



a PPL company

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

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NOV 24 2014

PUBLIC SERVICE  
COMMISSION

**Louisville Gas and  
Electric Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.lge-ku.com

Robert M. Conroy  
Director Rates  
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November 24, 2014

**RE: *Application of Louisville Gas and Electric Company for  
Approval of Revised Rates to be Recovered Through its Gas Line  
Tracker Beginning with the First Billing Cycle for January, 2015  
Case No. 2014-00381***

Dear Mr. DeRouen:

Enclosed please find an original and ten copies of the Response of Louisville Gas and Electric Company to the Commission Staff's First Request for Information dated November 14, 2014, in the above-referenced docket.

Please contact me if you have any questions concerning this filing.

Sincerely,

Robert M. Conroy

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF LOUISVILLE GAS AND</b>	)	
<b>ELECTRIC COMPANY FOR APPROVAL OF</b>	)	
<b>REVISED RATES TO BE RECOVERED</b>	)	<b>CASE NO.</b>
<b>THROUGH ITS GAS LINE TRACKER</b>	)	<b>2014-00381</b>
<b>BEGINNING WITH THE FIRST BILLING</b>	)	
<b>CYCLE FOR JANUARY, 2015</b>	)	

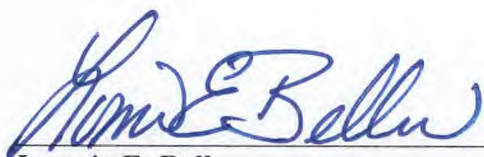
**RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
TO  
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
DATED NOVEMBER 14, 2014**

**FILED: NOVEMBER 24, 2014**

VERIFICATION

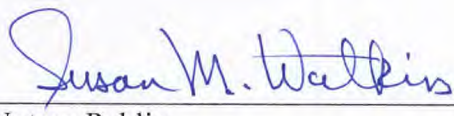
COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, Gas Distribution for Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24<sup>th</sup> day of November 2014.



  
\_\_\_\_\_  
Notary Public (SEAL)

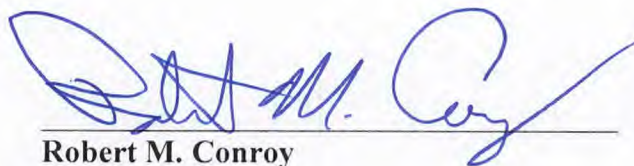
My Commission Expires:

SUSAN M. WATKINS  
Notary Public, State of Large, KY  
My Commission Expires Mar. 10, 2017  
Notary ID # 485723

VERIFICATION

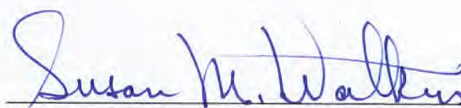
COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24<sup>th</sup> day of November 2014.



  
Notary Public (SEAL)

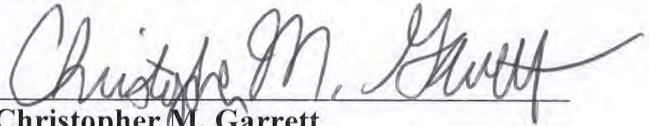
My Commission Expires:

SUSAN M. WATKINS  
Notary Public, State at Large, KY  
My Commission Expires Mar. 19, 2017  
Notary ID # 485723

VERIFICATION

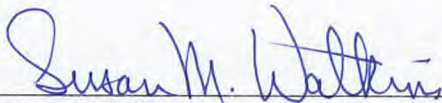
COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Director – Accounting and Regulatory Reporting for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24<sup>th</sup> day of November 2014.



  
Notary Public (SEAL)

My Commission Expires:

SUSAN M. WATKINS  
Notary Public, State at Large, KY  
My Commission Expires Mar. 19, 2017  
Notary ID # 485723

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 1**

**Witness: Lonnie E. Bellar**

Q-1. Refer to the testimony of Lonnie E. Bellar in Case No. 2012-00222,<sup>1</sup> Bellar Exhibit 1, at page 6. Provide this schedule, GLT Form 1.5, showing forecasted projects for 2015.

