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 THIRD 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 an original, three paper copies, and an electronic copy of the following information. The information requested herein is due no later than February 20, 2015. Responses to requests for information in paper medium 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. When filing a response containing personal information, LG&E shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the response so that personal information cannot be read.

1. Refer to LG&E's responses to Item 5 and Item 14 of the Commission Staff's Second Request for Information ("Staff's Second Request").

a. The response states that the Telephone Payment fee has been reduced from $2.95 to $2.25 on Sheet No. 104.

(1) Explain why the fee is being reduced.

(2) Explain whether the current charge is $2.95 or $2.25 for telephone payments.

(3) State whether this fee is charged for other types of payment. If yes, explain.

(4) State whether this fee is paid directly by the customer to a third party providing a payment service, or is collected by LG&E.

(5) If the fee is not paid directly to a third party by the customer, provide the case number or Tariff System number in which this fee was approved by the Commission. If Commission approval was not sought, explain why LG&E believed it was not necessary to obtain approval.

b. The response states that the "Environmental Surcharge" information has been removed from the billing information section. Explain why the language has been removed.

c. Explain how LG&E informs customers without computers or Internet access about the option to enroll in Demand Conservation.

2. Refer to the response to Item 7.b. of Staff's Second Request. Provide the amount of penalties charged, per day, to the three As Available Gas Service customers that failed to interrupt gas service, as well as any amount LG&E paid for gas needed for its system supply as a result of the unavailability of the associated gas volumes.

3. Refer to the response to Item 8.a. of Staff's Second Request. Provide a breakdown of the costs to administer the gas transportation program discussed in the response, updated for the test year, or indicate where such a breakdown is located in the record of this proceeding.

4. Refer to the response to Item 9 of Staff's Second Request. Describe the circumstances involving a temporary suspension of service on the part of TS-2 customers that are envisioned by the proposed addition of the last sentence to the Disconnect/Reconnect Service Charge section.

5. Refer to the response to Item 13 of Staff's Second Request. Provide a comparison of LG&E's progress to date with regard to net investments subject to

recovery through its Gas Line Tracker ("GLT"). The response should include not only historical information, but also estimates for plant additions, retirements and removal cost, and incremental operations and maintenance expense through 2017, which was the last year of the GLT program as originally proposed in Case No. 2012-00222.[1]

6. Refer to the responses to Items 14 and 94.c. of Staff's Second Request. Indicate where the Weather Normalization Adjustment will appear on a gas customer's bill, and where the franchise fee will be shown on the bills of applicable customers.

7. Refer to the attachment to the response to Item 20.a. of Staff's Second Request. Explain why the variance between LG&E's short-term rate and the "3 Month LIBOR Rate" increased in the fourth quarter of 2014 to a greater level than in any of the eight previous quarters.

8. Refer to the response to Item 21 of Staff's Second Request. Continue to provide income statements, updated monthly, during the pendency of this proceeding.

9. Refer to the response to Item 22 of Staff's Second Request, which indicates that LG&E expects to receive an updated estimate of its 2015 expense in February 2015. Include that update in the response to this request, if available at the time the response is due. If not available at that time, provide a more specific date by which the updated expense will be available.

10. Refer to the response to Item 28.b. of Staff's Second Request. Explain how the contractor reduction of 34 is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

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[1] 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).

11. Refer to the response to Item 29.b. of Staff's Second Request. Explain how the contractor reduction of seven is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

12. Refer to the response to Item 31.b. of Staff's Second Request. Explain how the contractor reduction of four is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

13. Refer to the response to Item 32.a. of Staff's Second Request. State whether LG&E is aware that in Case No. 2013-00148[2] the Commission required that Atmos Energy Corporation ("Atmos-Ky.") file in its next application for a base rate increase a comparison of weather normalization methodologies using time periods including, but not limited to, 20, 25, and 30 years. Along with its comparison of results, Atmos-Ky. was directed to include support for the time period it proposes to use to normalize revenues, including the superiority of the chosen method in terms of its predictive value for future temperatures. To the extent that the Commission is interested in exploring the most reasonable method of weather normalizing sales and revenues, state also whether LG&E is willing to provide a comparison of methodologies similar to that required of Atmos-Ky.

14. Refer to the responses to Items 32.b. and 36 of Staff's Second Request and to page 17 of the Testimony of David S. Sinclair ("Sinclair Testimony") concerning LG&E's natural gas forecast, which states, "Weather is the primary reason for the decline from the Base Period to the Forecasted Test Period."

[2] Case No. 2013-00148, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC Apr. 22, 2014).

a. Provide a detailed explanation of how, or if, the Heating Degree Days ("HDD") provided in the Excel spread sheet response to Item 32.b., Degrees Days tab, and in the Residential Inputs for electric and gas provided in the Utility Data tabs of spread sheets #1 and #7 for Item 36 were used to weather normalize the base and forecasted period gas volumes. The response should include an explanation of the differences among the HDD shown for March-May 2014 in each of the spread sheets and as compared to Tables 1 and 17 for February, March, and April on pages 9 and 17 of the Sinclair Testimony.

b. Provide the average heat sensitive usage per customer per HDD as well as average non-temperature sensitive usage per customer for classes with weather normalized volumes as reflected in the Base and Forecasted Test Periods.

c. Provide the average heat sensitive usage per customer per HDD as well as average non-temperature sensitive usage per customer for classes with weather normalized volumes for 12-month periods comparable to the Base and Forecasted Test Periods for 2009 through 2014.

15. Refer to the response to Item 34 of Staff's Second Request and pages 21-22 of the Sinclair Testimony.

a. Continue to provide updates of the table included in the response on a monthly basis for the pendency of this proceeding.

b. Of the reasons for differences in generation volumes from the base period to the forecasted period cited on page 21 of the Sinclair Testimony, identify the reasons primarily responsible for the differences shown in Table 4, page 22, for the months of April through November, and explain why those reasons result in the reduced volumes included in the forecasted period.

16. Refer to the response to Item 42 of Staff's Second Request. Provide any updates of analyses contained in the Testimony and exhibits of Avera and McKenzie based on more current information.

17. Refer to the responses to Items 48 and 50.b. of Staff's Second Request.

a. For each of the combined-cycle production facilities listed in the attachment to the Item 48 response, provide the year it went into service.

b. Explain why two numbers appear in the Life Span column for five of the generating units shown in the response.

c. The response to Item 50.b. generally explains how the 40-year life span for Cane Run 7 was determined, but it does not explain why the 40-year life span is appropriate, which was part of the request in Item 50.b.

(1) Explain whether the "life spans of other similar facilities in the industry" referenced in the response refers to all or just a portion of the facilities listed in the attachment to the Item 48 response. If just a portion, identify the specific facilities used in determining the 40-year life span for Cane Run 7.

(2) Explain in detail why the 40-year life span is appropriate for Cane Run 7.

18. Refer to LG&E's response to Item 57.a. of Staff's Second Request.

a. The response states, "Also, the Company desired the TOD rate should be approximately revenue neutral to the standard rate so that potential customers do not see risk associated with trying the TOD rate." Explain how the on-peak and off-peak kWh amounts were determined for use in the calculation, given that typical residential meters do not measure usage at particular times each day.

b. The response states that one criterion was that LG&E and Kentucky Utilities Company ("KU") rates for RTOD-Energy be somewhat similar. Explain why LG&E and KU are not proposing to equalize either the off-peak or on-peak rates for the two companies.

19. Refer to LG&E's response to Item 64 of Staff's Second Request. The response states that LG&E is proposing to provide customers the option to have a smart meter through the demand-side management ("DSM") Advanced Meter Opt-In and be a RTOD-Energy or RTOD-Demand customer, or to be a RTOD-Energy or RTOD-Demand customer without a smart meter. Explain why LG&E is not making the use of a smart meter a requirement for a customer to be a RTOD-Energy or RTOD-Demand customer in order to control costs and therefore remove the cap on the number of customers able to choose service under the tariffs.

20. Refer to LG&E's response to Item 66 of Staff's Second Request. For each current Low Emission Vehicle customer, provide the percentage increase the customer would receive if switched to the standard residential rate at proposed rates.

21. Refer to LG&E's response to Item 70 of Staff's Second Request, Att_LG_PSC_2-70_GasZeroIntercept.xlsx, and to LG&E's gas Cost of Service Study. Cell AB120 of the attachment lists an amount for Distribution Mains of $321,533,770, while Cell F18 of the Functional Assignment tab of the COSS lists the amount as $343,408,593. Explain why the two amounts differ.

22. Refer to LG&E's response to Item 71 of Staff's Second Request.

a. Refer to the response to Item 71.c.(4).

(1) The response refers to two criteria used in determining exemption from the DSM charge, one of the criteria being the North American Industry Classification System ("NAICS") codes. Identify the second criterion.

