



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

July 16, 2012

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2012-00207
Case No. 2012-00208

Enclosed please find a memorandum that has been filed in the record of the above-referenced cases. Any comments regarding the contents of the memorandum should be submitted to the Commission within seven days of receipt of this letter. Any questions regarding this memorandum should be directed to Ron Handziak of the Commission Staff at 502-564-3940, extension 230.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".


Jeff Derouen
Executive Director

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2012-00207
Main Case File - Case No. 2012-00208

FROM: Ronald Handziak, Team Leader 

DATE: July 16, 2012

RE: Informal Conference of July 12, 2012

Pursuant to the Commission's June 13, 2012 Orders, on July 12, 2012, representatives of Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU") (collectively the "Companies") and Commission Staff ("Staff") met at the Commission's offices to discuss LG&E and KU's testimony and responses to the first round of data requests in the current examination of the companies' environmental surcharge mechanism. A list of attendees is attached.

Representatives of the Companies distributed a handout that provided an overview of their filing and their responses to information requested in Appendix B of the Commission's June 13, 2012 Order. The handout is attached to this memorandum. The Companies discussed the information contained in the handout, including the determination that there was an over-recovery of the environmental surcharge for the billing periods under review for both KU and LG&E.

Commission Staff asked a few clarifying questions related to information included in the handout and the responses to the data request. The Companies agreed to provide additional information in response to Staff questions about information contained in the responses to the data requests. The information is to be provided by July 20, 2012.

There being no other questions, the meeting adjourned.

Attachments

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL) CASE NO.
SURCHARGE MECHANISM OF KENTUCKY) 2012-00207
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING OCTOBER 31,)
2011 AND APRIL 30, 2012)

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL) CASE NO.
SURCHARGE MECHANISM OF LOUISVILLE) 2012-00208
GAS AND ELECTRIC COMPANY FOR THE SIX-)
MONTH BILLING PERIODS ENDING OCTOBER)
31, 2011 AND APRIL 30, 2012)

July 12, 2012

Please sign in:

NAME

REPRESENTING

Stacy P. Powell

PSC - Legal

Ron Handzuch

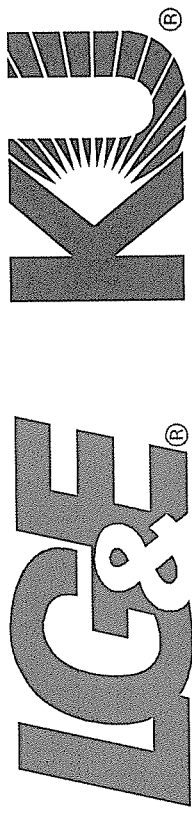
PSC - FA

Michael R. Ryan

SRD for LG&E - KU

Robert Conway

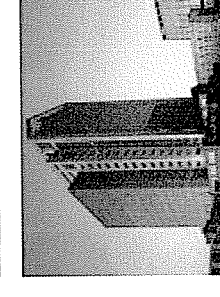
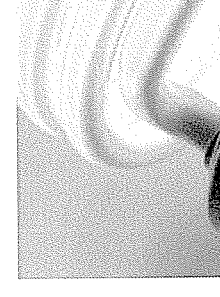
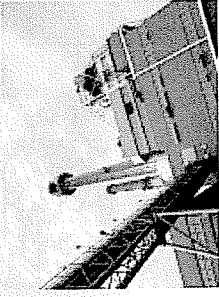
LG&E / KU



PPL companies

ECR Review Case Nos. 2012-00207 and 2012-00208

July 12, 2012



Overview

- *Review Periods:*
 - *Two six-month periods for expense months of March 2011 through February 2012*
 - *ECR Plans in effect - 2005, 2006, 2009 and 2011*
- *During Periods under Review:*
 - *2011 ECR Plans approved in December 2011*
 - *Two-Year Review & Roll-in approved in January 2012*
- *In-Period Correction:*
 - *LG&E - November 2011 expense month*
 - *KU - no in-period corrections*

Over/(Under) Reconciliation

	KU	LG&E
<i>Combined Over/(Under) Recovery</i>	\$2,998,160	\$506,722
<i>Due to Change in Rate of Return (Pre-2011 Plans)</i>	3,866,807	222,509
<i>Due to Change in Rate of Return (2011 Plan)</i>	5,375	264
<i>Use of 12-Month Average Revenues</i>	<u>(874,023)</u>	<u>283,949</u>
<i>Total</i>	<u>\$2,998,160</u>	<u>\$506,722</u>

Net Over/(Under) Recovery Position

- *Net over-recovery position – KU*
 - *Cumulative over-recovery for the 12-month period is \$2,998,160*
 - *Recommend distribution over 6 months (\$499,693/mo for 4 months, \$499,694/mo for 2 months)*
 - *Impact to residential customer (1,000 kWh/mo) is (\$0.89) per month*
- *Net over-recovery position – LG&E*
 - *Cumulative over-recovery for the 12-month period is \$506,722*
 - *Recommend distribution over 1 month (\$506,722/mo)*
 - *Impact to residential customer (1,000 kWh/mo) is (\$0.90) per month*

2011 ECR Compliance Plans

- *On December 15, 2011, the Commission approved the 2011 ECR Compliance Plans for KU and LG&E*
- *Key provisions affecting the ECR calculations during the review period:*
 - *Separate authorized rates of return*
 - *Use of Group 1 and Group 2 ECR billing factors*
 - *Use of average daily balances and daily interest rates for short- and long-term debt rates in calculation of overall rate of return true-up adjustment*

Two-Year Review & ECR Roll-in

- *Commission approval on January 31, 2012*
 - *Roll-in accomplished using Group 1 and Group 2 methodology*
 - *Effective with the January 2012 expense month billed in March 2012*
- *Pursuant to the 2011 ECR Plan Settlement Agreement, implemented the use of non-fuel revenues to calculate the monthly ECR billing factor for Group 2 customers to coincide with the roll-in*

In-Period Correction – LG&E

- *November 2011 expense month filing included an inadvertent transposition of ECR and DSM revenues on ES Form 3.10*
- *Impact is an understatement of the Net Jurisdictional E(m) of \$1,865*
- *Revised ES Forms 1.10, 3.00, and 3.10 provided as Appendix B to Conroy testimony filed June 28*
- *Revised Jurisdictional Allocation Ratio used in responses to Question Nos. 1 and 2*

Recommendations – LG&E

- *Approve distribution of net over-collection of \$506,722 in one month*
- *Find environmental surcharge amounts for the billing periods ending October 2011 and April 2012 just and reasonable*
- *Approve the use of an overall rate of return on capital using ROE of 10.63% for Pre-2011 Plans and 10.10% for 2011 Plan beginning in the second billing month following the Commission's Order*
 - *Pre-2011 Plans – weighted average cost of capital is 10.85%*
 - *2011 Plan – weighted average cost of capital is 10.40%*

Recommendations - KU

- *Approve distribution of net over-collection of \$2,998,160 over a six-month period*
- *Find environmental surcharge amounts for the billing periods ending October 2011 and April 2012 just and reasonable*
- *Approve the use of an overall rate of return on capital using ROE of 10.63% for Pre-2011 Plans and 10.10% for 2011 Plan beginning in the second billing month following the Commission's Order*
 - *Pre-2011 Plans - weighted average cost of capital is 10.58%*
 - *2011 Plan - weighted average cost of capital is 10.14%*