COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES	)))	CASE NO. 2014-00372

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company ("LG&E"), pursuant to 807 KAR 5:001, is to file with the Commission its electronic responses, a paper original, and three copies of the following information, and serve all parties of record. The information requested herein is due by January 23, 2015. Paper responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

LG&E shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

LG&E fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet Nos. 22-22.1, Time-of-Day Primary Service ("TODP"). For an average example commercial and an average example industrial customer to be served under the proposed TODP tariff, provide the effect of all proposed tariff changes, including the combination of the existing Commercial Time-of-Day Primary Service and Industrial Time-of-Day Primary Service rates, on the customers' bills in sufficient detail to show the individual effect of each proposed rate/tariff change.

2. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 50, Curtailable Service Rider 10 ("CSR10"), and P.S.C. No. 10, Original Sheet No. 51, Curtailable Service Rider 30 ("CSR30").

a. Explain the reason for the decrease from 375 hours to 100 hours in the number of hours the curtailment cannot exceed.

b. Confirm that the text changes to the current tariffs would prohibit the purchase of buy-through power during a curtailment.

c. State the number of customers LG&E has on CSR10 and CSR 30.

d. State whether LG&E has discussed the proposed changes with its CSR10 and CSR30 customers. If yes, provide the customers' responses.

3. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 50.2, CSR10, and P.S.C. No. 10, Original Sheet No. 51.2, CSR30. Explain the reason for the deletion of the following text in the Terms and Conditions section: "Upon request by the Customer, the Company will provide, once per month, to the Customer an explanation of the reasons for any request for curtailment."

4. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 100, Terms and Conditions, Residential Rate Specific Terms and Conditions. Provide the reasons the text changes on this page are necessary and the effect the changes will have on current customers.

5. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet Nos. 104 and 104.1, Terms and Conditions, Bill Format. Identify and explain the text changes made to the bill format.

6. Refer to Tab 5 of the application, LG&E Electric tariff, proposed P.S.C. No. 10, Original Sheet No. 106.2, Section G., Mobile Home Line Extensions. Explain the reason for the deletion of text relating to an August 9, 1991 Order in Case No. 91-213.[1]

7. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 20.1 and 20.2, As-Available Gas Service ("AAGS") and to page 40 of the Testimony of Dr. Martin Blake ("M. Blake Testimony").

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[1] Case No. 91-213, In the matter of application of Kentucky Utilities Company for a Deviation from Commission Regulation 807 KAR 5:041, Section 12(2), Regarding Distribution Line Extensions to Mobile Homes (Ky. PSC Aug. 9, 1991),

a. Explain why LG&E is proposing a 45 percent increase to the Basic Service Charge, from $275 to $400. The explanation should include specific customer-related costs not currently included in the $275 Basic Service Charge, as well as justification for increasing the class rate of return of this class from approximately 58 percent to approximately 84 percent.

b. Explain the circumstances that caused LG&E to propose the text additions to the Penalty for Failure to Interrupt section on Original Sheet No. 20.2. Specifically, describe the historical magnitude of customers failing to interrupt, the penalties charged, and any shortfall in collecting gas cost from AAGS customers resulting from the existing tariff language.

8. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 30.1, 30.4, and 30.6-30.10, Firm Transportation Service ("FT").

a. Explain why LG&E is proposing a 38 percent increase to the Administrative Charge, from $400 to $550. The explanation should include specific customer-related costs not currently included in the $400 Basic Service Charge.

b. Explain the circumstances that caused LG&E to propose the text additions to the Cash-out Provision for Monthly Imbalances section on Original Sheet No. 30.4. Specifically, describe the historical magnitude of customers' imbalances and the impact on gas cost collection from FT customers resulting from the proposed change to the existing tariff language.

c. Explain the circumstances that caused LG&E to propose the text additions to the Utilization Charge for Daily Imbalances section on proposed Original Sheet No. 30.6. Specifically, describe the historical magnitude of customers failing to comply with Operational Flow Orders ("OFO") and the impact on existing FT customers of the proposed text change.

d. State whether there is any change to the current text of the OFO section on proposed Original Sheet Nos. 30.6 and 30.7 other than the text addition to the pricing paragraph of Sheet No. 30.7.

e. Explain the circumstances that caused LG&E to propose the text additions to the pricing paragraph of the OFO section on proposed Original Sheet No. 30.7. Specifically, describe the historical magnitude of customers failing to comply with an OFO and the impact on gas cost collection from FT customers resulting from the proposed change to the existing tariff language.

f. State whether there is any change to the current text of the Special Terms and Conditions section on proposed Original Sheet Nos. 30.8-30.10.

9. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 45, Special Charges, the proposed addition of the last sentence to the Disconnect/Reconnect Service Charge section. Explain the addition of this sentence and its impact on existing customers.

10. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 51.1 through 51.5, the proposed Gas Transportation Service/Firm Balancing Service ("TS-2") tariffs.

a. Explain why LG&E is proposing a 38 percent increase to the Administrative Charge, from $400 to $550. The explanation should include specific customer-related costs not currently included in the $400 Basic Service Charge.

b. State whether the text change from Rider TS to Rider FT in the third line of the Gas Cost True-Up Charge section on Sheet No. 51.2 is correct.

c. Explain why the Adjustment Clauses section located on current Sheet No. 51.3 is not included on proposed Sheet No. 51.3.

d. State whether there are any text changes proposed for TS-2 Special Terms and Conditions.

11. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 59.1 through 59.8, Pooling Service – Rider-TS-2 ("PS-TS-2").

a. Explain the circumstances that caused LG&E to propose the text additions to the Action Alert Charge paragraph of the Action Alerts section on proposed Original Sheet No. 59.1. Specifically, describe the historical magnitude of customers failing to comply with Action Alerts and the impact on gas cost collection from PS-TS-2 customers resulting from the proposed change to the existing tariff language.

b. Explain the circumstances that caused LG&E to propose the text additions to the Cash-out Provision for Monthly Imbalances section on Original Sheet Nos. 59.2 and 59.3. Specifically, describe the historical magnitude of customers' imbalances and the impact on gas cost collection from PS-TS-2 customers resulting from the proposed change to the existing tariff language.

c. State whether LG&E is proposing any text changes to the Nominations and Nominated Volume, Supplier Code of Conduct, or Special Terms and Conditions sections of the PS-TS-2 tariff other than shifting of text.

12. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 61 through 61.1, Pooling Service – Rate FT ("PS-FT"). Explain

why application of the Daily Utilization Charge to imbalances exceeding plus or minus five percent is removed from the Character of Service section at the bottom of proposed Sheet No. 61.

13. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet No. 84, Proposed Gas Line Tracker ("GLT"). Explain LG&E's intention with regard to including its GLT plant investment in rate base, given that it has not done so as part of this application.[2]

14. Refer to Tab 5 of the application, LG&E Gas tariff, proposed P.S.C. No. 10, Original Sheet Nos. 104 – 104.3. Identify and explain the text changes made to the bill format.

15. Refer to page 11, lines 17-21, of the Testimony of Victor A Staffieri ("Staffieri Testimony"). Provide all articles, press releases, etc. regarding the *Business First* newspaper's "Partners in Philanthropy Award" LG&E received in 2014.

16. Refer to page 12, lines 1-5, of the Staffieri Testimony.

a. Provide the amounts awarded by the LG&E and KU Foundation ("Foundation") in each of the calendar years 2011, 2012, and 2013.

b. For the shareholder contributions that are in addition to those made by the Foundation, provide a list of the organizations to which LG&E contributed in each of the calendar years 2011, 2012, and 2013.

[2] In Case No. 2013-00167, Application of Columbia Gas of Kentucky, Inc. for an Adjustment in Rates for Gas Service (Ky. PSC Dec. 13, 2013) and in Case No. 2013-00148, Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications (Ky. PSC April 22, 2014), Columbia Gas of Kentucky, Inc. and Atmos Energy Corporation included pipe replacement program net plant additions in rate base and filed proposed pipe replacement program rates of $0 in their respective rate case applications.

17. Refer to page 13, lines 5-7, of the Staffieri Testimony. Provide all articles, press releases, etc. regarding the recognition LG&E received in the September 2014 issue of *Site Selection* magazine.

18. Refer to page 11, lines 4-9, of the Testimony of Kent W. Blake (" K. Blake Testimony").

a. Of the headcount increase of 53 in the information technology group, provide the number applicable to LG&E.

b. Provide the number of new LG&E information technology positions that will involve a contractor offset.

c. Provide the number of LG&E information technology employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

19. Refer to page 12, lines 4-6, of the K. Blake Testimony.

a. Of the headcount increase of 17 in the administrative departments, provide the number applicable to LG&E.

b. Provide the number of new LG&E administrative positions that will involve a contractor offset.

c. Provide the number of LG&E administrative employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

20. Refer to page 22, line 19 to page 23, line 3, of the K. Blake Testimony and Filing Schedule J-2, page 3 of 3.

a. By quarter, for years 2012, 2013, and 2014, provide a comparison of LG&E's actual short-term interest rates and LIBOR rates.

b. Identify and describe the factors, expectations, assumptions, etc., cited by LIBOR in developing forward curves in which short-term rates are increasing by approximately 1 percent from 2015 to 2016.

