital reduction of \$95,586,597, which represented a 25 percent disallowance of the Trimble CWIP as of August 31, 1987. The Commission's July 19, 1988 Order in this proceeding states,

To facilitate the rate-making process, the Commission will utilize the adjusted test year found reasonable in Case No. 10064 as the test period in this proceeding. In determining the current revenue requirements impact of the disallowance, adjustments should be made to reflect the disallowance of 25 percent of Trimble County based on the level of construction work in progress at the end of test year ended August 31, 1987, and the adjusted rate base, capital and operating revenues and expenses contained in the Order of July 1, 1988 in Case No. 10064.⁹

Using the adjustment to rate base and capital determined by I&E in the response to Item 7(c), provide a calculation of the revenue requirements as described in the Commission's July 19, 1988 Order. Include all workpapers, assumptions, and other supporting documentation used in the calculation.

4. The response to Question No. 2 of Kentucky Industrial Utility Customers' ("KIUC") January 26, 1994 data request contains

⁹ July 19, 1988 Order, at 2 and 3.

a monthly summary of the \$8,629,000 rate reduction made by LG&E during 1990. However, the monthly revenue summaries indicate that the amounts represent the "Estimated Revenue Loss Due to Rate Reduction." Explain why estimated amounts have been provided rather than actual.

5. The responses to Question No. 5 of KIUC's January 26, 1994 data request and Question No. 1 of the Attorney General's ("AG") January 28, 1994 data request deal with book and tax information related to the Trimble sales. For each of the items listed, explain the correction or adjustment and provide the reason(s) each item was necessary.

a. Correction of Prior Year Deferred Tax Entry on Depreciation (KIUC Question No. 5).

b. Energy Credit Basis Adjustment (AG Question No. 1).

c. Pension Expense Basis Adjustment (AG Question No. 1).

d. Asset Allocation Adjustment (AG Question No. 1).

6. In the response to Question No. 6 of the AG's January 28, 1994 data request, LG&E stated that the proceeds from the Trimble sales were combined with other company funds.

a. Explain whether the reference to "company funds" means LG&E or LG&E Energy Corporation.

b. At the time of the two sales, was any portion of the proceeds used to reduce pollution control debt?

7. In its July 19, 1988 Order in this proceeding, the Commission stated "[C]onsideration should also be given to how the

disallowance should be determined in future rate proceedings both while the plant is under construction as well as upon completion of construction." In the response to Question No. 5 of the Metro Human Needs Alliance's January 27, 1994 data request, LG&E outlined the methodology it proposed in Case No. 90-158 to reflect the Trimble disallowance.

a. Describe the methodology LG&E would propose to utilize in its next general rate case to reflect the 25 percent Trimble disallowance and explain why it would be chosen.

b. If LG&E believes that there would be no need to reflect the 25 percent disallowance in its next general rate case, explain how that position would be consistent with the proposal made by LG&E in Case No. 90-158.

Done at Frankfort, Kentucky, this 25th day of February, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

" Id., at 3.