A-1. See the attached GLT Form 1.5.

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<sup>1</sup> Case No. 2012-00222, *Application of Louisville Gas and Electric for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Line and Risers, and a Gas Line Surcharge* (Ky. PSC, Dec. 20, 2012).

LOUISVILLE GAS AND ELECTRIC COMPANY  
 GAS LINE TRACKER  
 FORECASTED PROJECT DETAILS AS OF (JANUARY 2015 TO DECEMBER 2015)

Project Description	MAINS				SERVICES				RISERS			
	Feet of Main	Installation Cost	Cost of Removal	Retirements	No. of Services	Installation Cost	Cost of Removal	Retirements	No. of Risers	Installation Cost	Cost of Removal	Retirements
Downtown Main Replacement	27,984	\$ 8,655,345	\$ 360,374									
Large Scale Main Replacement	129,888	\$ 9,543,901	\$ 176,788									
Priority Main Replacement	31,680	\$ 4,281,123	\$ 291,249									
Riser Replacement									47,000	\$ 22,991,929		\$ 3,375,560
Replace Company Services					2,000	\$ 1,987,411	\$ 324,917					
Replace Customer Services					2,800	\$ 2,938,971						
Install Customer Services					2,200	\$ 2,349,002						
TOTAL FORECASTED 2015 PROJECTS	189,552	\$ 22,480,369	\$ 828,411		7,000	\$ 7,275,384	\$ 324,917		47,000	\$ 22,991,929		\$ 3,375,560

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 2**

**Witness: Robert M. Conroy**

Q-2. Refer to Exhibit A of the application. Provide the number of bills for each of the five listed customer classes for the 12 months ended March 31, 2014.

A-2. Below is the number of bills for each of the five customer classes for the 12 months ended March 31, 2014.

Customer Class	Customer Months
RGS	3,528,276
CGS	305,314
IGS	2,828
AAGS	165
DGGS	0



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 3**

**Witness: Robert M. Conroy/Christopher M. Garrett**

Q-3. Refer to Exhibit B, Page 1 of 1.

- a. Explain why Column 2, the Accumulated Depreciation Reserve for December 2014, shows a debit balance of \$157,577.
- b. Explain why it is appropriate for LG&E to earn a return on the Accumulated Depreciation Reserve debit balance of \$157,577.
- c. Provide all calculations, entries, etc., showing all amounts and categories that produce the (\$1,899,588) Accumulated Depreciation Reserve balance for November 2015 shown in Column 13.
- d. Provide all calculations, entries, etc., showing all amounts and categories that produce the (\$2,307,580) Accumulated Depreciation Reserve balance for December 2015 shown in column 14.
- e. Provide Exhibit B, page 1 of 1 in electronic format with formulas, rows, and cells intact.

A-3.

- a. The Accumulated Depreciation Reserve for December 2014 in Exhibit B includes a debit of \$1,537,368 for the accumulated reserve associated with the gas line tracker retirements of \$3,375,560 recognized in November 2014. The debit associated with the retirement more than offsets the accumulated depreciation on the new investment and therefore created a positive account balance.

b. Since the mechanism as approved included the provision for gas line tracker retirements, it is appropriate that the mechanism rate base be adjusted. It is important to note that while the accumulated reserve balance is comprised of a debit balance, the overall effect of the retirements is a reduction to Net Gas Plant of \$1,838,192 (\$3,375,560 Gas Plant Investment less \$1,537,368 Accumulated Depreciation Reserve).

c. The November 2015 Accumulated Depreciation Reserve balance is comprised of the following:

October 2015 Accumulated Depreciation Reserve Balance	\$3,165,579
Plus: Monthly Depreciation on Beginning Plant Balance	394,473
Plus: Monthly Depreciation on Additions/Retirements	4,838
Less: Reserve associated with Retirements	<u>1,665,302</u>
November 2015 Accumulated Depreciation Reserve Balance	\$1,899,588

d. The December 2015 Accumulated Depreciation Reserve balance is comprised of the following:

November 2015 Accumulated Depreciation Reserve Balance	\$1,899,588
Plus: Monthly Depreciation on Beginning Plant Balance	404,149
Plus: Monthly Depreciation on Additions/Retirements	3,843
Less: Reserve associated with Retirements	<u>0</u>
December 2015 Accumulated Depreciation Reserve Balance	\$2,307,580

e. See the attachment being provided in electronic format on CD.