(2) Explain why the NAICS code is unavailable for 19 accounts and why these accounts are exempt from the DSM charge.

(3) LG&E's DSM tariff lists the following NAICS codes as being exempt from the DSM charge: 21, 22, 31, 32, and 33. This response shows a number of exempt accounts with codes that are not listed in LG&E's DSM tariff. Provide a description of each of those codes (those codes outside of 21, 22, 31, 32, and 33), and explain why the accounts shown with those codes are exempt from the DSM charge, in light of LG&E's response to Item 71.b. that "the remaining NAICS sections are comprised predominantly of customers that are not primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product."

b. Refer to the response to Item 71.c.(6). For each customer with a NAICS code other than 21, 22, 31, 32, and 33, explain how the customer qualifies to be exempt from the DSM charge.

23. Refer to the response to Item 79.b. of Staff's Second Request. Explain why it is necessary that line-clearing work be increased by the amount of $371,255 in the forecasted period compared to the base period.

24. Refer to the response to Item 80 of Staff's Second Request. Explain what is meant by "incremental employees charging the account."

25. Refer to the response to Item 84 of Staff's Second Request.

a. In addition to the four lines identified in the response, list all other LG&E lines subject to the inspections described in the response.

b. For all lines subject to the inspections described in the response, provide the federally mandated intervals for the inspections and the years of each line's two most recent inspections prior to the base period.

26. Refer to the response to Item 86 of Staff's Second Request. Provide the amount of fuel cost included in the base period and explain what accounts for the level of the increase projected for the forecasted period.

27. The response to Item 89.a. of Staff's Second Request did not directly respond to the request. Explain whether there is a percentage at which LG&E believes it would be appropriate to apply a slippage factor.

28. Refer to the response to Item 90.a. of Staff's Second Request and the attachment to the response to Item 32 of the Commission Staff's First Request.

a. Confirm that the response to Item 90a. means that the budgeted employee headcounts in the attachment have been used to develop the labor costs in the forecasted period. If this cannot be confirmed, in the same categories as in the attachment, provide the employee headcounts that have been used.

b. Provide an update to the attachment to the Item 32 response which includes actual employee headcounts for the months since October 2014.

29. Refer to the response to Item 89 of the Attorney General's Initial Requests for Information ("AG's First Request"). Provide support for the expected level of test-year revenues, as compared to the previous years' level of revenues, for the following:

a. Transmission of Electricity to Others;

b. Other Electric Revenue;

c. Rent from Gas Property;

d. Transportation Revenue; and

e. Other Gas Revenue.

30. Refer to the responses to Items 140 and 157 of the AG's First Request. The response to Item 140 states that no severance expenses are included in the forecasted period. The response to Item 157 states that LG&E expects 25 of the employees assigned to Cane Run to accept a severance benefit and retire.

a. Reconcile the two responses and explain when the 25 employees are expected to receive their retirement benefit.

b. Provide the amount of severance costs, if any, included in the forecasted period operating expenses.

31. Refer to the response to Item 166 of the AG's First Request, which states that all of the generating facilities shown in the response to AG Question No. 115 are less than ten years old. The list of generating facilities in the response to AG Question No. 115 is the same list provided in response to Item 48 of Staff's Second Request.

a. Explain whether there are other existing combined-cycle gas-fired generating units less than ten years old that Mr. Spanos could have included in forming the bases of his testimony.

b. Explain whether there are any existing combined-cycle gas-fired generating units which are ten years old or older that Mr. Spanos could have included in forming the bases of his testimony.

c. Explain whether the list of combined-cycle gas-fired generating units provided in the aforementioned responses all reflect life spans developed by Mr. Spanos. If all were not developed by Mr. Spanos, identify those that were not.

32. Refer to the response to Item 10 of the First Request for Information of the Kroger Company ("Kroger's First Request"). Parts a. and b. of the response identify nearly $4.0 million in payroll cost reductions related to the retirement of the Cane Run coal units and the related retirement of 25 LG&E employees. Explain how these payroll costs reductions are reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

33. Refer to the response to Item 12.d. of Kroger's First Request, which states that the offsetting contractor expense reduction related to the increase in the distribution employee headcount for LG&E is $2,856,434. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

34. Refer to the response to Item 24 of the Kentucky Cable Telecommunications Association's First Data Request. Provide the supporting calculation for the $.10497 per kWh shown in this response.

35. Refer to the response to Item 10 of the First Request for Information of the KSBA (Kentucky School Boards Association.) Explain why the response does not include a schedule for Rate FLS.

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