

118 FERC ¶ 61,215
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Jon Wellinghoff.

Bluegrass Generation Company, L.L.C.

Docket No. ER06-1382-001

ORDER ON REHEARING

(Issued March 16, 2007)

1. On October 17, 2006, the Commission issued an order accepting for filing Bluegrass Generation Company, L.L.C.'s (Bluegrass) revised reactive power service rate schedule under which it specifies its cost-based revenue requirement for providing Reactive Supply and Voltage Control from Generation Sources Service (reactive power).¹ E.ON U.S. LLC, on behalf of its utility operating companies Louisville Gas and Electric Company and Kentucky Utilities Company² filed a timely request for rehearing. We grant in part and deny in part rehearing, as discussed below. We also find Schedule 2 of LG&E's Open Access Transmission Tariff (OATT), which does not explicitly compensate all generators for reactive power service on a comparable basis, to be unjust, unreasonable and unduly discriminatory under section 206 of the Federal Power Act (FPA)³ and direct LG&E to modify Schedule 2 to compensate all generators on a comparable basis.

¹ *Bluegrass Generation Company, L.L.C.*, 117 FERC ¶ 61,052 (2006) (October 17 Order).

² For ease of reference, in this order we refer to Louisville Gas and Electric Company and Kentucky Utilities Company as LG&E.

³ 16 U.S.C. § 824e(a) (2000).

I. Background

2. Bluegrass, a wholly-owned subsidiary of Dynegy Inc., is an exempt wholesale generator⁴ authorized by the Commission to make wholesale sales of power at market-based rates.⁵ Bluegrass leases a natural gas-fired peaking generating facility located near Oldham, Kentucky (Bluegrass Facility), which is interconnected with the LG&E transmission system. The interconnection arrangement between Bluegrass and LG&E is governed by a Generator Interconnection and Operating Agreement (Interconnection Agreement) among the parties.⁶ LG&E was, until recently, a transmission-owning member of Midwest Independent Transmission System Operator, Inc. (Midwest ISO). LG&E finalized its withdrawal from Midwest ISO on September 1, 2006.⁷

3. On January 31, 2005, in Docket No. ER05-522, Bluegrass submitted for filing with the Commission a rate schedule that specified Bluegrass' revenue requirement for the provision of reactive power service (the Bluegrass Rate Schedule). Bluegrass argued that the terms of the Interconnection Agreement provided for such a filing.⁸ On

⁴ See *Bluegrass Generation Company, L.L.C.*, 97 FERC ¶ 62,279 (2001).

⁵ See *Bluegrass Generation Company, L.L.C.*, Docket No. ER02-506-000 (Feb. 1, 2002) (unpublished letter order).

⁶ See *LG&E Operating Companies*, Docket No. ER01-2579-000 (Aug. 16, 2001) (unpublished letter order).

⁷ See *Louisville Gas and Electric Co.*, 114 FERC ¶ 61,282, *order on reh'g sub nom. E.ON U.S. LLC*, 116 FERC ¶ 61,020 (2006).

⁸ The Interconnection Agreement provides for the provision of reactive power from the Bluegrass Facility under certain circumstances. Section 8.4.4 of the Interconnection Agreement provides the compensation for reactive power as follows:

(i) In the event that FERC, or any other applicable Governmental Authority, issues an order or approves a tariff establishing specific compensation to be paid to Applicant for reactive power support service, [LG&E] shall pay Applicant pursuant to such order or tariff; or

(ii) In the absence of such an order or tariff, and subject to any applicable rules and regulations of FERC, [LG&E] shall pay Applicant for the reactive power absorbed by the

(continued)

March 25, 2005, the Commission conditionally accepted for filing the Bluegrass Rate Schedule and suspended it for a nominal period, to become effective on March 1, 2005, subject to refund and hearing and settlement judge procedures.⁹ A hearing was held pursuant to the March 25 Order and the presiding Administrative Law Judge issued her

Applicant Facilities and the reactive power produced by the Applicant Facilities on a per MVARh basis for the total MVARh for the hours operated under 8.4.2(ii) and 8.4.3 above at a rate of \$0.50 per MVARh; provided, however, if [LG&E], its successors or assigns pay, under any agreement with any other similarly situated generator, for reactive power and voltage control at a rate that is higher than \$0.50 per MVARh, Applicant shall be compensated for providing such reactive support at a rate that is equal to the highest rate [LG&E], its successors or assigns pay for reactive power and voltage control to any other similarly situated generator. The total MVARh for a given month shall be equal to the sum of the absolute value of the reactive power absorbed or the reactive power produced, as the case may be, by the Applicant Facilities in each hour of the month during which reactive power was absorbed or produced by Applicant under 8.4.2(ii) or 8.4.3.

