

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR APPROVAL OF ITS 2004 COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE))))	CASE NO. 2004-00421
THE APPLICATION OF KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT FLUE GAS DESULPHURIZATION SYSTEMS AND APPROVAL OF ITS 2004 COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE)))))))	CASE NO. 2004-00426

O R D E R

On June 20, 2005, the Commission issued Orders on the applications in these proceedings. Among other issues, our Orders addressed how Louisville Gas and Electric Company's ("LG&E") and Kentucky Utilities Company's "(KU)" environmental surcharge costs should be allocated among ratepayers, and we determined that these costs would be allocated based on total revenues. On July 6, 2005, Kentucky Industrial Utility Customers, Inc. ("KIUC") filed an application for rehearing on the allocation issue. On July 12, 2005, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), filed a response in opposition to KIUC's request for rehearing. Having considered KIUC's request and the AG's response, we find that the request should be denied.

KIUC's application for rehearing states that the Commission's June 20, 2005 Orders did not specifically address whether the approved allocation of environmental

costs complies with the economic development policies of the Commonwealth. After repeating some of the arguments it raised in its case in chief, KIUC then concludes its application for rehearing by stating that our Orders do nothing to promote Kentucky's economic development goals.

The AG's response states that KIUC's application for rehearing presents no new evidence; that it merely reargues positions previously presented and rejected by the Commission. The AG contends that the broad mission statement of the Commonwealth to promote economic development imposes no obligation on the Commission to depart from the obligations imposed by KRS 278.040, which charges the Commission "to regulate utilities and enforce the provisions of this chapter."

We agree with the AG's position on this point. The Commission has allocated environmental surcharge costs in this same manner for more than a decade in all prior LG&E and KU environmental surcharge cases. We do not believe that continuing this allocation methodology creates any conflict between the Commonwealth's broad economic development policies and the requirements of KRS 278.040.

Moreover, KIUC again points to anecdotal evidence involving two utilities in other states, which it claimed had industrial rates that were comparable to KU's industrial rates. However, KIUC claimed little, if any, knowledge of other utilities' industrial rates or how industrial rates in those states compare overall to industrial rates in Kentucky.¹ KIUC's evidence on this point is of such insufficient weight that we find it does not warrant a different result from what was contained in our June 20, 2005 Orders.

¹ Transcript of Evidence, May 10, 2005, at 212-213.

IT IS THEREFORE ORDERED that KIUC's application for rehearing is denied.

Done at Frankfort, Kentucky, this 22nd day of July, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Executive Director

Case No. 2004-00421
Case No. 2004-00426