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 4**

**Witness: Robert M. Conroy**

Q-4. Refer to Exhibit D, page 1 of 1. Provide all calculations, entries, etc., showing all amounts and categories that produce the amount of (\$1,665,302) shown for Reserve Retirements.

A-4. See the attachment.

Louisville Gas and Electric Company  
Estimated Retirement Cost for Gas Risers  
Previously Installed and Capitalized as Spread Costs

	Quantity Installed	Yearly Estimated Retirements for 5 year Plan	Estimated Cost per Riser	Yearly Estimated Cost of Retirements for 5 year Plan	2013 Calculated Accumulated Depreciation	2014 Calculated Accumulated Depreciation	2015 Calculated Accumulated Depreciation	2016 Calculated Accumulated Depreciation	2017 Calculated Accumulated Depreciation
1996	2048	410	\$ 266	\$ 109,042.20	74,388.59	78,521.29	82,653.99	86,786.69	90,919.39
1997	2449	490	\$ 270	132,229.27	85,195.32	90,206.81	95,218.30	100,229.79	105,241.28
1998	2401	480	\$ 278	133,688.77	81,068.87	86,135.68	91,202.48	96,269.29	101,336.09
1999	5180	1036	\$ 284	294,251.52	167,281.99	178,434.12	189,586.26	200,738.39	211,890.52
2000	5758	1152	\$ 293	337,879.88	179,279.06	192,084.71	204,890.36	217,696.00	230,501.65
2001	2751	550	\$ 297	163,491.88	80,552.45	86,748.79	92,945.13	99,141.47	105,337.82
2002	4592	918	\$ 318	291,842.08	132,729.78	143,790.59	154,851.41	165,912.22	176,973.04
2003	2745	549	\$ 307	168,281.52	70,156.57	76,534.44	82,912.31	89,290.18	95,668.05
2004	4918	984	\$ 353	347,597.15	131,739.32	144,913.25	158,087.18	171,261.11	184,435.05
2005	5271	1054	\$ 404	425,908.80	145,277.49	161,419.44	177,561.38	193,703.32	209,845.27
2006	4377	875	\$ 429	375,827.33	113,950.85	128,194.70	142,438.56	156,682.41	170,926.27
2007	3759	752	\$ 435	326,991.63	86,750.88	99,143.86	111,536.84	123,929.83	136,322.81
2008	2803	561	\$ 479	268,528.46	61,063.37	71,240.60	81,417.83	91,595.06	101,772.29
	49052	9810		\$ 3,375,560.49	\$1,409,434.54	\$1,537,368.28	\$1,665,302.02	\$1,793,235.76	\$1,921,169.51

Depr Rate	3.79%
Annual Depr Expense - Acct. 403023	\$ 127,933.74
Monthly Depreciation	\$ 10,661.15
1/2 Month Depreciation	\$ 5,330.57

Year	H/W Table Gas Services	Cost
2010	527 \$	494
1996	284 \$	266
1997	288 \$	270
1998	297 \$	278
1999	303 \$	284
2000	313 \$	293
2001	317 \$	297
2002	339 \$	318
2003	327 \$	307
2004	377 \$	353
2005	431 \$	404
2006	458 \$	429
2007	464 \$	435
2008	511 \$	479