(iii) If Applicant is required, either pursuant to Paragraph 8.4.2 or at the request of [LG&E] pursuant to Paragraph 8.4.3 to provide or absorb reactive to the extent of limiting the real power output of the Applicant's generator(s), [LG&E] shall pay additional compensation for the curtailment of Applicant's real power output pursuant to [section] 8.10.2, Emergency Redispatch.

Interconnection Agreement at § 8.4.4.

⁹ *Bluegrass Generation Company, L.L.C.*, 110 FERC ¶ 61,349 (2005) (March 25 Order).

initial decision.¹⁰ An order on the Initial Decision in that proceeding is being issued concurrently with this order.¹¹

4. On August 18, 2006, in the instant proceeding, Bluegrass submitted for filing with the Commission a revised Bluegrass Rate Schedule (August 18 Filing). Bluegrass proposed two revisions to the original reactive power service rate schedule conditionally accepted in Docket No. ER05-522. First, Bluegrass omitted all references to Midwest ISO because Midwest ISO was no longer responsible for making payments as a result of LG&E's withdrawal from Midwest ISO. Instead, the revised Bluegrass Rate Schedule provided that Bluegrass' revenue requirements for the provision of reactive power to LG&E will be "consistent with Schedule 2 of the LG&E FERC Open Access Transmission Tariff."¹² Second, while Bluegrass proposed to make the revised rate schedule subject to the outcome of Docket No. ER05-522, thus continuing the rate level ultimately approved in that proceeding, it lowered the revenue requirement that was conditionally accepted in the March 25 Order to reflect concessions it made during the course of litigation in Docket No. ER05-522. The revised rate schedule provided that "[t]he annual revenue requirement for the Fixed Capability Component is \$762,135. The monthly charge is \$63,511.25."¹³ Bluegrass stated that this calculation was consistent with adjustments proposed by one of its witnesses in his prepared rebuttal testimony filed in Docket No. ER05-522, which the presiding Administrative Law Judge, in the Initial Decision, concluded were appropriate. Bluegrass requested that its proposed rate schedule in the instant proceeding be accepted subject to the outcome of Docket No. ER05-522 and made effective on September 1, 2006, consistent with the date of LG&E's withdrawal from Midwest ISO.

5. In the October 17 Order, the Commission accepted the revised Bluegrass Rate Schedule for filing and suspended it for a nominal period, to become effective September 1, 2006, subject to refund, and subject to the outcome of the proceeding in Docket No. ER05-522. The Commission found that the issues raised in this proceeding are identical to those in Docket No. ER05-522. The Commission also found that a record

¹⁰ *Bluegrass Generation Company, L.L.C.*, 115 FERC ¶ 63,015 (2006) (Initial Decision).

¹¹ *Bluegrass Generation Company, L.L.C.*, 118 FERC ¶ 61,214 (2007) (Order on Initial Decision).

¹² August 18 Filing at Attachment A.

¹³ *Id.*

has been established in that proceeding and the Administrative Law Judge has already issued her Initial Decision. The Commission directed Bluegrass to make a compliance filing in this docket within 30 days of the date of the issuance of an order on the initial decision in Docket No. ER05-522.¹⁴ LG&E filed a timely request for rehearing of the October 17 Order, raising the issues discussed below.

II. Discussion

6. We will grant in part and deny in part LG&E's request for rehearing. We find that LG&E has been provided sufficient opportunity to raise concerns about the Bluegrass Rate Schedule in the Docket No. ER05-522 proceeding and that the Order on Initial Decision addresses those concerns, and therefore we deny LG&E's request for rehearing in part. We grant rehearing in part, however, as to the appropriate Return on Common Equity (ROE) Bluegrass should use in determining its revenue requirement for the Bluegrass Rate Schedule.

