

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 LOUISVILLE GAS)	
AND ELECTRIC COMPANY FOR THE SIX-MONTH)	CASE NO.
BILLING PERIODS ENDING APRIL 30, 2000,)	2002-00193
OCTOBER 31, 2000, OCTOBER 31, 2001, AND)	
APRIL 30, 2002 AND FOR THE TWO-YEAR)	
BILLING PERIOD ENDING APRIL 30, 2001)	

O R D E R

On October 25, 2002, Louisville Gas and Electric Company (LG&E) filed a petition for clarification of several ordering paragraphs contained in the Commission's October 22, 2002 Order. Specifically, LG&E seeks clarification of the following three ordering paragraphs: No. 6, which deals with the date the environmental surcharge roll-in percentage factor should appear on customers' bills; No. 7, which deals with the first monthly environmental surcharge report to utilize the new base-current reporting formats; and No. 9, which deals with the first billing month to reflect the over-recovery adjustment of \$81,598.

LG&E states that ordering paragraph No. 6 appears to require the roll-in percentage factor to be effective for service rendered beginning in November 2002, but not applied to bills until December 2002. However, LG&E further states that ordering paragraph No. 6 could also be construed to require implementation on bills beginning in November 2002 and urges the Commission to resolve this ambiguity.

Ordering paragraph No. 6 of the October 22, 2002 Order states that, The revised tariff sheets reflecting the application of the roll-in percentage factor shall be effective for service rendered on and after the first billing cycle of the month following the date of this Order. The roll-in percentage factor is applied to LG&E's base rates to reflect the roll-in of the environmental surcharge. During this proceeding, LG&E had stated that it recommended implementation of the new base rates, which reflect the surcharge roll-in, with service rendered on and after the first billing cycle of the month following receipt of a Commission Order. LG&E also indicated that if rates were implemented with service rendered, the bills would be prorated to ensure that customer usage was billed at the rate in effect when service was delivered.¹

As the Order was issued in October 2002, the Commission's intent was for the revised tariff sheets reflecting the application of the roll-in percentage factor to be effective for service rendered in November 2002 and then billed in December 2002. While LG&E's petition for clarification did not mention the possibility that bills might have to be prorated, the Commission recognizes that such a situation could exist. Therefore, ordering paragraph No. 6 of the October 22, 2002 Order should be clarified to reflect that the roll-in percentage factor should appear on bills issued in the December 2002 billing cycles. In addition, LG&E should prorate customers' bills as necessary to ensure that customer usage is billed at the rate in effect when service was delivered.

¹ Response to the Commission Staff's Second Data Request dated August 8, 2002, Item 3.

LG&E seeks clarification that ordering paragraph No. 7 requires the new forms for the monthly environmental surcharge filings to be implemented for the December 2002 expense month and filed with the Commission in January 2003.

Ordering paragraph No. 7 of the October 22, 2002 Order states that, The formats attached as Appendix A to this Order shall be used for the monthly environmental surcharge filings as of the first billing cycle of the month following the date of this Order. Pursuant to KRS 278.183(3), LG&E is required to file its monthly environmental surcharge with the Commission 10 days before it is scheduled to go into effect. LG&E filed its monthly environmental surcharge for the billing month of November 2002 with the Commission on October 21, 2002, the day before the issuance of the final Order in this proceeding.

The Commission's intent was that the first billing cycle reflecting the new reporting formats, and thus the new base-current methodology of calculating the environmental surcharge, would coincide with the first billing cycle reflecting the roll-in percentage factor. LG&E's environmental surcharge filing on October 21, 2002 was calculated using the existing incremental methodology. The surcharge filing due in November 2002 is to reflect the new base-current methodology. In order to maintain the appropriate balance between amounts recovered through base rates, which include the environmental surcharge roll-in and the on-going environmental surcharge, the same billing cycle must reflect the roll-in to base rates and the base-current methodology. If LG&E's interpretation in its petition for clarification was adopted, the base rates utilized in the December 2002 billing cycle would reflect the surcharge roll-in and the environmental surcharge calculated using the incremental methodology. This

was not the Commission's intent. Therefore, ordering paragraph No. 7 of the October 22, 2002 Order should be clarified to state that the monthly environmental surcharge filing due in November 2002 is to be filed using the new base-current methodology based formats. The November 2002 filing is to reflect the October 2002 expense month, resulting in the base-current methodology environmental surcharge factor being applied to customer billings in December 2002.

Finally, LG&E seeks clarification that ordering paragraph No. 9 requires it to begin deducting \$81,598 from the total jurisdictional environmental surcharge revenue requirement beginning with the October 2002 expense month that will be billed during the December 2002 billing cycle.

Ordering paragraph No. 9 of the October 22, 2002 Order states that, LG&E shall deduct \$81,598 from the total jurisdictional environmental surcharge revenue requirement determined in each of the first 4 full billing months following the date of this Order. As noted previously, the monthly environmental surcharge for the billing month of November 2002 was filed with the Commission on October 21, 2002. Since the Commission's Order in this proceeding was issued on October 22, 2002, the first full billing month that could reflect the \$81,598 reduction is December 2002. Therefore, the Commission agrees with LG&E's interpretation that the first full billing month that would reflect the \$81,598 reduction is December 2002.

IT IS THEREFORE ORDERED that:

1. Ordering paragraph No. 6 of the October 22, 2002 Order is clarified to reflect that the roll-in percentage factor shall appear on customer bills issued in the

December 2002 billing cycles. LG&E shall prorate customers bills as necessary to ensure that customer usage is billed at the rate in effect when service was delivered.

2. Ordering paragraph No. 7 of the October 22, 2002 Order is clarified to provide that the monthly environmental surcharge filing due in November 2002, for the October 2002 expense month, shall be filed using the new base-current methodology based formats.

3. Ordering paragraph No. 9 of the October 22, 2002 Order is clarified to provide that the first full billing month that will reflect the \$81,598 reduction is December 2002.

4. All other provisions of the October 22, 2002 Order shall remain in full force and effect.

Done at Frankfort, Kentucky, this 18th day of November, 2002.

By the Commission

ATTEST:


Executive Director