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 5**

**Witness: Lonnie Bellar/Christopher M. Garrett**

- Q-5. Refer to Exhibit D of LG&E's Gas Line Tracker ("GLT") application in Case No. 2013-00394,<sup>2</sup> and LG&E's Exhibit D in its current application. Riser Retirements are shown as being (\$3,375,560) for both 2014 and 2015. Explain why the amounts are the same in both years.
- A-5. See the attachment to the response to Question No. 4 for a detailed calculation of the (\$3,375,560) riser retirement amount. The cost of risers were not specifically recorded in the Company's records and therefore had to be estimated to determine the total retirement amount of (\$16,877,802). The retirement costs were then evenly divided over the five years of the mechanism. The amount attributed to riser retirements will therefore be \$3,375,560 each year.

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<sup>2</sup> Case No. 2013-00394, *Revised Gas Line Tracker Filing of Louisville Gas and Electric Company* (Ky. PSC Dec. 13, 2013).

Louisville Gas and Electric Company  
Estimated Retirement Cost for Gas Risers  
Previously Installed and Capitalized as Spread Costs

	Quantity Installed	Yearly Estimated Retirements for 5 year Plan	Estimated Cost per Riser	Yearly Estimated Cost of Retirements for 5 year Plan	2013 Calculated Accumulated Depreciation	2014 Calculated Accumulated Depreciation	2015 Calculated Accumulated Depreciation	2016 Calculated Accumulated Depreciation	2017 Calculated Accumulated Depreciation
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**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 6**

**Witness: Lonnie E. Bellar**

- Q-6. a. State the number of Risers LG&E replaced in 2013.
- b. Based on the most recent information available, provide the number of Risers LG&E has replaced in 2014.
- c. State the total number of Risers LG&E estimates it has left to replace for the remainder of the GLT program.
- d. In its response to Item 1 of Staff's First Request for Information in Case No. 2014-00070,<sup>3</sup> LG&E stated that no customers had replaced their own Risers. State whether any customers have replaced their own Risers since then.
- A-6. a. The number of Riser replaced in 2013 was 33,268.
- b. As of November 16, 2014, 43,560 risers have been replaced in 2014.
- c. Based on an original estimate of 213,000 risers to be replaced, there are 136,172 riser replacements remaining.
- d. To date, no customers have contacted the company and replaced their own riser.

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<sup>3</sup> Case No. 2014-00070, *Revised Gas Line Tracker Filing of Louisville Gas and Electric Company* (Ky. PSC Apr. 29, 2014).

**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Request for Information  
Dated November 14, 2014**

**Case No. 2014-00381**

**Question No. 7**

**Witness: Lonnie E. Bellar**

Q-7. Identify generally the locations of the major main replacements that have occurred in 2014, and describe how those specific projects were selected and prioritized.

A-7. The major project areas in the Large Scale Main Replacement Program for 2014 include:

- Clifton
- Crescent Hill
- Downtown Louisville and immediate surrounding areas
- Old Louisville
- Butchertown
- Smoketown

Work within these areas has been largely driven by operational needs. The primary operational consideration has been addressing areas with active water intrusion and gas leaks. Hydraulic considerations were also taken into account through modeling of the gas system and simulation of retirements utilizing the company's gas system planning software (Stoner software from GL Noble Denton). These simulations enabled finite areas to be identified that, when retired, would eliminate the areas with active water intrusion and leaks without compromising the reliability of the remaining active gas system. Secondary factors affecting work include coordination with city projects, other utility projects and local events.

The major project areas in the Priority Main Replacement Program for 2014 include:

- Mockingbird Valley
- Clifton Heights
- Area immediately east of Iroquois Park
- Camp Taylor

Priority Main Replacement projects in 2014 targeted sections of bare steel piping remaining in the Priority Main Replacement Program. Targeted piping in this program is



scored with a relative risk ranking, which is calculated based upon a combination of risk factors that considers material, pressure class, leak density, and service density. Geographically similar piping is then grouped together to create a Priority Main Replacement Project. Priority Main Replacement Projects are prioritized based upon the relative risk ranking of all targeted piping in that group.