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RECEIVED

JAN 29 2016

PUBLIC SERVICE
COMMISSION

KENDRICK R. RIGGS
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January 29, 2016

VIA HAND DELIVERY

Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: The Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Approval of Depreciation Rates for Brown Solar Case No. 2016-00 063

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of a Joint Application on behalf of Kentucky Utilities Company and Louisville Gas and Electric Company and in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your office with the date received on the enclosed additional copies and return them to me via our office courier.

Should you have any questions please contact me at your convenience.

Yours very truly,


Kendrick R. Riggs

KRR:ec
Enclosures (13)

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JAN 29 2016

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF KENTUCKY)	
UTILITIES COMPANY AND LOUISVILLE GAS)	
AND ELECTRIC COMPANY FOR APPROVAL)	CASE NO. 2016- <u>00063</u>
OF DEPRECIATION RATES FOR BROWN)	
SOLAR)	

JOINT APPLICATION

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, “Companies”), hereby petition the Kentucky Public Service Commission (“Commission”) by application to issue an order by April 29, 2016, approving depreciation rates for the new solar photovoltaic facility the Companies are building at the E.W. Brown Generating Station (“Brown Solar”). The Companies file this Joint Application pursuant to 807 KAR 5:001 Section 14 and KRS 278.220, the latter of which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction.

In support of this Application, the Companies state as follows:

1. Applicant KU’s full name and business address is: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU’s mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40202.

Applicant LG&E’s full name and post office address is: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.

2. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991 (and effective as of December 1, 1991), and is in good standing in both

Kentucky and Virginia. Copies of KU's good standing certificates from the Kentucky Secretary of State and the Virginia State Corporation Commission are attached in Application Exhibit 1.

LG&E was incorporated in Kentucky on July 2, 1913, and is currently in good standing in Kentucky. A copy of LG&E's good standing certificate from the Kentucky Secretary of State is attached in Application Exhibit 1.

3. KU is a utility engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in the following counties in Central, Northern, Southeastern and Western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

3. LG&E is a utility engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores, and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue,

Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

4. Pursuant to KRS 278.380, KU and LG&E waive any right to service of Commission orders by mail for purposes of this proceeding only. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Robert M. Conroy
Director – Rates
LG&E and KU Services Company
220 West Main Street
Louisville, KY 40202
robert.conroy@lge-ku.com

Derek A. Rahn
Manager, Revenue Requirement
LG&E and KU Services Company
220 West Main Street
Louisville, KY 40202
derek.rahn@lge-ku.com

Allyson K. Sturgeon
Senior Corporate Attorney
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Sara Veeneman
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sara.veeneman@lge-ku.com

Kendrick R. Riggs
W. Duncan Crosby III
Stoll Keenon Ogden PLLC
2000 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202-2828
kendrick.riggs@skofirm.com
duncan.crosby@skofirm.com

5. On December 19, 2014, the Commission issued an order granting the Companies a Certificate of Public Convenience and Necessity (“CPCN”) for the construction of the Brown Solar facility,¹ now a 10 MW (nameplate rating) solar photovoltaic facility located at the E.W. Brown Generating Station. In addition to granting the CPCN, the Commission’s order established ownership shares of 61% and 39% for KU and LG&E, respectively.

6. On December 20, 2012, the Commission issued orders which approved new depreciation rates for the Companies.² The depreciation rates the Commission approved were based on the service lives from the Companies’ books and records and the Average Service Life methodology. In addition, on June 30, 2015, the Commission issued orders in the Companies’ most recent base rate proceedings which approved depreciation rates for the Companies’ Cane Run 7 Unit at the Cane Run Generating Station (“CR7”).³ These approved depreciation rates however are not appropriate for the Brown Solar facility.

7. The Companies expect to begin testing the Brown Solar facility for commissioning purposes in March 2016 to place the facility into service later this summer. The Companies need to record depreciation of this asset, beginning with the expected commencement of the commercial operation of this facility in May 2016.

8. The Companies now apply for the Commission’s approval of the following depreciation rates for the Brown Solar facility:

¹ *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Certificates of Public Convenience and Necessity for the Construction of a Combined Cycle Combustion Turbine at the Green River Generating Station and a Solar Photovoltaic Facility at the E.W. Brown Generating Station*, Case No. 2014-00002, Order (Dec. 19, 2014).

² *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2012-00221, Order (Dec. 20, 2012); *In the Matter of: 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*, Case No. 2012-00222, Order (Dec. 20, 2012).

³ *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2014-00371 (June 30, 2015); *In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2014-00372, Order (June 30, 2015).

Account 341 – Structures and Improvements – 4.24%
Account 344 – Generators – 4.61%
Account 345 – Accessory Electric Equipment – 4.36%
Account 346 – Miscellaneous Power Plant Equipment – 4.25%

9. The Companies asked, John J. Spanos of Gannett Fleming, Inc., to develop depreciation rates for the Brown Solar facility. Mr. Spanos recommends the rates set out in paragraph 8 and shown in further detail in Application Exhibit 2. The depreciation rates recommended by Mr. Spanos are consistent with the Average Service Life methodology the Companies proposed and the Commission accepted in the Companies' 2012 base rate proceedings.⁴ The recommended depreciation rates for each production plant account are based on an interim survivor curve, net salvage percent, and the facility's probable retirement date. Each parameter is established with the understanding of the Brown Solar facility and the estimates of other comparable facilities across the United States. The overall life span of the facility is 25 years. The details supporting the depreciation rates recommended by Mr. Spanos are set forth in Application Exhibit 3.

