

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY ) CASE NO. 95-445  
UTILITIES COMPANY AS BILLED FROM )  
FEBRUARY 1, 1995 TO JULY 31, 1995 )

Q R D E R

IT IS ORDERED that Kentucky Utilities Company ("KU") shall file an original and 10 copies of the following information with this 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 November 6, 1995.

1. Refer to Ronald L. Willhite's Direct Testimony. KU has proposed an over-recovery factor be applied in the six billing months consistent with the next review period following the Commission's decision in this proceeding. Does KU envision the referenced "next review period" to be for the surcharge billed from February 1, 1996 to July 31, 1996? If no, identify the review period KU anticipated.

2. Under KRS 278.183(3), KU would be filing its reporting forms for the February 1, 1996 surcharge amount no later than January 21, 1996. The procedural schedule in this case calls for briefs from the parties to be filed by January 17, 1996. It would appear unlikely that the Commission could issue its Order in this proceeding in time to be reflected on the February 1, 1996 billing. Listed below are three possible options available for the application of the proposed surcharge over-recovery factor. Provide an evaluation of each option and indicate which option KU favors.

a. Apply the over-recovery factor to the next six surcharge billings, even if this would impact two consecutive six-month review periods.

b. Apply the over-recovery factor to the months remaining in the review period following the Commission's decision.

c. Apply the over-recovery amount as a one-month lump sum adjustment to the next surcharge billing, as was done in Case No. 95-060.<sup>1</sup>

3. Item 6 of the October 6, 1995 Order included a request that KU identify the individuals and corresponding KU departments and divisions involved in deciding which emission allowances will be utilized by KU. This information was not provided. Provide the information requested on October 6, 1995.

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<sup>1</sup> Case No. 95-060, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company as Billed from August 1, 1994 to January 31, 1995, final Order issued August 22, 1995.

4. Item 7 of the October 6, 1995 Order included a request that KU provide the income tax accounting entries KU would have made if 2,622 emission allowances had been deducted from (1) allowances from over-control and (2) allowances from purchases. This information was not provided. Provide the information requested on October 6, 1995.

5. In the response to Item 7, KU has indicated that if the May 1995 emission allowances utilized had been deducted from allowances from over-control, a deferred tax asset of approximately \$16,000 would result. Likewise, if the utilized allowances had been deducted from purchased allowances, a deferred tax liability of approximately \$157,000 would result.

a. Provide the calculations which support these deferred tax estimates. Include all supporting workpapers and assumptions.

b. How would KU propose to amortize the deferred tax asset or liability? Explain the rationale for the proposed approach.


6. Refer to KU's Emission Allowance Management Strategy Plan filed on February 8, 1995. During Case No. 95-060, KU indicated that the Allowance Coordinator function was being performed by employees within the Environmental Services section.

a. Is the Environmental Services section still performing the function?

b. If no, has KU named an Allowance Coordinator? What is the Coordinator's position within KU's organization structure?

Done at Frankfort, Kentucky, this 27th day of October, 1995.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director