

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 Kentucky Industrial Utility Customers ("KIUC") 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.

1. Provide all calculations, workpapers, assumptions, and other supporting documentation used to develop the amounts shown on Table 2, page 25 of Mr. Falkenberg's testimony.

2. On page 26 of his testimony, Mr. Falkenberg states that in 1982 the pollution control capitalization exceeded the

environmental rate base. Explain how he reached this conclusion. Include any supporting references, calculations or workpapers.

3. On pages 26 and 27 of his testimony, Mr. Falkenberg states that it is reasonable to assume that all of Kentucky Utilities Company's ("KU") environmental compliance investment is financed with pollution control debt.

a. Explain why such an assumption is reasonable.

b. Provide the basis for this assumption, in light of KU's response to the Commission's March 4, 1994 Order, Item 60.

4. On page 30 of his testimony, Mr. Falkenberg states that KU's current pollution control investment exceeds its pollution control debt. Mr. Falkenberg further suggests that the Commission should deduct \$34 million from KU's June 30, 1994 pollution control rate base in order to match the existing level of pollution control debt.

a. Explain how Mr. Falkenberg reached this conclusion. Include any supporting references, calculations or workpapers.

b. Explain how he arrived at the \$34 million adjustment to rate base. Include all supporting workpapers, calculations, and assumptions.

5. Provide all calculations, workpapers, assumptions, and other supporting documentation used to develop the amounts shown on Exhibit No._(RJF-8).

6. Exhibit No._(RJF-10) contains a calculation of the revenue requirements of environmental compliance costs and includes a comparison of the KU and KIUC revenue recovery proposals.

a. Provide all calculations, workpapers, assumptions, and other supporting documentation used to develop the amounts shown on Exhibit No. (RJF-10), pages 1 through 5.

b. Explain why the amount identified on page 1 of Exhibit No. (RJF-10) as "Pollution Control Net Original Cost Rate Base (RB)" does not match the amount included in the formula for computing the environmental surcharge gross revenue requirement.

c. Explain why it is necessary to state over and under collection of the environmental surcharge, as shown on pages 4 and 5, in Total Company amounts, when the surcharge will apply only to Kentucky jurisdictional customers.

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 ("O&M") expense portion of the surcharge until the expense month of January 1995. Explain Mr. Falkenberg's position concerning the delay of including the operation and maintenance expense portion in the surcharge.

8. On page 9 of his testimony, Mr. Falkenberg suggests that the appropriate return on pollution control equipment should be the return on pollution control debt. Why should a project-specific return be used here but not in other areas of the company?

9. KRS 278.183 covers the cost of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal. Refer to Mr. Falkenberg's testimony on page 9. Could

some portion of the proceeds from the pollution control bonds have been used for investments not covered by KRS 278.183?

10. Refer to Mr. Falkenberg's testimony on page 6:

a. Explain where on Robinson Exhibit 1 the deduction of \$20.316 million in CWIP is found.

b. Provide all calculations and workpapers required to reproduce this amount.

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

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director