

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|-------------------|
| AN EXAMINATION OF THE APPLICATION OF |) | |
| THE FUEL ADJUSTMENT CLAUSE OF |) | |
| LOUISVILLE GAS AND ELECTRIC COMPANY |) | CASE NO. |
| FROM NOVEMBER 1, 2014 THROUGH OCTOBER 31, |) | 2017-00004 |
| 2016 |) | |

DIRECT TESTIMONY OF
STUART A. WILSON
DIRECTOR – ENERGY PLANNING, ANALYSIS & FORECASTING
LG&E AND KU SERVICES COMPANY

Filed: February 20, 2017

1 **Q. Please state your name and business address.**

2 A. My name is Stuart A. Wilson. My position is Director – Energy Planning, Analysis,
3 and Forecasting for LG&E and KU Services Company, which provides services to
4 Louisville Gas and Electric Company (“LG&E” or “the Company”) and Kentucky
5 Utilities Company (“KU”) (collectively “the Companies”). My business address is
6 220 West Main Street, Louisville, Kentucky 40202. A complete statement of my
7 education and work experience is attached to this testimony as Appendix A.

8 **Q. What is the purpose of your testimony?**

9 A. I am submitting this testimony in accordance with the Order entered in this
10 proceeding by the Commission on February 6, 2017 (“Order”), directing LG&E to
11 file written direct testimony to address changes in the wholesale electric power
12 market that significantly affected, or will significantly affect, LG&E’s electric
13 power procurement practices.

14 **Q. What changes have occurred in the wholesale electric power market during
15 the period November 1, 2014 through October 31, 2016 that have significantly
16 affected LG&E’s electric power procurement practices?**

17 A. LG&E’s electric power procurement practices were not significantly affected by
18 any changes in the wholesale electric power market during this period.

19 **Q. How have prices developed in the wholesale power market during the current
20 two-year period (November 1, 2014 through October 31, 2016) and how did
21 that affect LG&E’s purchases of economy power?**

22 A. The average monthly electric power price during the current two-year period was
23 \$32.52/MWh, compared to \$43.71/MWh during the previous two-year period

1 (November 1, 2012 through October 31, 2014).¹ These lower prices were driven
2 largely by lower natural gas prices, which averaged \$2.60/MMBtu during the
3 current two-year period, compared to \$4.02/MMBtu during the previous two-year
4 period.² Despite lower market prices, economy purchases for the current two-year
5 period were approximately 64 percent lower than the previous two-year period due
6 to lower fuel prices. Over the current two-year period, the weighted average
7 variable cost of the Companies' coal units was \$24.21/MWh; the average variable
8 cost of Cane Run 7, which was commissioned in June 2015, was \$16.64/MWh.
9 Despite the lower fuel costs, LG&E continues to look for opportunities to purchase
10 hourly power from the wholesale market when the cost is lower than its own
11 resources and when import of this power is supported by adequate transmission
12 availability and other operational parameters.

13 **Q. What changes does LG&E expect to occur in the wholesale power market**
14 **within the next two years that may significantly affect LG&E's electric power**
15 **procurement practices?**

16 A. LG&E does not expect changes in the wholesale power market in the next two years
17 that would significantly affect LG&E's power procurement practices. Natural gas
18 continues to set marginal electricity prices in the region. As noted in Mr. Schram's
19 testimony, on-shore shale gas supplies are expected to continue to be a growing
20 part of the U.S. gas supply. Most forecasters continue to believe that gas prices
21 will avoid sustained periods of volatility given the demonstrated responsiveness of
22 new shale gas supplies.

¹ Based on average monthly around-the-clock prices for PJM West Hub.

² Based on average monthly prices for Henry Hub.

1 Regardless of the development of wholesale markets, electric transmission
2 constraints and congestion may at times limit the Company's ability to import
3 power from the wholesale market to serve native load, highlighting the continuing
4 importance of the Company's ability to serve its customers with its own supply side
5 resources to ensure security of supply.

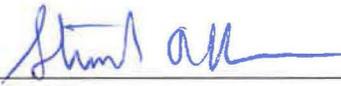
6 **Q. Does this conclude your testimony?**

7 A. Yes.

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Stuart A. Wilson**, being duly sworn, deposes and says that he is the Director, Energy Planning, Analysis & Forecasting for LG&E and KU Services Company and that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Stuart A. Wilson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of February, 2017.



Notary Public (SEAL)

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2018~~
Notary ID # 512743

Appendix A

Stuart A. Wilson, CFA

Director, Energy Planning, Analysis, and Forecasting
LG&E and KU Services Company
220 West Main Street
Louisville, KY 40202
Telephone: (502) 627-4993

Previous Positions

| | |
|--|---------------------------|
| Manager, Generation Planning & Analysis | October 2009 – April 2016 |
| Manager, Sales Analysis & Forecasting | May 2008 – October 2009 |
| Supervisor, Sales Analysis & Forecasting | Aug 2006 – April 2008 |
| Economic Analyst | Aug 2000 – July 2006 |
| Compensation Analyst | Aug 1999 – July 2000 |
| Business Analyst | June 1997 – July 1999 |

Professional Memberships

CFA Society of Louisville

Education/Certifications

E.ON Emerging Leaders Program: 2004-2006

CFA Charterholder: September 2003

LG&E Energy Leadership Development Program: 1997-2002

Master of Business Administration;
Indiana University, May 1997

Master of Engineering in Electrical Engineering;
University of Louisville, December 1995

Bachelor of Science in Electrical Engineering;
University of Louisville, December 1995