21. Refer to page 26, lines 11-16, of the K. Blake Testimony and the response to Item 45 of Commission Staff's First Request for Information ("Staff's First Request").

a. The response to Staff's First Request contained monthly income statements for September and October of 2014. For the months for which they are available, provide monthly income statements for the months since October 2014.

b. Provide an updated base period income statement in which actual results for the months since August 2014 are substituted for the forecasted amounts for those same months in the base period income statement in LG&E's application.

22. Refer to page 29, lines 14-16, of the K. Blake Testimony. Indicate the approximate time by which LG&E expects to have validated its pension assumptions.

23. Refer to Exhibit KWB-1, which is titled "5 Year Capital Expenditures." In the same categories as in the exhibit, provide LG&E's actual capital expenditures for calendar year 2014.

24. Refer to Exhibit KWB-3. Provide the same benchmark comparison as in the exhibit on an annual basis for calendar years 2011, 2012, and 2013.

25. Refer to page 23, line 23, continuing to page 24, line 3, of the Testimony of Paul W. Thompson ("Thompson Testimony"). Identify the key positions that LG&E

has determined should be filled by company employees rather than have the required work performed by contractors.

26. Refer to page 31, lines 7-13, of the Thompson Testimony.

a. Of the increase in headcount of 19 in the transmission workforce, provide the number applicable to LG&E.

b. Provide the number of new LG&E transmission positions which result from the "need to retain core skills and knowledge" of positions for which the work was previously contracted out.

c. Provide the number of LG&E transmission employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

27. Refer to page 36, lines 2-4, of the Thompson Testimony. Explain whether the $242 per customer overall electric distribution expenditure reflects operating expenses, capital expenditures, or both.

28. Refer to page 42, lines 2-10, of the Thompson Testimony.

a. Of the increase in headcount of 53 in the distribution workforce, provide the number applicable to LG&E.

b. Provide the number of new LG&E distribution positions that will involve a "corresponding contractor offset."

c. Provide the number of LG&E distribution employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

29. Refer to page 48, lines 3-5, of the Thompson Testimony.

a. Of the additional 42 gas distribution employees, provide the number that result from the "need to retain core skills and knowledge."

b. Provide the number of new gas distribution positions that will involve a contractor offset.

c. Provide the number of gas distribution employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

30. Refer to pages 52-53 of the Thompson Testimony. Provide the frequency of meetings of the Customer Commitment Advisory Forum and the Energy Efficiency Advisory Group.

31. Refer to page 62, lines 8-19, of the Thompson Testimony.

a. Of the headcount increase of 93 in the customer service workforce, provide the number applicable to LG&E.

b. Provide the number of new LG&E customer service positions that will involve a contractor offset.

c. Provide the number of LG&E customer service employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

32. Refer to pages 8, 9, and 17 of the Testimony of David S. Sinclair ("Sinclair Testimony").

a. Describe any consideration LG&E has given to using a period shorter than 30 years to perform its normalization of gas volumes for weather. Include any studies or research performed by LG&E regarding the predictive value of using 30 years of climate data as opposed to a shorter time period, such as 20 years, as used for forecasting normal weather in determining electric sales for the forecasted test period.

b. Provide Excel spread sheets showing the weather normalization of gas volumes underlying the base and forecasted period "Billed Mcf" in Schedule M.

33. Refer to page 11, lines 3-8, of the Sinclair Testimony and Exhibit DSS-1. Provide a more detailed description of the natural gas and solar generation being installed by Special Contract Customer 1, which includes, at minimum, the capacity of specific generation facilities and the installation timetable. If LG&E does not have access to this information, explain in detail how it derived the declining demand and energy sales for Special Contract Customer 1.

34. Refer to page 22, Table 4, of the Sinclair Testimony. In the same format as in the table, provide the results of LG&E's monthly off-system sales for the months since August 2014.

35. Refer to page 27 of the Sinclair Testimony.

a. Beginning at line 7, Mr. Sinclair states that "[t]he 'buy through' provision did nothing to alter the Companies' obligation to serve, and thus, the need for generating assets to meet load. All it did was effectively change the energy price for a customer on the CSR tariff to be equivalent to a simple cycle gas-fired combustion turbine." Explain why a "buy through" could not be a "buy through" of market power and therefore not rely on LG&E's generating assets.

b. Beginning at line 19, Mr. Sinclair states that "...limiting the ability to call for a curtailment until a 'system reliability event' occurs reduces their ability to dispatch the system in a least-cost manner." Explain how it reduces the ability to dispatch in a least-cost manner.

36. Refer to the Sinclair Testimony, Exhibits DSS-1 and DSS-3. Provide in Excel spread sheet format all calculations underlying the Base and Forecasted Test Periods' sales volumes and number of customers for each rate class, in sufficient detail to show all adjustments made to derive forecasted customers and sales volumes from historic customer numbers and sales volumes.

37. Refer to the Testimony of William E. Avera and Adrien M. McKenzie ("Avera and McKenzie Testimony"), page 7. Indicate which of the 20 proxy utilities have the ability to use future test year proceedings for rate increases.

38. Refer to the Avera and McKenzie Testimony, page 14. Confirm that the 2014 interest rates shown on Figure 2 have not risen to the level of the interest rate projections for 2014 contained in the Avera Testimony filed in Case No. 2012-00222.[3] Also state whether 2014 interest rates have risen much above the rates in the "Current" column in Table WEA-1 on page 16 of the Avera Testimony in Case No. 2012-00222.

39. Refer to the Avera and McKenzie Testimony, page 19.

a. Explain changes to the proxy group selection criteria in comparison to those described in the Avera Testimony in Case No. 2012-00222, and why those changes were made.

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[3] Case No. 2012-00222, Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge (Ky. PSC Dec. 20, 2012).

b. Considering the exclusion of utilities involved in a major merger or acquisition, confirm that Duke Energy does not need to be excluded based on the major asset acquisition reported in the August 22, 2014 issue of *Value Line*.

40. Refer to the Avera and McKenzie Testimony, page 22, lines 22 through 26, and Exhibit No. 4, page 1. Considering that only two of the proxy group have higher common equity ratios than the 52.75 percent common equity ratio used by LG&E, state whether it would be reasonable to exclude CMS Energy Corp. and Dominion Resources from the proxy group based on their respective 31.3 and 35.6 percent common equity ratios.

41. Refer to the discussion of the constant growth form of the Discounted Cash Flow ("DCF") model in the Avera and McKenzie Testimony, pages 29-31, and to the Federal Energy Regulatory Commission ("FERC") opinion cited in footnote 13 on page 18 of the testimony. Explain FERC's decision regarding the two-step DCF model for public utilities in Opinion No. 531, 147 FERC ¶ 61,234 issued June 19, 2014, and why the constant growth form is more reasonable in performing DCF estimates of the cost of equity.

42. Refer to the Avera and McKenzie Testimony, page 30. State whether dividend yields have decreased for the proxy group since the preparation of the DCF analysis for this application.

43. Refer to the Avera and McKenzie Testimony, pages 38-39, and Exhibit No. 5.

a. Confirm that the previously cited FERC opinion in footnote 13 of the Avera and McKenzie Testimony used the Moody's BAA six-month average plus 100 basis points to establish the low end for its outlier test.

b. Confirm that using the same approach as described in part a. of this request for the proxy group used in this proceeding would exclude only companies with cost of equity estimates of 5.7 percent or lower from the estimates in Exhibit No. 5, which, in this case, would exclude only Entergy Corp.

44. Refer to the Avera and McKenzie Testimony, pages 21 and 41-45, and Exhibit No. 7 to the Avera and McKenzie Testimony.

a. Explain why the Empirical Capital Asset Pricing Model ("ECAPM") is used to estimate the cost of equity as opposed to the Capital Asset Pricing Model ("CAPM"), which was used in Case No. 2012-00222.

b. For comparison purposes, provide a cost of common equity estimate calculated with the ECAPM using LG&E's .65 beta as referenced on page 21.

c. For comparison purposes, provide an ECAPM cost of equity estimate using a historical market risk premium as opposed to an estimated forward-looking market risk premium.

d. Explain why it was necessary to weight the firms in the calculations as described on lines 16-19, page 43, as opposed to performing the calculations on an unweighted basis.

e. Explain the nature of the relationship between firm size and return and how analysts use this relationship in a non-regulated environment where product and service prices are set by the market.

f. Provide the calculation for the dividend as explained in footnote (a) on pages 1 and 2 of Exhibit No. 7.

g. Provide the IBES growth rates referenced in footnote (b) on pages 1 and 2 of Exhibit No. 7 and show how the 10.8 percent growth rate was calculated.

h. Provide Table 10 referenced in footnote (g) on pages 1 and 2 of Exhibit No. 7.

45. Refer to the Avera and McKenzie Testimony, pages 46-47, and to Exhibit No. 8, page 3. Provide an update of the Risk Premium calculation when Allowed ROEs are available for calendar year 2014 from Regulatory Research Associates.

46. Provide all work papers, in Excel spreadsheet format, supporting the Avera and McKenzie Testimony and Exhibits.

47. Refer to page 5, line 22, to page 6, line 2, of the Testimony of John J. Spanos ("Spanos Testimony").

a. Provide the accounting entries Mr. Spanos reviewed that were part of the 2011 depreciation studies referenced by Mr. Spanos.

b. Explain whether Cane Run Unit 7 being the first combined cycle combustion turbine generating unit in which LG&E has an ownership interest affects the relevance of the review of the 2011 depreciation studies performed by Mr. Spanos.

48. Refer to page 8, lines 15-19, of the Spanos Testimony. The last phrase in the text is "typical life spans experienced and used by other electric utilities for similar facilities." Identify the other utilities and similar facilities to which Mr. Spanos refers.

49. Refer to page 9, lines 3-5, of the Spanos Testimony. In estimating the net salvage percentages, explain why the period chosen for reviewing historical data was

2004-2011. Explain specifically (1) why a longer period was not used and (2) why the period reviewed did not include more recent data.

50. Refer to page 10, lines 9-14, of the Spanos Testimony. It states that survivor curve 50-R1.5 was selected for account 344, generators, but that a 40-year life span for the Cane Run 7 generators was determined to be appropriate.

a. Explain how the 40-year life span was derived from the 50-R1.5 survivor curve.

b. If the 40-year life span was not derived from the 50-R1.5 survivor curve, explain how it was determined and explain why it is appropriate.

51. Refer to the depreciation summary sheets shown in LG&E's Application filed in Case No. 2012-00222 at pages III-4 through III-10 of John Spanos' Direct Testimony and refer to Exhibit 7 of the Stipulated Agreement filed in that case that was approved by Commission Order dated December 20, 2012. Using the same format presented on the depreciation summary sheets shown in the Spanos testimony, show the calculation of the depreciation rates listed in Exhibit 7.

52. Refer to Exhibit JJS-1, page 1 of the Spanos Testimony and to Section 2.3 of the Stipulated Agreement approved by the Commission in Case No. 2012-00222. In Section 2.3, KU agreed that terminal net salvage was approximately (2) percent rather than the (10) percent it originally requested. In this proceeding, as shown on Exhibit JJS, KU assigns a (5) percent net salvage value to accounts 342, 343, and 345 for the Cane Run 7 facilities and a (10) percent net salvage value to account 344.

a. Explain whether the salvage values assigned to the Cane Run 7 facilities on Exhibit JJS-1 conform to the (2) percent terminal net salvage value agreed to by KU in the Stipulated Agreement.

b. If the salvage values shown on Exhibit JJS-1 are nonconforming, restate Exhibit JJS using salvage values that are conforming.

53. Refer to the Spanos Testimony, Exhibit JJS-1, Page 1. Provide the calculation of the composite remaining life that is assigned to each plant account group.

54. Refer to page 3 of the M. Blake Testimony. Beginning at line 11, Dr. Blake states that LG&E's electric and gas cost of service studies ("COSS") were prepared using cost of service methodologies accepted by the Commission in previous cases. State whether all balance sheet and income statement accounts in the COSS filed in this proceeding have been allocated using the same methodology and allocation factors as used in the prior electric and gas base rate proceedings. If no, provide the changes and the reasons for the changes.

55. Refer to page 7 of the M. Blake Testimony, lines 16-17, which states that peak costs are assigned to the summer peak period. For the most recent five year period, provide the summer and winter peaks for LG&E, Kentucky Utilities Company ("KU"), and the combined LG&E/KU peaks.

56. Refer to pages 19-23 and 42-45 of the M. Blake Testimony. State whether LG&E considered proposing increases to its residential electric and gas customer charges that are more in line with the percentage increases in base rate revenues applied to the residential classes. The response should include: (1) how the proposed 67 percent increase to electric and 41 percent increase to gas customer

charges, to be within pennies of the customer-related costs produced by the COSS, is preferable to a more gradual increase, and (2) the extent to which LG&E believes its existing level of customer charges have been inadequate to recover costs not collected through its volumetric rates.

57. Refer to pages 26-27 of the M. Blake Testimony and Exhibits MJB-10 and MJB-11.

a. Provide the calculation of the proposed off-peak energy rate for the Residential Time of Day Energy ("RTOD-Energy") class as described on lines 13-15 of page 26.

b. Provide the calculation of the proposed energy charge for the Residential Time of Day Demand ("RTOD-Demand") class as described on lines 3-4 of page 27.

c. Provide the calculation of the proposed off-peak demand rate for the RTOD-Demand rate as described on lines 5-6 of page 27.

