

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 KENTUCKY)
UTILITIES COMPANY AS BILLED FROM) CASE NO. 98-056
(A) AUGUST 1, 1996 TO JANUARY 31, 1997;)
(B) FEBRUARY 1, 1997 TO JULY 31, 1997; AND)
(C) AUGUST 1, 1997 TO JANUARY 31, 1998)

O R D E R

On July 19, 1994, the Commission approved Kentucky Utilities Company's ("KU") environmental surcharge application and established a surcharge mechanism.¹ Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). The Commission has determined that it will be administratively efficient and reasonable to review three six-month periods in the same case. Therefore, the Commission hereby initiates the six-month reviews of KU's environmental surcharge as billed for the following periods: (a) August 1, 1996 to

¹ Case No. 93-465, The Application of Kentucky Utilities Company to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products, final Order dated July 19, 1994.

January 31, 1997; (b) February 1, 1997 to July 31, 1997; and (c) August 1, 1997 to January 31, 1998.²

In anticipation that those parties to KU's first two-year review will desire to participate in this proceeding, the Attorney General's office ("AG"), Lexington-Fayette Urban County Government ("LFUCG"), and the Kentucky Industrial Utility Customers ("KIUC") will be deemed parties to this proceeding. Since each of the three periods under review in this proceeding may have resulted in over- or under-recoveries, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. KU shall appear at the Commission's offices on the date set forth in Appendix A, to submit itself to examination on the application of its environmental surcharge as billed to consumers from (a) August 1, 1996 through January 31, 1997; (b) February 1, 1997 through July 31, 1997; and (c) August 1, 1997 through January 31, 1998.

² Since KU's surcharge is billed on a two-month lag, the amounts billed from August 1996 through January 1997 are based on costs incurred from June 1996 through November 1996; amounts billed from February 1997 through July 1997 are based on costs incurred from December 1996 through May 1997; and amounts billed from August 1997 through January 1998 are based on costs incurred from June 1997 through November 1997.

3. 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, KU shall forward a duplicate of the notice and request to the Commission.

4. KU shall by the date set forth in Appendix A, file the information requested in Appendix B, attached hereto and incorporated herein, along with its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the three periods under review.

5. 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 10 copies to the Commission.

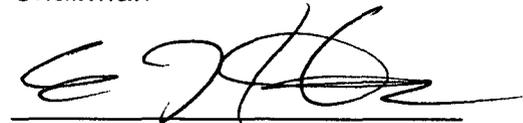
6. The AG, LFUCG, and KIUC are granted full intervention in this proceeding.

7. KU's monthly environmental surcharge reports and supporting data for the review periods shall be incorporated by reference into the record of this case.

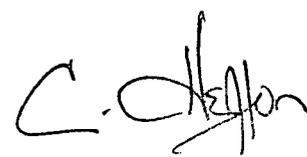
Done at Frankfort, Kentucky, this 30th day of January, 1998.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST  

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 98-056 DATED JANUARY 30, 1998

KU shall file responses to the information request in
Appendix B no later than 02/20/98

All additional requests for information to KU shall be
filed no later than 03/04/98

KU shall file responses to additional requests for
information no later than 03/13/98

Intervenor testimony, if any, in verified prepared form
shall be filed no later than 03/23/98

All requests for information to Intervenors shall be
filed no later than 04/02/98

Intervenors shall file responses to requests for
information no later than 04/14/98

Last day for KU to publish notice of hearing date 04/14/98

Public Hearing is to begin at 9:00 a.m., Eastern
Daylight Time, in Hearing Room 1 of the Commission's
offices at 730 Schenkel Lane, Frankfort, Kentucky,
for the purpose of cross-examination of witnesses of
KU and Intervenors 04/21/98

Briefs, if any, shall be filed by 05/15/98

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 98-056 DATED JANUARY 30, 1998

INITIAL INFORMATION REQUEST

Billing Period August 1, 1996 through January 31, 1997

1. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the July 19, 1994 Order in Case No. 93-465, reflecting the format modifications ordered in Case Nos. 96-196¹ and 96-605,² for the billing period August 1, 1996 through January 31, 1997. The amounts reported on these forms should reflect the Commission's decision announced in prior six-month and two-year environmental surcharge reviews. Include any supporting workpapers, assumptions, or other documents as necessary.

2. For each month in the billing period August 1996 through January 1997, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported for Pollution Control Deferred Income Taxes and Pollution Control Deferred Investment Tax Credits.

3. Refer to ES Form 2.1, Plant, CWIP, and Depreciation Expense for November 1996.

a. For each project listed, include the percentage of completion as of November 30, 1996.

¹ Case No. 96-196, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company as Billed from August 1, 1995 to January 31, 1996.

² Case No. 96-605, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company as Billed from August 1, 1994 to July 31, 1996.

b. For each project still in progress as of November 30, 1996, indicate whether the project was on schedule, behind schedule, or ahead of schedule. Provide the expected completion date if different from information filed in the Case No. 93-465 application, Lucas Exhibit 1.

4. Provide the calculations used to determine the weighted average cost of KU's emission allowance inventory as of November 30, 1996. Provide this calculation for the 1995 and 1996 vintage years and total all vintage years. Include all supporting schedules, workpapers, and assumptions.