A. Whether issues raised in this proceeding are identical to those raised in Docket No. ER05-522 and whether LG&E was denied due process

1. Request for Rehearing

7. LG&E argues that the Commission erred in accepting and suspending the proposed reactive power schedule without an evidentiary hearing to determine the issues of material fact raised in LG&E's protest. LG&E notes, in particular, that the Initial Decision in the ER05-522 proceeding states that the rulings in that case do not apply if and when LG&E exited from Midwest ISO, and, therefore, the record in Docket No. ER05-522 does not establish Bluegrass' compensation for reactive power following LG&E's exit from Midwest ISO. LG&E notes that: (1) "a material issue of fact exists as to whether post-withdrawal Bluegrass should be compensated for reactive power based on the charge contained in the Interconnection Agreement or whether Bluegrass should file a revenue requirement under Schedule 2 of the LG&E OATT to be passed through to customers under the tariff;" (2) "there is a disagreement as to the appropriate ROE for development of Bluegrass' proposed revenue requirement;" and (3) "the Commission has not addressed [LG&E's] ability to call on the Bluegrass Facility now that [LG&E has] exited [Midwest ISO]."¹⁵ LG&E further contends that the Commission departed from

¹⁴ October 17 Order, 117 FERC ¶ 61,052 at P 21.

¹⁵ LG&E Request for Rehearing at 14-15.

prior precedent of setting these sorts of reactive power filings for hearing.¹⁶ LG&E argues that the Commission's denial of its request for a hearing and failure to address material issues of fact denies LG&E due process and violates the Administrative Procedure Act.

2. Commission Determination

8. We deny in part rehearing of the finding in the October 17 Order that the issues raised in this proceeding are identical to those in Docket No. ER05-522. The issues LG&E raises in this proceeding and that are also among the issues considered in the Order on Initial Decision include: whether Bluegrass may properly seek compensation for its reactive power under the Interconnection Agreement by filing the Bluegrass Rate Schedule;¹⁷ whether the Bluegrass Rate Schedule must be evaluated in light of the principle of comparability articulated in Order No. 2003;¹⁸ and the justness and reasonableness of Bluegrass' compensation and proposed annual revenue requirement given the nature of its service.¹⁹ A record has been established in that proceeding on these issues. Other than the issues of the appropriate ROE to be included in the Bluegrass Rate Schedule, for which rehearing is granted in part as discussed below, and whether the nature of the service that Bluegrass provides under the Interconnection Agreement is significantly different from what it provides under Schedule 2 of Midwest

¹⁶ *Id.* at 1-2, n.2.

¹⁷ Order on Initial Decision, 118 FERC ¶ 61,214 at P 44-46 (finding that the Interconnection Agreement recognizes Bluegrass' right to file for reactive power compensation with the Commission).

¹⁸ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171, *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, No. 04-1148, 2007 U.S. App. LEXIS 626 (D.C. Cir. Jan. 12, 2007). Order on Initial Decision, 118 FERC ¶ 61,214 at P 47 (affirming the Presiding Judge's conclusion that Order No. 2003 applies to the instant rate schedule without abrogating the Interconnection Agreement).

¹⁹ Order on Initial Decision, 118 FERC ¶ 61,214 at P 33-34 (finding that Bluegrass must receive compensation based on its capability of providing reactive power under Schedule 2 of Midwest ISO's TEMT).

ISO's Open Access Transmission and Energy Markets Tariff (TEMT) so as to warrant a different rate level, which is also discussed below, the findings in the Order on Initial Decision on the revenue requirement are unchanged as to the Bluegrass Facility subsequent to the LG&E's withdrawal from Midwest ISO. We see no reason to establish a second hearing to address the same issues.

9. Moreover, the Commission did not fail to provide LG&E due process. First, as indicated above, LG&E had an opportunity to participate in the development of a full record in the Docket No. ER05-522 proceeding, which involved the same rate schedule and revenue requirement at issue here. LG&E has not shown why a separate hearing is warranted. Second, we note that Bluegrass will have to adjust its rate schedule (including its revenue requirement) to incorporate the findings made in the Order on Initial Decision. In the October 17 Order, the Commission directed Bluegrass to make a compliance filing within 30 days of the date of the issuance of an order on the initial decision in Docket No. ER05-522.

B. Whether Bluegrass' proposed reactive power rates are unjust and unreasonable

1. Request for Rehearing

10. LG&E argues that a hearing is necessary to determine if the proposed revenue requirement is just and reasonable. A new hearing is needed, according to LG&E, because the ROE Bluegrass used in determining the revenue requirement at issue in the Docket No. ER05-522 proceeding is different from the ROE that should be used by Bluegrass once LG&E withdraws from Midwest ISO. In addition, LG&E believes that the appropriate design for the reactive power rates should not be based on the capability of the Bluegrass generator to provide reactive power because the Interconnection Agreement provides that the Bluegrass generator can be called upon to produce reactive power only in emergency situations when it is already online. It states that the Initial Decision in Docket No. ER05-522 did not decide the just and reasonable level of compensation for reactive power provided under these factual circumstances.²⁰

2. Commission Determination

11. Except for the issues addressed below, all issues about the just and reasonable level and design of the rates under the Bluegrass Rate Schedule are fully addressed in the

²⁰ LG&E Request for Rehearing at 15.

Order on Initial Decision. So too are the arguments about whether it is appropriate to compensate Bluegrass for reactive power when it is operating within the dead band.²¹

12. LG&E seeks to distinguish the instant proceeding from the one in Docket No. ER05-522 by stating that, after its withdrawal from Midwest ISO, LG&E is limited under the Interconnection Agreement to calling on the Bluegrass Facility only in an emergency when the unit is already online. We disagree that this distinction should affect the manner in which Bluegrass is compensated. Regardless of the obligation to provide reactive power support in ordinary circumstances that LG&E requires of Bluegrass in the Interconnection Agreement, the fact that LG&E requires Bluegrass to make its full reactive power capability available to operate as instructed by LG&E during emergencies when it is already on-line is sufficient for it to receive compensation for its reactive power capability on a basis comparable to the manner in which LG&E compensates its own generators. We also note that Midwest ISO was limited in the same way as LG&E in its ability to call on the Bluegrass Facility to provide reactive power only when the generator is already online.²² Thus, LG&E's withdrawal from Midwest ISO does not change the validity of the Commission's findings on this issue in the Order on Initial Decision.

13. In any event, if LG&E is concerned about the level of reactive power service that Bluegrass provides, we note that the requirement for LG&E to pay Bluegrass for reactive power within the dead band exists only as long as the Bluegrass Facility meets its obligation to follow LG&E's reactive power instructions.²³ Furthermore, if LG&E believes that additional operational requirements are required in Schedule 2 of its OATT, similar to those in Schedule 2 under Midwest ISO's TEMT, LG&E should submit for filing with the Commission appropriate revisions to its Schedule 2, while keeping in mind that such provisions must ensure that all generators, including LG&E's own generators, are treated on a comparable basis.

²¹ Order on Initial Decision, 118 FERC ¶ 61,214 at P 47 (finding that the principles of comparability, articulated in Order No. 2003, require compensation based on a generator's capability of providing reactive power under Midwest ISO's TEMT).

²² The Commission has found that while a transmission provider or its affiliate's generators may be required to operate when others are not, this distinction is not so significant as to eliminate the need to compensate all generators, affiliate and non-affiliate alike. Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 at P 43.

²³ See Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 at P 43.

14. However, we will grant rehearing on the appropriate ROE Bluegrass should use in determining its revenue requirement as of September 1, 2006, the date LG&E withdrew from Midwest ISO. Consistent with the findings in the Order on Initial Decision, where we find that it is appropriate for Bluegrass to use as a proxy for its own ROE that of the interconnected transmission provider,²⁴ Bluegrass must revise the revenue requirement in the Bluegrass Rate Schedule to adopt the ROE of LG&E as of the date its rate schedule becomes effective. Specifically, as of September 1, 2006, LG&E's ROE is 10.88 percent instead of 12.38 percent.²⁵ We will direct Bluegrass to make a compliance filing to revise the revenue requirement listed in the rate schedule so that it is calculated using an ROE of 10.88 percent.

