

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)
COMPANY TO ASSESS A SURCHARGE UNDER)
KRS 278.183 TO RECOVER COSTS OF)
COMPLIANCE WITH ENVIRONMENTAL) CASE NO. 93-465
REQUIREMENTS FOR COAL COMBUSTION)
WASTES AND BY-PRODUCTS)

O R D E R

IT IS ORDERED that the Office of the Attorney General's Utility and Rate Intervention Division ("AG") shall file the original and 12 copies of the following information with the Commission no later than May 18, 1994, 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. 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.

Questions for David H. Kinloch:

1. Explain how Mr. Kinloch would apply cost-of-service principles to allocate environmental compliance-related operating and maintenance ("O&M") expenses, property taxes, and insurance expense.

2. Explain how Mr. Kinloch would apply cost-of-service principles to allocate environmental compliance-related O&M expenses which could not be specifically matched to an environmental compliance asset or project.

Questions for Thomas C. DeWard:

3. On page 6 of his testimony, Mr. DeWard urges the Commission "to initiate a complete investigation of the origination and driving forces behind this legislation [KRS 278.183] and the role of KU, and its agents."

a. Is Mr. DeWard or the AG suggesting that the Commission has the jurisdiction to conduct an investigation of the origination and driving forces behind legislation that has been enacted by the Kentucky General Assembly?

b. If the answer to a. is yes, provide a detailed explanation of the Commission's statutory authority to conduct such an investigation.

4. In its application, KU proposes to include the "going-forward level" of capital costs associated with environmental compliance-related assets added since its last general rate case. KU also proposes to use a calendar year 1994 baseline to identify and track the appropriate amounts of O&M expenses to be recovered through the surcharge.

a. Assuming Mr. DeWard's concern regarding the amount of costs and expenses included in existing rates is resolved, are the amounts KU proposes to include in the surcharge and the manner in which they are determined reasonable?

b. Is it reasonable to base the capital component of the surcharge on environmental compliance-related plant additions made since June 30, 1982, while the O&M expense component is based on increments above or below the actual level of environmental expenses recorded in calendar year 1994? Explain.

5. KU has proposed to include in its surcharge the incremental differences in O&M expenses, using the actual environmental compliance expenses recorded in calendar year 1994 as a baseline. Is tracking O&M expenses using a baseline reasonable? Explain.

6. KU proposes to include in its surcharge a return on environmental compliance-related capital expenditures using an environmental rate base. Provide and explain Mr. DeWard's position concerning the proposed environmental rate base, specifically the components included and calculation of the rate base.

7. While KU has proposed to begin billing the surcharge on August 1, 1994, it proposes to delay the inclusion of the operation and maintenance expense portion of the surcharge until the expense month of January 1995. Provide and explain Mr. DeWard's position concerning the delay of including the operation and maintenance expense portion in the surcharge.

8. Describe any limitations that may exist in this proceeding relative to determining KU's environmental revenue requirement and the amount KU is entitled to collect through the environmental surcharge.

9. Refer to pages 10-11 of Mr. DeWard's testimony. Explain the statement: "Certainly, the presumption is that all costs are currently included in rates."

10. Using the information filed in this proceeding, is it possible to determine the rate of return KU is currently earning on its assets required for environmental compliance? If so, calculate the current return and provide all workpapers and assumptions used to make the calculation.

Done at Frankfort, Kentucky, this 9th day of May, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director