58. Refer to pages 27-29 of the M. Blake Testimony wherein he describes how the proposed increases in the Redundant Capacity charges and Supplemental/Standby Service charges were calculated. State whether the methodology used to calculate the charges is the same as that used in prior base rate proceedings. If no, provide and explain the differences.

59. Refer to Exhibit MJB-4, page 1 of 1.

a. Explain how the minimum system demand figure was calculated or whether it is simply the low point on the system load curve.

b. Explain how the winter and summer peak hours are calculated.

c. This exhibit provides the application of the modified BIP methodology which is based on combined system results for LG&E and KU. Provide the information presented in this exhibit for LG&E and KU individually.

d. Confirm that the Winter Peak Period Costs percentage on row 10 was calculated as follows: (Line 7/Line 9 x Line 6).

60. Refer to Exhibit MJB-8, pages 43-46 of 46.

a. Explain in detail how each of the following functional vectors was calculated: F019, F020, F021, F022, F023, F024, F027, and PROFIX.

b. Explain whether page 45 is missing or whether the pages are mis-numbered.

61. Refer to Exhibit MJB-9, page 37 of 40, line 1088. Explain how the Production Base Demand Allocator was calculated.

62. Refer to Exhibit MJB-11, pages 3-4 and to pages 26-28 of the Testimony of Robert M. Conroy ("Conroy Testimony"). Confirm that LG&E is not proposing that the RTOD-Energy and RTOD-Demand tariffs be implemented as pilot programs.

63. Refer to pages 8 and 9 of the Testimony of J. Clay Murphy.

a. Describe the characteristics of the 12 customers mentioned on page 8 that initially contacted LG&E about Rider TS-2, and of the customers representing the eight accounts that did not qualify for the transportation service which are discussed on page 9, and summarize LG&E's discussions and communications with those customers.

b. Confirm that the impact of customer switching among transportation and sales rate schedules described on pages 8 and 9 resulted in a net increase in sales customers and a net decrease in transportation customers.

c. Describe the reactions communicated by customers to LG&E regarding the changes in its transportation services. The explanation should include, but not be limited to, explanations of why each customer switching from transportation to sales service chose to do so.

64. Refer to pages 29-30 of the Conroy Testimony. Beginning at line 21 on page 29, Mr. Conroy states that, for customers taking service under the proposed RTOD-Energy and RTOD-Demand tariffs, meter reading personnel will have to collect data each month from multiple registers and transfer that data into the billing system. Explain why meters would not be used for these customers that would capable of automatically collecting and transferring the necessary billing data.

65. Refer to page 30 of the Conroy Testimony, lines 10-16, wherein Mr. Conroy discusses the usage limit of 300 kWh for a detached garage in order for the garage to be eligible to be served under one of the proposed RTOD-Energy or RTOD-Demand tariffs. Mr. Conroy states that the restriction is the same as currently applies to the Low Emission Vehicle ("Rate LEV") tariff. Explain why the limit of 300 kWh was initially established for Rate LEV.

66. Refer to page 33 of the Conroy Testimony.

a. Beginning at line 7, Mr. Conroy states that "[t]he Company will make all reasonable efforts to contact Rate LEV customers to advise them of their new rate options after the Commission approves the new rates but before they take effect (at which time Rate LEV will terminate)." Provide the methods LG&E will use to contact customers.

b. Beginning at line 15, Mr. Conroy states that the Rate LEV tariff customers who do not inform LG&E of the rate under which they would like to take service before new rates are effective will automatically be transferred to Rate RTOD-Energy. For each Rate LEV customer, provide the percentage increase the customer would receive if switched from Rate LEV to the proposed RTOD-Energy class.

67. Refer to pages 40-41 of the Conroy Testimony wherein Mr. Conroy discusses text changes to the Economic Development Rider ("EDR").

a. Refer to lines 9-11 of page 40 wherein Mr. Conroy discusses a change to "... clarify that the rider applies only to monthly minimum billing loads, not to annual averages of monthly billing loads." State whether this is a change from current practice.

b. Refer to page 41, lines 1-4, which include a discussion of new language stating that LG&E will not provide a billing credit under the EDR tariff in any billing month in which the metered load is less than the load required to be eligible for the rider. State whether this is a change from current practice.