C. Whether compensation to Bluegrass for reactive power should be limited to the Interconnection Agreement after LG&E's withdrawal from Midwest ISO

1. Request for Rehearing

15. LG&E asserts that after its withdrawal from Midwest ISO the only rates, terms and conditions for reactive power service that Bluegrass provides to LG&E are set forth in the Interconnection Agreement already on file. Thus, LG&E argues that after its withdrawal from Midwest ISO the proper mechanism for reactive power compensation to Bluegrass is the Interconnection Agreement.

2. Commission Determination

16. We do not agree that the rates in the Interconnection Agreement must control after LG&E's withdrawal from Midwest ISO. As discussed in the Order on Initial Decision, the Interconnection Agreement recognizes Bluegrass' right to file with the Commission

²⁴ Order on Initial Decision, 118 FERC ¶ 61,214 at P 86 (finding that it has been the Commission's general policy to allow an independent power producer (IPP) to use the authorized rate of return and return on common equity of an interconnected utility for reactive power compensation, because an interconnected utility's return is a conservative estimate of a merchant generator's return because the merchant generator faces more risk).

²⁵ See *E.ON U.S. LLC*, Docket No. ER06-1183-000 (Aug. 4, 2006) (unpublished letter order).

for reactive power compensation.²⁶ The Bluegrass Rate Schedule is not inconsistent with the Interconnection Agreement, and therefore, Bluegrass is not disqualified from filing it or from amending it (as was done in the instant proceeding). LG&E's withdrawal from Midwest ISO does not change Bluegrass' right under the Interconnection Agreement to file a separate reactive power rate schedule. Thus, Bluegrass' rate schedule is the proper mechanism by which it should be compensated by LG&E, and we deny rehearing on this issue.

D. Whether Bluegrass' filing should have been rejected as inconsistent with Schedule 2 of the LG&E OATT

1. Request for Rehearing

17. LG&E argues that the Commission should have rejected Bluegrass' filing because the Bluegrass Rate Schedule was revised to reference Schedule 2 of LG&E's OATT, but Schedule 2 does not provide for such a filing. LG&E maintains that while Schedule 2 of Midwest ISO's TEMT provides for generators to file for recovery of a reactive power revenue requirement, Schedule 2 of LG&E's OATT does not. Specifically, Schedule 2 of Midwest ISO's TEMT contains a provision under which qualified reactive power suppliers may file cost-based revenue requirements to recover their costs directly from transmission customers. Schedule 2 under the LG&E OATT provides only a fixed rate for billing transmission customers for reactive power secured by the Transmission Owner or the Independent Transmission Organization. LG&E asserts that because Schedule 2 of LG&E's OATT does not establish any payments to generators providing reactive power to LG&E, it cannot serve as a basis for reactive power compensation to Bluegrass.²⁷ LG&E claims that the Commission failed to explain this substantial difference between Midwest ISO's TEMT and LG&E OATT in the October 17 Order.²⁸

2. Commission Determination

18. We deny LG&E's request for rehearing on this issue. LG&E is correct that, unlike Schedule 2 of Midwest ISO's TEMT, Schedule 2 under its OATT does not contain

²⁶ Order on Initial Decision, 118 FERC ¶ 61,214 at P 44 (finding that the Interconnection Agreement recognizes Bluegrass' right to file for reactive power compensation with the Commission).

²⁷ LG&E Request for Rehearing at 5.

²⁸ *Id.* at 10.

explicit provisions to provide payments to generators that provide reactive power. However, as was determined in the Order on Initial Decision, Bluegrass can be compensated under the terms of the Interconnection Agreement, which permit it to file the rate schedule in question. Therefore, Bluegrass has a contractual right to compensation for reactive power service it provides even though Schedule 2 of the LG&E OATT does not specifically provide for that compensation.

19. In addition, we note that the reason Schedule 2 of Midwest ISO's TEMT differs from Schedule 2 of the LG&E OATT is because the Commission found that Midwest ISO's Schedule 2 was unduly discriminatory under section 206 of the FPA and required Midwest ISO to revise its Schedule 2 to provide compensation on a comparable basis to all generators, including IPPs such as Bluegrass.²⁹ To address LG&E's concern that Schedule 2 of its own OATT does not provide compensation to all generators on a comparable basis, we make the same finding here.

