

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On December 8, 1993, the Commission ordered Kentucky Utilities Company ("KU") to distribute approximately \$35.3 million to its Kentucky retail jurisdictional customers. This amount represented the Kentucky retail jurisdictional share of funds which KU deposited in Fayette Circuit Court during litigation with Southeast Coal Company involving a coal contract. Distributions were to be made to persons who were KU customers during the period April 1985 through December 1990. On February 8, 1994, KU submitted a plan to comply with the Commission's Order. Having reviewed this plan, the Commission approves this plan with certain modifications.

PROPOSED PLAN OF DISTRIBUTION

Under its proposed plan, KU divides distributees into two classes: current customers and former customers. Current customers are defined as any persons who are currently on KU's system and who applied for and continuously received retail

electric service on or before December 31, 1990. Former customers are any persons who applied for and received retail electric service at some time during the June 1, 1985 through December 31, 1990 period and did not have continuous service after December 31, 1990 through the refund date.

KU proposes to distribute current customers' share of the deposited funds in the form of a billing credit prior to the initiation of July 1994 billings. Former customers will be required to submit an application for their portion. Applications can be obtained from KU offices or by calling a 1-800 telephone number. Information from completed application forms will be matched with KU records. In some instances, KU may require independent verification of claims. The claim will then be calculated and verified, and a check will be issued.

Customers who have left KU's system within the 12 month period preceding the distribution date who have left a forwarding address will be mailed a check and will not be required to file any application. KU states that computer accessible records for some customers, primarily residential service customers who terminated their service before 1987, do not exist. Due to the lack of such records, KU contends that it cannot reasonably and cost-effectively process such customers' claims. It, therefore, proposes not to distribute any of the deposited funds to such customers.

Under the proposed plan, a former customer's share of the deposited funds must be at least one dollar for him to be eligible

to receive his share. KU contends that the costs of processing and issuing checks for lesser amounts is uneconomical and impractical.

To notify all current and former customers of the distribution, KU proposes a three-fold approach. First, notice in a manner similar to the expanded notice published to notify customers of the hearing in this case will be published. Second, KU will directly notify current customers by bill inserts, letters and inclusion of a distribution application (advertisement) in newspapers in which KU routinely advertises. Third, KU will provide news releases and conduct briefings throughout its service territory.

KU intends to establish a central processing unit which will process all claims, handle all customer communications, verify claims, initiate checks and coordinate overall tracking and reporting. This unit will operate during the first three months of the distribution period and will be manned by a third party under contract. After the first three months, KU employees will man the claims processing unit.

KU estimates that the total cost of administering the proposed distribution will be \$1,042,260. This amount is subject to revision.

INTERVENOR RESPONSE

None of the full intervenors have objected to the proposed plan. Wintercare has commented favorably on KU's efforts to work with it to encourage donations of the distribution shares.

Joseph H. Hilley, a limited intervenor, has objected to the distribution calculation. He alleges that KU's calculations in the proposed distribution plan differ from those in KU's original application. While Hilley's observation is somewhat correct, it is not relevant. KU's original calculations assumed a prospective distribution. Since the Commission has rejected such distribution and ordered a distribution plan to customers who KU served from April 1985 through December 1990, changes in KU's calculation were required. The Commission's review does not indicate that KU's current calculations are incorrect.

ANALYSIS

Having reviewed the proposed plan of distribution and being otherwise sufficiently advised, the Commission finds that the plan should be approved subject to two modifications.

First, former customers who terminated their service with KU before year-end from 1985 through 1987 should receive their share of the deposited funds. In its Order of December 8, 1993, the Commission found that "the customers who provided the escrow funds should now be the ones to receive the refund of those funds." Order of December 8, 1993 at p. 8. These former customers should not be deprived of their share of the deposited funds merely because of administrative inconvenience.

Second, KU should be permitted to revise its estimate of administrative and notice costs prior to the commencement of

distribution. This final estimate, which should be supported by an itemized listing of incurred and expected costs, will serve as a cap on the level of administrative and notice costs which KU may deduct from the deposited funds. KU will use this estimate in calculating the final amount to be distributed and each customer's share of the deposited funds.

IT IS THEREFORE ORDERED that:

1. KU shall modify its distribution plan to provide for distributions to KU customers who terminated their service before year-end from 1985 through 1987.

2. Within 30 days of the date of this Order, KU shall submit to the Commission the forms of notice which it intends to publish. If no Commission action is taken on the proposed forms of notice within 20 days of their submission, they shall be considered as approved.

3. No later than 20 days prior to the commencement of distribution, KU shall submit a final detailed estimate of the administrative and notice costs for the distribution. Reimbursement of actual administrative and notice costs from the deposited funds will not exceed the total amount set forth in KU's final estimate. Intervenors wishing to comment on KU's final estimate shall submit their comments no later than 10 days after the final estimate's submission.


4. Beginning January 31, 1995, KU shall file biannual reports on the progress of the distribution. These reports shall

show the actual costs incurred and the amounts distributed. The first report shall cover calendar year 1994.


5. KU's proposed distribution plan, as modified by this Order, is approved.

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

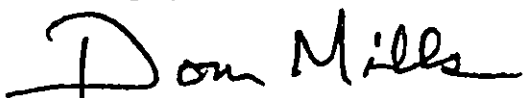
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ATTEST:



Executive Director