68. Refer to page 42 of the Conroy Testimony, lines 11-15, which discuss a text change to the Terms and Conditions, Tariff Sheet No. 97.3, "... to clarify that a customer who asks the Company to relocate or change facilities must pay for such relocations or change to the extent the requested relocations or changes are supported by additional load." State whether Mr. Conroy meant to say "to the extent the requested relocations or changes are not supported by additional load."

69. Refer to pages 42-43 of the Conroy Testimony. Beginning at line 23 on page 42, Mr. Conroy discusses changes to expand the definition of written notices or communications provided to customers concerning discontinuance of service. Mr. Conroy states that the expanded definition would include non-paper forms of communication, and this would include using electronic mail to issue "brown bills".

a. State whether "brown bill" refers to a disconnect notice. If no, explain what is meant by "brown bill."

b. State whether, under the proposed change, a customer who chooses to receive a paper bill could be sent a "brown bill" by electronic mail.

c. State whether LG&E requests an e-mail address for new customers.

70. To the extent not already provided, provide an electronic copy in Excel spreadsheet format of all of the exhibits, work papers, and schedules, with the formulas intact and unprotected and with all columns and rows accessible, of Kent W. Blake, Dr. Martin Blake, and Robert Conroy, including all billing analyses.

71. Refer to page 26 of the November 14, 2014 Order in Case No. 2014-00003[4] wherein the Commission stated that, during LG&E's next general rate cases, the Commission would review its definition of industrial customers by North American Industry Classification System ("NAICS") codes for reasonableness. LG&E's Demand Side Management ("DSM") tariff states, "For purposes of rate application hereunder, non-residential customers will be considered 'industrial' if they are primarily engaged in

[4] Case No. 2014-00003, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs (Ky. PSC Nov. 14, 2014).

a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as 'commercial.'"

a. Explain how each of the NAICS sections cited in the DSM tariff was determined to be the sections applicable in determining the definition of an industrial customer.

b. Explain why other sections of the NAICS are not applicable.

c. LG&E's response to Item 7 of the Supplemental Information Request of Wallace McMullen and the Sierra Club in Case No. 2014-00003 stated that LG&E had 380 customers receiving service under industrial tariffs.[5]

1) If this number is no longer accurate, provide an update of the number of customers receiving service under industrial tariffs.

2) State the rate classes under which these customers are currently receiving service and the number served under each rate class.

3) State the number of these customers, by rate class, which are exempt from the DSM charge.

4) Provide a breakdown of the industrial customer number by NAICS under which they are exempt from the DSM charge (for example, 245 are exempt under section 21, 300 are exempt under Section 22, etc.).

[5] Response filed April 3, 2014.

5) For the 25 industrial customers with the highest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

6) For the 25 industrial customers with the lowest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

72. Refer to Tab 65 of the application, Schedule M-2.3-E, pages 3-25. Explain the "Correction Factor" that appears on these pages and why they differ between pages.

73. Refer to electric Filing Schedule B-2.-1, pages 4 and 6.

a. Describe the nature of the adjustment to reduce Account 312, Boiler Plant Equipment, by $733.7 million, from $1,871.5 billion to $1,137.9 billion.

b. Describe the nature of the adjustment to eliminate the total amount, $4.4 million, in Account 397, Communication Equipment.

74. Refer to electric Filing Schedule B-2.3, pages 4 and 6.

a. Describe the nature of the adjustment to increase Account 312, Boiler Plant Equipment, which has a beginning balance of $1,768.2 billion, by $410.9 million.

b. Describe the nature of the adjustment to increase Account 333, Water Wheels, Turbines, and Generators, by $33.6 million, from $62.3 million to an ending balance of $95.9 million.

c. Describe the nature of the adjustment to increase Account 303, Miscellaneous Intangible Plant, by $7.8 million, from $65.8 million to an ending balance of $73.6 million.

75. Refer to electric Filing Schedule B-3, page 4. Explain the nature of the $12.4 million adjustment to the reserve for Account 312, Boiler Plant Equipment.

76. Refer to electric Filing Schedule B-3.1. Explain why the adjustment to remove "ECR amounts excluded from rate base" for Account 312, Boiler Plant Equipment in the forecasted period is $12.4 million, nearly $10 million larger than the corresponding adjustment in the base period.

77. Refer to electric Filing Schedule B-3.2, pages 1 and 4. Explain why Account 343, Prime Movers, increases from $163.6 million in the base period to a 13-month average of $289.5 million in the forecasted period.

78. Refer to electric Filing Schedule D-1, page 2, line 22. The description of the adjustment to Account 500, Steam Operation Supervision and Engineering, reads, "Variance reflects changes in headcount, assumed 3% average wage inflation and changes in generation." Provide a breakdown of the $924,297 adjustment which shows the amount attributable to each of these three factors.

