

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY AND)	
KENTUCKY UTILITIES COMPANY)	
FOR A CERTIFICATE OF PUBLIC)	CASE NO. 2000-294
CONVENIENCE AND NECESSITY)	
FOR THE ACQUISITION OF TWO)	
COMBUSTION TURBINES)	

O R D E R

The Commission, on its own motion, HEREBY ORDERS that:

1. The procedural schedule listed in Appendix A, which is attached hereto and incorporated herein, shall be followed in this case.
2. Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") shall appear at a public hearing at the Commission's offices on the date set forth in Appendix A. At the public hearing, there shall be no opening statements and no summaries of testimony.
3. LG&E and KU shall give notice of the hearing in accordance with the provisions of 807 KAR 5:011, Section 8(5). At the time publication is requested, LG&E and KU shall forward a duplicate of the notices and requests to the Commission.
4. LG&E and KU shall, by the date set forth in Appendix A, file the information requested in Appendix B, attached hereto and incorporated herein.
5. Any party filing testimony shall file an original and six copies. The original and at least three copies of the testimony shall be filed as follows:

- a. Together with cover letter listing each person presenting testimony.
 - b. Bound in 3-ring binders or with any other fastener which readily opens and closes to facilitate easy copying.
 - c. Each witness's testimony should be tabbed.
 - d. Every exhibit to each witness's testimony should be appropriately marked.
6. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to questions related to the information, with copies to all parties of record and an original and six copies to the Commission.
7. Nothing contained herein shall prevent the Commission from entering further orders in this matter.

Done at Frankfort, Kentucky, this 21st day of July, 2000.

By the Commission

ATTEST:

Deputy W. H. Bowler
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2000-294 DATED JULY 21, 2000

Initial requests for information to LG&E and
KU shall be filed no later than 07/28/00

LG&E and KU shall file responses to the
original requests for information no later than 08/04/00

All supplemental requests for information (to
include only those matters within the scope of
the initial requests) to LG&E and KU shall
be filed no later than..... 08/11/00

LG&E and KU shall file responses to
supplemental requests for information
no later than 08/18/00

Intervenors' testimony, if any, shall be filed
in verified prepared form no later than..... 08/25/00

Last day for LG&E and KU to publish
notice of hearing date..... 08/30/00

Public hearing is to begin at 9:00 a.m.,
Eastern Daylight Time, in Hearing Room 1
of the Commission's offices at
211 Sower Boulevard, Frankfort, Kentucky,
for the purpose of cross-examination of
witnesses of LG&E, KU, and Intervenors 09/06/00

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 2000-294 DATED JULY 21, 2000

1. Refer to page 9 of the Application, section 13. Explain in detail why KU and LG&E will jointly own both combustion turbines (“CTs”), rather than KU solely owning the unit at the Brown site and LG&E solely owning the unit at the Paddys Run site. Include all analysis that supports the joint ownership decision.

2. Refer to the Testimony of Ronald L. Willhite, page 5. Provide the following dates for each CT:

- a. The purchase date.
- b. The date construction began or is scheduled to begin.
- c. The expected date the CT will be tested and test energy generated.
- d. The expected completion date of the CT construction.
- e. The expected in-service date.

3. Explain how LG&E Energy Corp. (“LEC”) and LG&E Capital Corp. (“Capital Corp.”) intend to record construction costs for the CTs.

4. Refer to the Willhite Testimony, page 7. Concerning LEC’s use of the CTs as an exempt wholesale generator (“EWG”):

a. Indicate whether LEC has applied for EWG status for these CTs. If yes, provide a copy of the application seeking EWG status.

b. Provide the cost incurred to date by LEC to secure the EWG status. Describe how that cost will be accounted for by LEC. Also, provide an estimate of the total cost to secure EWG status for the CTs.

5. Assume for purposes of this question that the Commission grants KU's and LG&E's request for a certificate of public convenience and necessity for the two CTs.

a. Describe how soon after receiving the certificate KU and LG&E would proceed with the transfer of the CTs from LEC and Capital Corp.

b. If a certificate has been granted, will KU and LG&E seek the transfer of the CTs prior to the testing stage of construction, or will KU and LG&E wait until testing is completed? Explain the response.

6. Refer to the Willhite Testimony, pages 8 and 9. KU and LG&E have requested that the Commission waive LEC's Corporate Policies and Guidelines for InterCompany Transactions ("Guidelines") requirement to transfer the CTs at the lesser of cost or market, and issue an Order approving the transfer at cost. The 2000 Regular Session of the Kentucky General Assembly passed House Bill 897, which became effective on July 14, 2000. This legislation addresses cost allocation, transactions between regulated and non-regulated affiliates, and codes of conduct.

a. Based on the provisions of House Bill 897, how should this transaction between LEC, Capital Corp., KU, and LG&E be priced? Explain the response.

b. Explain why KU and LG&E have based the transfer pricing request on the provisions of the Guidelines, rather than the provisions of House Bill 897.

c. The Willhite Testimony, at page 8, states, "In this situation where the assets are being acquired by the affiliate for ultimate transfer to the utilities and most likely actual construction will have yet to begin by the date the Commission acts in the

proceeding, such a comparison is unnecessary.” Explain in detail why this situation negates the need for a comparison of the cost and market price of the CTs.

7. Refer to the Willhite Testimony, Exhibit RLW-1. In Case No. 99-056,¹ the Commission stated that if KU or LG&E enter into a future project similar to the turbine project, KU or LG&E must execute a service agreement or some other governing document that is based on the Guidelines and that outlines the responsibilities, obligations, and rights of the parties.

a. Explain how the Service Agreement contained in Exhibit RLW-1 satisfies the Commission’s July 23, 1999 Order in Case No. 99-056.

b. For each party to the Service Agreement, identify its respective responsibilities and obligations under the Service Agreement.

c. Describe the impacts, if any, House Bill 897 has on the provisions of this Service Agreement.

8. Can the two CTs operate on fuel oil? If no, provide the following:

a. Explain why the operation of the CTs on fuel oil will not be necessary.

b. Will the contract for the purchase of natural gas for the two CTs be firm or interruptible?

¹ Case No. 99-056, The Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Two 164 Megawatt Combustion Turbines, final Order dated July 23, 1999.