5. Explain the changes in the following expense levels:

a. Tyrone - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for June and September 1996.

b. Green River - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for September 1996.

c. E. W. Brown - Subaccount No. 51207, Ash Handling - Maintenance, reported for June and July 1996.

d. E. W. Brown - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for September and November 1996.

e. Pineville - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for June and November 1996.

f. Ghent - all subaccounts reported for November 1996, except for Subaccount No. 50205, Scrubber Operation.

Billing Period February 1, 1997 through July 31, 1997

6. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the July 19, 1994 Order in Case No. 93-465, reflecting the format modifications ordered in Case Nos. 96-196 and 96-605, for the billing period February 1, 1997 through July 31, 1997. The amounts reported on these forms should reflect the Commission's decision announced in prior six-month and two-year environmental surcharge reviews. Include any supporting workpapers, assumptions, or other documents as necessary.

7. For each month in the billing period February 1997 through July 1997, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported for Pollution Control Deferred Income Taxes and Pollution Control Deferred Investment Tax Credits.

8. Refer to ES Form 2.1, Plant, CWIP, and Depreciation Expense for May 1997.

a. For each project listed, include the percentage of completion as of May 31, 1997.

b. For each project still in progress as of May 31, 1997, indicate whether the project was on schedule, behind schedule, or ahead of schedule. Provide the expected completion date if different from information filed in the Case No. 93-465 application, Lucas Exhibit 1.

9. Provide the calculations used to determine the weighted average cost of KU's emission allowance inventory as of May 31, 1997. Provide this calculation for the

1996 and 1997 vintage years and total all vintage years. Include all supporting schedules, workpapers, and assumptions.

10. Explain the changes in the following expense levels:

a. Tyrone - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for May 1997.

b. Green River - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for December 1996, March 1997, and May 1997.

c. E. W. Brown - Subaccount No. 51207, Ash Handling - Maintenance, reported for December 1996, March 1997, and May 1997.

d. E. W. Brown - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for December 1996, March 1997, and April 1997.

e. Pineville - Subaccount No. 50605, CEMS & Precipitators Operation, reported for April 1997.

f. Pineville - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for March through May 1997.

g. Ghent - Subaccount No. 50205, Scrubber Operation, reported for April 1997.

h. Ghent - Subaccount No. 50605, CEMS & Precipitators Operation, reported for January and April 1997.

i. Ghent - Subaccount No. 51207, Ash Handling - Maintenance, reported for December 1996, January 1997, and March 1997.

j. Ghent - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for February 1997.

k. Ghent - Subaccount No. 51209, Scrubber Maintenance, reported for December 1996 through March 1997 and May 1997.

Billing Period August 1, 1997 through January 31, 1998

11. Prepare ES Forms 4.0, 4.1, and 4.2 as identified in Appendix B to the July 19, 1994 Order in Case No. 93-465, reflecting the format modifications ordered in Case Nos. 96-196 and 96-605, for the billing period August 1, 1997 through January 31, 1998. The amounts reported on these forms should reflect the Commission's decision announced in prior six-month and two-year environmental surcharge reviews. Include any supporting workpapers, assumptions, or other documents as necessary.

12. For each month in the billing period August 1997 through January 1998, provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts KU has reported for Pollution Control Deferred Income Taxes and Pollution Control Deferred Investment Tax Credits.

13. Refer to ES Form 2.1, Plant, CWIP, and Depreciation Expense for November 1997.

a. For each project listed, include the percentage of completion as of November 30, 1997.

b. For each project still in progress as of November 30, 1997, indicate whether the project was on schedule, behind schedule, or ahead of schedule. Provide

the expected completion date if different from information filed in the Case No. 93-465 application, Lucas Exhibit 1.

14. Provide the calculations used to determine the weighted average cost of KU's emission allowance inventory as of November 30, 1997. Provide this calculation for the 1996 and 1997 vintage years and total all vintage years. Include all supporting schedules, workpapers, and assumptions.

15. Identify the additional plant in service retirements reported by KU for October 1997. Reference the additional retirement to the corresponding compliance plan project.

16. Explain the changes in the following expense levels:

a. Tyrone - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for September 1997.

b. Green River - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for June and August 1997.

c. E. W. Brown - Subaccount No. 51207, Ash Handling - Maintenance, reported for July and August 1997.

d. E. W. Brown - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for June, September, and November 1997.

e. Pineville - Subaccount No. 50605, CEMS & Precipitators Operation, reported for July 1997.

f. Pineville - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for November 1997.

g. Ghent - Subaccount No. 50605, CEMS & Precipitators Operation, reported for June and November 1997.

h. Ghent - Subaccount No. 51207, Ash Handling - Maintenance, reported for July 1997.

i. Ghent - Subaccount No. 51208, CEMS & Precipitator Maintenance, reported for June 1997.

j. Ghent - Subaccount No. 51209, Scrubber Maintenance, reported for June and July 1997.

17. Provide the total cost and cost per generating station for the CEMS computer software maintenance and service, as reported for October 1997. Identify the vendor for the software maintenance and service.