10. The Companies are requesting that the Commission issue an order by April 29, 2016, approving the proposed depreciation rates because they anticipate that facility testing will begin in March 2016. Unless the Commission has approved rates for depreciating the Companies' Brown Solar-related assets before commercial operation begins, the Companies will have to use the most recently approved depreciation rates for their generating units. For KU and LG&E, the depreciation rates would be those used for CR7, which are:

Account 341 – Structures and Improvements – 2.62%
Account 342 – Fuel Holders, Producers and Accessories – 2.73%
Account 343 – Prime Movers – 2.79%

⁴ *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2012-00221, Order (Dec. 20, 2012); *In the Matter of: 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*, Case No. 2012-00222, Order (Dec. 20, 2012).


Account 344 – Generators – 3.11%
Account 345 – Accessory Electric Equipment – 2.97%
Account 346 – Miscellaneous Power Plant Equipment – 2.82%

Therefore, in order to avoid having to use CR7 depreciation rates for the Companies' ownership interests in the Brown Solar facility, the Companies respectfully request that the Commission issue an order approving the proposed depreciation rates by April 29, 2016.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company request that the Commission issue an order by April 29, 2016, approving the proposed Brown Solar depreciation rates.

Dated: January 29, 2016

Respectfully submitted,



Kendrick R. Riggs
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Louisville, Kentucky 40202
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Allyson K. Sturgeon
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
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Fax: (502) 627-3367
allyson.sturgeon@lge-ku.com

*Counsel for Kentucky Utilities Company and
Louisville Gas and Electric Company*

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 172479
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY UTILITIES COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is August 17, 1912 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 27th day of January, 2016, in the 224th year of the Commonwealth.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
172479/0028494

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
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<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 172478
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

LOUISVILLE GAS AND ELECTRIC COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 2, 1913 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 27th day of January, 2016, in the 224th year of the Commonwealth.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
172478/0032196



Excellence Delivered As Promised

January 25, 2016

Mr. Christopher Garrett
Director, Accounting and Regulatory Reporting
LG&E and KU Services Company
220 W. Main Street
Louisville, KY 40202

Dear Chris:

Per your request, we have recommended depreciation accrual rates for the solar facility when it comes on line in 2016. The developed depreciation rates should be applied when the assets are initially placed in service.

Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) will construct a utility-scale solar facility, E. W. Brown Solar Facility. This new facility will be located at the E. W. Brown Generating Station in Mercer County, Kentucky. Brown Solar will be a 10 MW solar photovoltaic facility with 45,000 solar panels. The estimated total cost of this project is approximately \$29 million.

The recommended depreciation rates for each other production plant account are based on an interim survivor curve, net salvage percent and probable retirement date. Each of these parameters are established with the general understanding of the new facility and the estimates of other comparable facilities across the United States. The overall life span of the facility is 25 years. The table below sets forth the interim survivor curve, net salvage percent and resultant depreciation accrual rate for each account:

<u>Account</u>	<u>Interim Survivor Curve</u>	<u>Net Salvage Percent</u>	<u>Accrual Rate</u>
341	40-S3	(5)	4.24
344	30-S1.5	(5)	4.61
345	45-R2.5	(5)	4.36
346	35-R2.5	0	4.25

Gannett Fleming Valuation and Rate Consultants, LLC

P.O. Box 67100 • Harrisburg, PA 17106-7100 | 207 Senate Avenue • Camp Hill, PA 17011
t: 717.763.7211 • f: 717.763.4590

www.gfvrc.com

Gannett Fleming

Mr. Christopher Garrett
Louisville, KY 40202

- 2 -

January 25, 2016

The above depreciation rates should be utilized until the next depreciation study is conducted and additional information is available about the facility.

Very truly yours,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC



JOHN J. SPANOS.
Sr. Vice President

JJS/car

KENTUCKY UTILITIES COMPANY
PROJECTED SOLAR RATES

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF JUNE 30, 2016

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
DEPRECIABLE PLANT								
OTHER PRODUCTION PLANT								
341.00	STRUCTURES AND IMPROVEMENTS	40-S3 *	1,769,000.00	0	1,857,450	75,018	4.24	24.8
344.00	GENERATORS	30-S1.5 *	13,267,500.00	0	13,930,875	612,077	4.61	22.8
345.00	ACCESSORY ELECTRIC EQUIPMENT	45-R2.5 *	884,500.00	0	928,725	38,520	4.36	24.1
346.00	MISCELLANEOUS PLANT EQUIPMENT	35-R2.5 *	1,769,000.00	0	1,769,000	75,213	4.25	23.5
TOTAL OTHER PRODUCTION PLANT			17,690,000.00	0	18,486,050	800,828	4.53	23.1

* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE

LOUISVILLE GAS AND ELECTRIC COMPANY
PROJECTED SOLAR RATES

TABLE 1. SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF JUNE 30, 2016

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL		COMPOSITE REMAINING LIFE (9)=(6)/(7)
						ACCRUAL AMOUNT (7)	ACCRUAL RATE (8)=(7)/(4)	
DEPRECIABLE PLANT								
OTHER PRODUCTION PLANT								
341.00	STRUCTURES AND IMPROVEMENTS	40-S3 *	1,131,000.00	0	1,187,550	47,962	4.24	24.8
344.00	GENERATORS	30-S1.5 *	8,482,500.00	0	8,906,625	391,328	4.61	22.8
345.00	ACCESSORY ELECTRIC EQUIPMENT	45-R2.5 *	565,500.00	0	593,775	24,628	4.36	24.1
346.00	MISCELLANEOUS PLANT EQUIPMENT	35-R2.5 *	1,131,000.00	0	1,131,000	48,087	4.25	23.5
TOTAL OTHER PRODUCTION PLANT			11,310,000.00	0	11,818,950	512,005	4.53	23.1

* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE