

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR APPROVAL OF AN) CASE NO. 98-426
ALTERNATIVE METHOD OF REGULATION OF)
ITS RATES AND SERVICES)

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR APPROVAL OF AN ALTERNATIVE) CASE NO. 98-474
METHOD OF REGULATION OF ITS RATES)
AND SERVICES)

O R D E R

IT IS ORDERED that Kentucky Industrial Utility Customers (KIUC) shall file with the Commission the original and 12 copies of the following information relating to its respective witnesses no later than August 26, 1999, 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.

1. Refer to the Rebuttal Testimony of Lane Kollen, pages 38 and 39 for Louisville Gas and Electric Company (LG&E) and pages 41 through 43 for Kentucky Utilities Company (KU). Is the approach used by Mr. Kollen to reflect the revenue and

expense impacts for the year-end number of customers consistent with the methodology used by the Commission in Case No. 10064?¹ If not, explain why the approach used by Mr. Kollen is reasonable.

2. Refer to the Kollen Rebuttal Testimony, pages 39 and 40 for LG&E and pages 43 and 44 for KU. In determining his adjustment for the net retained merger savings, did Mr. Kollen include a corresponding adjustment to the utilities retained earnings? Explain in detail the reasoning for the position taken by Mr. Kollen.

3. Refer to the Kollen Rebuttal Testimony, Rebuttal Exhibit LK-1.

a. Concerning page 1 of 4, for LG&E only. Describe how Mr. Kollen allocated LG&E's total capitalization between gas and electric operations. Include all supporting calculations used to make the allocation.

b. Concerning page 1 of 4, for LG&E and KU. Provide the calculations used to determine the revenue surplus for each utility. Include the derivation of any income tax gross-up factor used.

c. Concerning page 2 of 4, for KU only. Identify the purpose of the \$20,587,000 adjustment to federal and state income taxes.

d. Concerning page 2 of 4, for LG&E only. Explain in detail why interest expense related to a bond retirement has been classified as an above the line adjustment by Mr. Kollen.

e. Concerning page 3 of 4, for KU only. Explain why total capitalization decreased from \$1,186,191,000 to \$1,184,639,000. Also explain why

¹ Case No. 10064, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company, final Order dated July 1, 1988.

total capitalization with investment tax credit decreased from \$1,206,941,000 to \$1,206,529,000.

f. Concerning page 3 of 4, for LG&E and KU. Provide the capital structure percentages reflecting the allocation of the investment tax credit.

g. Concerning page 3 of 4, for LG&E only. Indicate where Mr. Kollen has shown a reduction to common equity to remove non-utility investments, as noted on page 33 of his rebuttal testimony for LG&E.

h. Concerning page 4 of 4, for KU only. Explain why Mr. Kollen did not include prepayments or cash working capital in the rate base summary.

i. Concerning page 4 of 4, for LG&E only. Explain why Mr. Kollen eliminated prepayments from the rate base determination.

Done at Frankfort, Kentucky, this 19th day of August, 1999.

By the Commission

ATTEST:

Executive Director