20. Schedule 2 of the LG&E OATT provides for compensation to LG&E for reactive power service from its own generation resources. Schedule 2 has no mechanism to directly compensate reactive power suppliers not affiliated with LG&E for providing this same reactive power service. Because Schedule 2 has no mechanism to compensate all generators on a comparable basis, we find that Schedule 2 of the LG&E OATT is unduly discriminatory under section 206 of the FPA.

21. We thus find that LG&E must revise Schedule 2 to provide compensation for reactive power service to all reactive power suppliers insofar as they provide such service; in that fashion, Schedule 2 will be just and reasonable and not unduly discriminatory. That is, only a Schedule 2 that includes all generators, including IPPs, is just and reasonable and not unduly discriminatory or preferential.

22. Accordingly, pursuant to section 206 of FPA, we direct LG&E to file to replace its existing Schedule 2 with a revised Schedule 2 within 30 days of the date of this order. The revised Schedule 2 must provide compensation for all generators, including IPPs. Further, given that compensation for reactive power service provided by such generators will be recovered through LG&E's Schedule 2 rates, we will direct LG&E to include language in its Schedule 2 that provides that all generators must file their cost-based revenue requirements for acceptance by the Commission in order to qualify for

²⁹ See *Midwest Independent Transmission System Operator, Inc.*, 109 FERC ¶ 61,005 (2004), *order on reh'g*, 110 FERC ¶ 61,267 (2005).

compensation.³⁰ As we have previously explained in other proceedings, LG&E may seek to revise its tariff to reflect criteria, including an operations test and an availability or necessity test, to be applied comparably and prospectively, that would determine which generators would receive reactive power compensation and how that compensation would be paid.³¹

E. Whether Bluegrass' filing provides notice of the rates, terms or conditions of service

1. Request for Rehearing

23. LG&E argues that the August 18 Filing fails to qualify as a tariff in that the Bluegrass Rate Schedule does not provide any rates, terms or conditions of service. For instance, LG&E notes that in the Docket No. ER05-522 proceeding, Bluegrass asserted that LG&E could not call on Bluegrass directly for reactive power and that, instead, only Midwest ISO could call on Bluegrass. Thus, argues LG&E, "the record in that case does not provide a basis for determining the issues regarding the appropriate compensation for service available from Bluegrass to [LG&E] in this case."³²

2. Commission Determination

24. LG&E's concerns about the rates, terms and conditions of the reactive power service provided by Bluegrass are unfounded. The Bluegrass Rate Schedule outlines the compensation Bluegrass will receive for the reactive power service it provides to LG&E under the Interconnection Agreement. The specific terms and conditions that control the actual provision of reactive power service provided by Bluegrass, such as how and when LG&E may call upon Bluegrass to provide reactive power, are contained in the Interconnection Agreement and are not altered by the filing of the Bluegrass Rate Schedule. The provision in the Interconnection Agreement that contemplates the filing of a rate schedule such as the Bluegrass Rate Schedule deals only with *compensation* to be paid by LG&E to Bluegrass for reactive power, but leaves undisturbed other aspects of

³⁰ See *Midwest Independent Transmission System Operator, Inc.*, 113 FERC ¶ 61,046, at P 88 (2005), *order on reh'g and compliance*, 114 FERC ¶ 61,192, *order on reh'g and compliance*, 116 FERC ¶ 61,283 (2006) (*Midwest ISO III*).

³¹ See *Calpine Oneta Power, L.P.*, 116 FERC ¶ 61,282, at P 50 (2006); *Midwest ISO III*, 116 FERC ¶ 61,283 at P 23.

³² LG&E Request for Rehearing at 4.

the agreement.³³ Therefore, the Bluegrass Rate Schedule does not need to contain all the terms and conditions that are already included in the Interconnection Agreement.

The Commission orders:

(A) LG&E's request for rehearing is hereby granted in part and denied in part, as discussed in the body of this order.

(B) Bluegrass is hereby directed to make a compliance filing, within 30 days of the date of this order, to revise the revenue requirement in the Bluegrass Rate Schedule, as discussed in the body of this order.

(C) LG&E is hereby directed to file with the Commission, within 30 days of the date of this order, a revised Schedule 2, as discussed in the body of this order.

By the Commission. Commissioner Moeller not participating.

(S E A L)

Philis J. Posey,
Acting Secretary.

³³ See *supra* note 8.