79. Refer to electric Filing Schedule D-1, page 5, lines 77 and 78. The descriptions of the adjustments to Accounts 570 and 571, respectively, Maintenance of Station Equipment and Maintenance of Overhead Lines both read "Customary changes in the ordinary course of business based on specific work in a given period...."

a. Provide a description of the specific work scheduled in the forecasted period that accounts for an increase of $170,884 (14.4 percent) from the base period level of $1,187,870 to $1,358,754 in the forecasted period in Account 570.

b. Provide a description of the specific work scheduled in the forecasted period that accounts for an increase of $346,689 (14.4 percent) from the base period level of $1,861,721 to $2,308,410 in the forecasted period in Account 571.

80. Refer to electric Filing Schedule D-1, page 7, line 124. The description of the adjustment to Account 920, Administrative and General Salaries, reads, "Variance reflects changes in headcount and assumed 3% average wage inflation." Provide a breakdown of the $1,692,423 adjustment which shows the amount attributable to each of these two factors.

81. Refer to gas Filing Schedule B-2.1, pages 4 and 5.

a. Describe the nature of the adjustment to reduce Account 376, Mains, by $65.1 million, from $$408.5 million to $343.4 million.

b. Describe the nature of the adjustment to reduce Account 380, Services, by $98 million, from $305.1 million to $207.1 million.

82. Refer to gas Filing Schedule D-1, page 2, line 26. The description of the adjustment to Account 807, Purchased Gas Expense, reads, "Variance reflects headcount changes and assumed 3% average wage inflation." Provide a breakdown of the $185,919 adjustment which shows the amount attributable to each of these two factors.

83. Refer to gas Filing Schedule D-1, page 3, lines 46 and 48. The descriptions of the adjustments to Accounts 834 and 836, respectively, Maintenance of

Compressor Station Equipment and Maintenance of Purification Equipment both read, "Variance reflects more maintenance in the forecasted period."

a. Provide a more specific description of the maintenance to be performed in the forecasted period that accounts for an increase of $422,661 (58.3 percent) from the base period level of $725,314 to $1,147,975 in the forecasted period in Account 834.

b. Provide a more specific description of the maintenance to be performed in the forecasted period that accounts for an increase of $238,228 (34.4 percent) from the base period level of $692,772 to $931,000 in the forecasted period in Account 836.

84. Refer to gas Filing Schedule D-1, page 3, line 58. The description of the adjustment to Account 863, Maintenance of Mains, reads, "Variance reflects more 'nline' inspection costs in the forecasted period." Provide a more specific description of the increase in inspection costs in the forecasted period that accounts for an increase of $450,704 (55.4 percent) from the base period level of $812,796 to $1,263,500 in the forecasted period.

85. Refer to gas Filing Schedule D-1, page 3, lines 64 and 65. The descriptions of the adjustments to Accounts 875 and 876, respectively, Measuring and Regulating Station Exp – Gen and Measuring and Regulating Station Exp – Ind, read, "Variance reflects headcount changes and assumed 3% average wage inflation."

a. Provide a breakdown of the $126,340 adjustment (16.2 percent) to Account 875 which shows the amount attributable to each of these two factors.

b. Provide a breakdown of the $108,032 adjustment (25.3 percent) to Account 876 which shows the amount attributable to each of these two factors.

86. Refer to gas Filing Schedule D-1, page 4, line 66. The description of the adjustments to Account 877, Measuring and Regulating Station Exp – CG, reads, "Variance reflects higher labor costs, higher fuel costs and more pipe support inspections in the forecasted period." Provide a more specific description of the higher costs and the increase in inspections in the forecasted period that account for an increase of $241,578 (80.3 percent) from the base period level of $300,885 to $542,463 in the forecasted period.

87. Refer to Tab 59 of the application, specifically the attachment with the headings "Payroll Costs" on page 1 and "Payroll Analysis" on page 2. Confirm that the differences between the amounts on Line 12, Total Labor Dollars, and Line 16, O&M Labor Dollars, reflects what could be considered "Capitalized Labor Dollars." If this cannot be confirmed, explain what makes up the differences.

88. Refer to Tab 59 of the application, specifically the attachment with the heading "Officer Compensation." Footnote 2 on page 2 of the attachment reads, "Of the total salary and other compensation, 22.4% is allocated to the cost of providing service to LG&E ratepayers. Other compensation includes cash based short-term incentives and stock based long-term incentives. None of the incentive pay is included in the cost of service."

a. Explain whether incentive pay makes up 100 percent of Other Compensation.

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DATED JAN 08 2015

cc: All parties

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