

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 Kentucky Industrial Utility Customers ("KIUC") shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than April 25, 1994. KIUC shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested if a public hearing is scheduled.

1. At page 11 of his direct testimony, Richard A. Baudino states that a refund should be calculated for the period June 1979 through December 1990. Why is this period appropriate, when the 25 percent disallowance was announced on July 1, 1988 in Case No. 9934?¹

2. Concerning the use of the cash return on Construction Work in Progress ("CWIP") approach:

a. During the construction period of Trimble County Unit No. 1 ("Trimble"), did LG&E treat the interest charges related to CWIP as expenses?

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

b. Did LG&E's customers receive some benefit from the use of a cash return on CWIP because interest charges were treated as expenses and therefore lowered book and tax income? If no, explain.

3. At page 15, Mr. Baudino testified that ratepayers should be compensated for the time value of the money used to finance Trimble. Explain how including an interest component in the refund calculations appropriately recognizes the time value of money.

4. In Exhibits RAB-3 and RAB-4, Mr. Baudino uses an interest rate equal to LG&E's authorized rate of return on capital. Why is it appropriate to use the rate of return as a reasonable interest rate, when the rate of return was reflected in the determination of the CWIP revenue requirement? Explain.

5. Recalculate Exhibits RAB-3 and RAB-4 using the yearly average 3-month commercial paper rate as the interest rate in column 5.

Done at Frankfort, Kentucky, this 11th day of April, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director