

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. 96-196  
UTILITIES COMPANY AS BILLED FROM )  
AUGUST 1, 1995 TO JANUARY 31, 1996 )

ORDER

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 June 14, 1996.

1. Refer to Ronald L. Willhite's Direct Testimony. KU is proposing that its over-recovery factor be applied in the next six-month review period following the Commission's decision in this proceeding. However, KU also states that it is not opposed to applying the factor to a period less than six months, if the Commission determines that a shorter monthly period is appropriate. In Case No. 95-445,<sup>1</sup> KU suggested and the Commission

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<sup>1</sup> Case No. 95-445, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company as Billed from February 1, 1995 to July 31, 1995, final Order issued March 6, 1996.

accepted the application of the over-recovery factor to the months remaining in the six-month billing period ending July 31, 1996. This was a four month period and avoided affecting two consecutive six-month review periods.

a. By suggesting a period of less than six months, is Mr. Willhite proposing the Commission establish a period similar to that approved in Case No. 95-445 or a one-month lump sum adjustment, as was done in Case No. 95-060?<sup>2</sup>

b. In Case No. 95-445, the Commission used a mathematical ratio to convert the six-month over-recovery factor to a four-month adjustment. Is KU proposing the use of this same ratio in this proceeding, if necessary? If not, provide KU's methodology.

2. In his direct testimony, Mr. Willhite states that the environmental surcharge factor is applied only to Kentucky jurisdictional revenues in billing the surcharge each month. The surcharge factor is usually adjusted to reflect any over- or under-recovery correction factors found necessary during the six-month reviews. During the six-month reviews, the amount determined to be the Kentucky jurisdictional over- or under-recovery is "gross-up" to a total company basis, and a correction factor is calculated.

a. Since the surcharge factor is applied only to Kentucky jurisdictional revenues, has KU considered calculating a correction factor based solely on the Kentucky jurisdictional over- or under-recovery amount? What was the result of this evaluation?

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<sup>2</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.

b. Would it be appropriate to increase or decrease the surcharge factor, as currently calculated, using an over- or under-recovery correction factor that was based only on Kentucky jurisdictional amounts? Explain the response.

3. On page 6 of his direct testimony, Mr. Willhite states that revenues are representative of how KU's costs are divided among jurisdictions and that revenues reflect KU's recovery of costs by jurisdiction. On June 30, 1995, KU received final approval from the Federal Energy Regulatory Commission ("FERC") of its market-based Power Services ("PS") Tariff.<sup>3</sup>

a. Would KU agree that the existence of a market-based rate for some of its FERC-jurisdictional sales impacts the validity of the assumption that KU's revenues are representative of how KU's costs are divided among jurisdictions? Explain the response.

b. Would KU agree that the existence of a market-based rate for some of its FERC-jurisdictional sales impacts the validity of the assumption that revenues reflect KU's recovery of costs by jurisdiction? Explain the response.

c. Prepare a schedule showing KU's monthly revenues from its PS Tariff for the period June 1995 through and including January 1996. In addition, for each month provide the percentage of Total Company Revenues represented by PS Tariff revenues.

4. Prepare a schedule showing KU's monthly sales in KWH and KW. Provide the monthly information for the calendar year 1995. Provide supporting documentation and include an explanation of any assumptions necessary for the schedule preparation.

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<sup>3</sup> Securities and Exchange Commission Form 10-Q, for the quarterly period ended September 30, 1995, Kentucky Utilities Company, pages 16 and 17.

Group the sales by the following categories:

- a. Kentucky Jurisdictional.
- b. Municipalities and Berea College.
- c. Old Dominion Power Company.
- d. Other Non-Jurisdictional.
- e. Total All Sales.

5. Provide the following financial information for the category groupings listed in Item 4. Provide supporting documentation and include an explanation of any assumptions used in preparing the financial information.

- a. An annual income statement for calendar year 1995.
- b. KU's average annual cost in cents per KWH.

6. a. For the period June 1995 through and including January 1996, compare the monthly percentage that KU's Kentucky jurisdictional revenues represented of KU's total company revenues with the monthly percentage that KU's Kentucky jurisdictional KWH sales represented of KU's total company KWH sales.

b. Given FERC's approval of the PS Tariff, would it be appropriate to allocate KU's environmental surcharge on the basis of KWH sales rather than revenues? Explain the response.

Done at Frankfort, Kentucky, this 6th day of June, 1996.

ATTEST:

PUBLIC SERVICE COMMISSION

  
Executive Director

  
For the Commission