



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

February 28, 2013

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2012-00546
Case No. 2012-00547

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 502-782-2652.

Sincerely,

A handwritten signature in cursive script that reads "Jeff Derouen".

Jeff Derouen
Executive Director

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2012-00546
Main Case File - Case No. 2012-00547

FROM: Ronald Handziak, Team Leader

DATE: February 28, 2013

RE: Informal Conference of February 26, 2013

Pursuant to the Commission's January 2, 2013 Orders, on February 26, 2013,¹ 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 filed as part of the Commission's review of the Companies' environmental surcharge mechanism for the six-month billing period of May 1, 2012 through October 31, 2012. 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 January 2, 2013 Orders. 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 six month billing period under review for both KU and LG&E.

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's questions on or before March 4, 2013.

There being no other questions, the meeting adjourned.

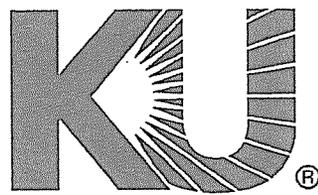
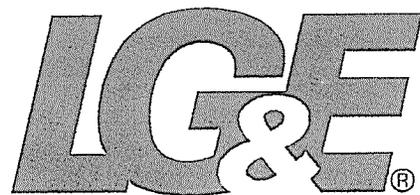
Attachments

¹ By agreement between the Companies and Commission Staff, the informal conference was rescheduled from February 20, 2013 to February 26, 2013.

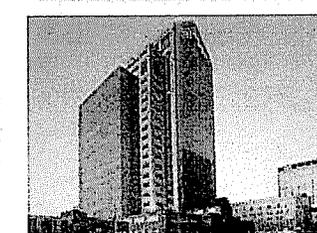
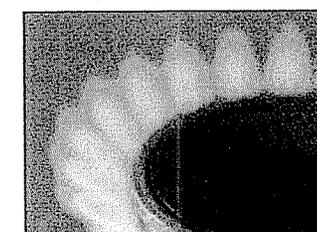
2/26/13

LG&E/KU Environmental Sanitary Case No. 2012-546
2012-547

RICHARD RAFF	PSC-LEGAL
Quang D. Nguyen	PSC
Robert M. Conroy	LG&E/KU
Alyson Sturgeon	LG&E/KU
Andrea Schroeder	LG&E/KU
W.E.B. Pinney	PK-LEGAL
Ron Handziak	PSC-FA
TIM LEVERS	PSC-FA



PPL companies



ECR Review

Case Nos. 2012-00546

and 2012-00547

February 26, 2013

Overview

- ***Review Period:***
 - *Six-month period for expense months of March 2012 through October 2012*
 - *ECR Plans in effect - 2005, 2006, 2009 and 2011*
- ***Recent Changes the ECR:***
 - *2011 ECR Plans approved in December 2011*
 - *Two-Year Review & Roll-in approved in January 2012*
 - *Elimination of 2005 and 2006 ECR Compliance Plans in December 2012*
- ***Next Steps***

Over/(Under) Reconciliation

	<i>KU</i>	<i>LG&E</i>
<i>Combined Over/(Under) Recovery</i>	\$218,511	\$146,937
<i>Due to Change in Rate of Return (Pre-2011 Plans)</i>	(497,640)	(42,995)
<i>Due to Change in Rate of Return (2011 Plan)</i>	(11,064)	(6,328)
<i>Use of 12-Month Average Revenues</i>	<u>727,214</u>	<u>196,259</u>
<i>Total</i>	<u>\$218,511</u>	<u>\$146,937</u>

Net Over/(Under) Recovery Position

- *Net over-recovery position – KU*
 - *Cumulative over-recovery for the 6-month period is \$218,511*
 - *Recommend distribution over 1 month*
 - *Impact to residential customer using 1,188 kWh/mo is (\$0.21) per month*
- *Net over-recovery position – LG&E*
 - *Cumulative over-recovery for the 6-month period is \$146,937*
 - *Recommend distribution over 1 month*
 - *Impact to residential customer using 1,026 kWh/mo is (\$0.19) 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*

2005 and 2006 ECR Compliance Plans

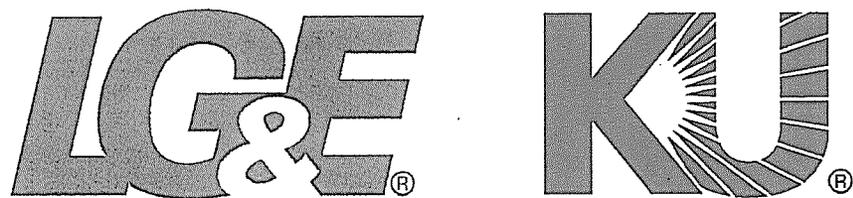
- *On December 20, 2012, the Commission approved the elimination of the 2005 and 2006 ECR Compliance Plans from the monthly filings for KU and LG&E*
 - *Plan eliminations were an approved provision in the most recent rate case settlement*
 - *Effective with January 2013 expense month filing, all associated costs will be recovered through base rates*
 - *Recovery of costs related to emission allowances excluded from elimination (KU Project 22 / LG&E Project 17)*
 - *ES Forms to reflect zero-balances for 2005 and 2006 Plans until revised in next Two-Year Reviews*

Recommendations – KU and LG&E

- *Approve distribution of net over-collections:*
 - *KU over-collection of \$218,511 over a one month period*
 - *LG&E over-collection of \$146,937 over a one month period*
- *Find environmental surcharge amounts for the billing period ending October 2012 just and reasonable*
- *Approve the use of an overall rate of return on capital using a return on equity of 10.25% beginning in the second billing month following the Commission's Order*
 - *10.30% for KU*
 - *10.61% for LG&E*

Next Steps

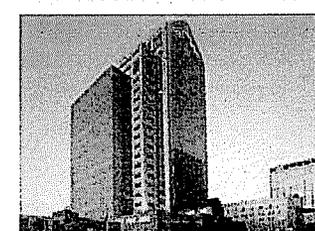
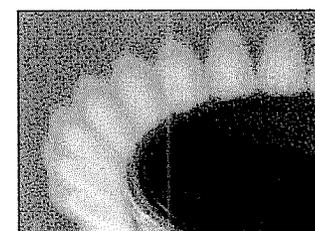
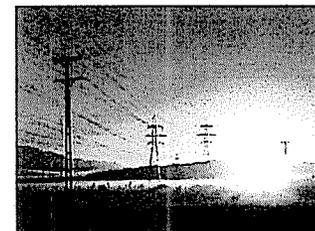
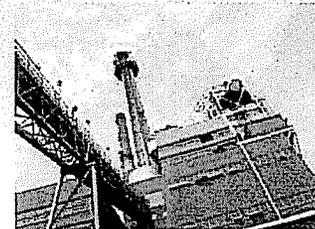
- *Balance of the Procedural Schedule*
 - *Respond to requests for information from technical conference*
 - *Respond to additional requests for information*
 - *Request hearing or submit for decision based on the record*
- *Next ECR Reviews for billing period ending February 28, 2013 will be 2-year Reviews*



PPL companies

ECR Review Case Nos. 2012-00546 and 2012-00547

February 26, 2013



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