

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE	)	
GAS AND ELECTRIC COMPANY FOR A	)	CASE NO.
DECLARATORY ORDER REGARDING THE	)	2016-00317
PROPER METHOD OF MUNICIPAL FRANCHISE	)	
FEE RECOVERY	)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

Louisville/Jefferson County Metro Government ("Louisville Metro"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies in paper medium and an electronic version of the following information. The information requested herein is due no later than April 7, 2017. 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 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.

Louisville Metro 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 Louisville Metro 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 should 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 filing a paper containing personal information, Louisville Metro shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Rick Blackwell (“Blackwell Testimony”), page 1, lines 22–23, which states “I know that for many years the former City of Louisville assessed a fee for LG&E’s use of its right-of-ways and that fee was simply absorbed as a price of doing business.”

a. State the years referenced in this statement and the amount of the fee paid by LG&E each year.

b. State whether this statement indicates Mr. Blackwell’s belief that the fee was not recovered through LG&E’s base rates during those years.

2. Refer to the Blackwell Testimony, page 2, lines 11–13, which state, “The basic theory of a franchise fee is to ensure that a utility pays the city for the benefit the utility realizes by use of the city’s rights of way. Essentially, it is the rent a utility owes to

a city for the opportunity to use the city's infrastructure to provide service and earn a profit."

a. Explain whether LG&E acquired the existing natural gas rights-of-way ("ROW") for pipelines through financial payments or other arm's-length transactions, from the former city of Louisville.

b. If the answer to part a. is yes, explain whether the former city of Louisville has those ROW agreements, and whether the acquisition of the ROW was a one-time payment for as long as those pipelines within the ROW are in service.

c. If the answer to part b. is yes, explain whether the annual franchise fee is rent for the ROW, or a fee for the opportunity to do business.

d. Explain whether the Louisville Metro views the franchise fee as net profit tax or assessment, since LG&E has the opportunity to provide service and earn a profit.

e. Explain whether Louisville Metro assesses LG&E an occupational tax for the opportunity to serve Louisville Metro.

3. Refer to the Blackwell Testimony, page 2, lines 22–24. State whether Louisville Metro's intention is for the franchise fee to be based on the metered usage of each customer or on the percentage of natural gas delivered to each customer that passed through Louisville Metro's rights-of-way. If the latter, explain how the amount would be calculated.

4. Refer to the Blackwell Testimony, page 3, lines 9–12, which state, "Those customers located in the satellite cities receive all the same benefits from the franchise

fee as those customers located outside the satellite cities, except only one of those groups is actually paying for the benefits received.”

a. Provide a detailed list of the “benefits” referenced in this statement.

b. State whether there are any benefits or services provided by Louisville Metro that customers outside of the satellite cities receive that customers located in the satellite cities do not receive, such as garbage pickup services. If yes, list each benefit or service.

c. State whether franchise fee revenue received by Louisville Metro is segregated from other revenues received by Louisville Metro. If yes, list the individual expenditures made with these funds for calendar years 2015 and 2016. If no, and Louisville Metro is unable to provide the list of expenditures, explain how it is known which customers benefit from the franchise fee revenue.

  
Talina R. Mathews  
Executive Director  
Public Service Commission  
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DATED MAR 24 2017

cc: All parties

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