

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE	)	
GAS & ELECTRIC COMPANY TO	)	
ADJUST ITS GAS RATES AND TO	)	
INCREASE ITS CHARGES FOR	)	CASE NO. 2000-080
DISCONNECTING SERVICE,	)	
RECONNECTING SERVICE AND	)	
RETURNED CHECKS	)	

ORDER

On October 19, 2000, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), filed a petition for rehearing concerning the issue of Forfeited Discounts Revenues. In his petition, the AG states that this issue was raised in his direct testimony and his brief, but that the Commission's September 27, 2000 Order did not address the issue. Louisville Gas and Electric Company ("LG&E") asserts that rehearing is unnecessary as the issue raised has, in fact, been addressed indirectly.

In his direct testimony, the AG notes that the level of forfeited discounts can fluctuate due to the effects of weather, rates, number of customers, consumption of natural gas, and customers choosing to pay within the discount period. The AG concludes that the test-period level of forfeited discounts is low solely due to the warmer than normal weather during the test period. The AG states that, while LG&E normalized its gas sales revenues to reflect the warmer weather and customer growth, it did not propose a similar normalization to the forfeited discounts. Based on his conclusion, the

AG maintains that LG&E should normalize its forfeited discounts using an average of the last 5 calendar years. This results in an increase of \$255,419.<sup>1</sup>

In its rebuttal testimony, LG&E points out that the AG does not provide any evidence demonstrating the dependency of forfeited discounts on temperature; nor does the AG present evidence that the data from the last 5 years is representative of normal weather on LG&E's system. LG&E also points out that, in its past Orders, the Commission has not included forfeited discounts in the components of income that were normalized.<sup>2</sup>

The Commission acknowledges that a discussion of forfeited discounts was inadvertently omitted from the September 27, 2000 Order and finds that the AG's petition should be granted to the extent that the Order of September 27, 2000 did not address, and therefore should be modified to include, the Commission's findings on this issue. Upon reviewing the record, the Commission agrees with LG&E that the AG has not provided sufficient evidence establishing that the level of forfeited discounts is related solely to the weather. The Commission notes that, in his testimony and in data responses,<sup>3</sup> the AG has acknowledged several variables that can impact the level of forfeited discounts. The AG also has not persuaded the Commission that a 5-year average of forfeited discounts is the appropriate method to use if these revenues are to be normalized. Therefore, the AG's proposed adjustment is rejected.

---

<sup>1</sup> Henkes Direct Testimony at 23-26.

<sup>2</sup> Seelye Rebuttal Testimony at 17.

<sup>3</sup> AG Response to LG&E's Data Request, Item 10.

IT IS THEREFORE ORDERED that the AG's Petition for Rehearing is granted to the extent that the September 27, 2000 Order is modified to include the findings and decision herein.

Done at Frankfort, Kentucky, this 1<sup>st</sup> day of November, 2000.

By the Commission

ATTEST:

  
Executive Director