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Dr. Talina R. Mathews
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Manager Revenue Requirement
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December 12, 2016

**RE: *Revised Gas Line Tracker Filing
of Louisville Gas and Electric Company***
Case No. 2016-00383

Dear Dr. Mathews:

Enclosed please find an original and ten copies of the Response of Louisville Gas and Electric Company to the Commission Staff's Initial Request for Information dated November 28, 2016, in the above-referenced docket.

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

Sincerely,

Derek A. Rahn

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

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR APPROVAL OF)	
REVISED RATES TO BE RECOVERED)	CASE NO.
THROUGH ITS GAS LINE TRACKER)	2016-00383
BEGINNING WITH THE FIRST BILLING)	
CYCLE FOR JANUARY, 2017)	

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED NOVEMBER 28, 2016**

FILED: DECEMBER 12, 2016

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 12 day of December, 2016.



Notary Public (SEAL)

My Commission Expires:

November 5, 2018

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, 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.

Christopher M. Garrett

Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of December 2016.



Judy Schooler (SEAL)

Notary Public

My Commission Expires:

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

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
Dated November 28, 2016**

Case No. 2016-00383

Question No. 1

Witness: Lonnie E. Bellar

- Q-1. Refer to the Testimony of Lonnie E. Bellar in Case No. 2012-00222, Bellar Exhibit 1, at page 6. Provide this same schedule, which is named GLT Form 1.5, showing forecasted projects for 2017.
- A-1. See attached.

LOUISVILLE GAS AND ELECTRIC COMPANY
 GAS LINE TRACKER
 FORECASTED PROJECT DETAILS AS OF (JANUARY 2017 TO DECEMBER 2017)

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 *	1,085	\$ 4,404,483	\$ 362,520									
Large Scale Main Replacement *	-	\$ 6,105,675	\$ 177,840									
Priority Main Replacement *	1,425	\$ 1,423,318	\$ 160,740									
Aldyl-A Main Replacement *	14,694	\$ 2,754,984	\$ 205,200									
Riser Replacement									40,000	\$ 24,001,385		\$ 3,375,560
Replace Company Services					1,450	\$ 2,093,053	\$ 398,982					
Replace Customer Services					950	\$ 2,204,823						
Install Customer Services					1,850	\$ 4,180,346						
TOTAL FORECASTED 2017 PROJECTS	17,204	\$ 14,688,460	\$ 906,300		4,250	\$ 8,478,222	\$ 398,982		40,000	\$ 24,001,385		\$ 3,375,560

* Costs for the main replacement projects include replacement of associated services. Service replacements for these projects are not budgeted separately from mains and are minor compared to total project costs.
 * Costs for the Large Scale and Downtown Large Scale main replacement projects are primarily related to street and sidewalk restoration from previous construction work, as main installation is largely completed on those projects.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
Dated November 28, 2016**

Case No. 2016-00383

Question No. 2

Witness: Christopher M. Garrett

- Q-2. Refer to the application, page 3, which states, "In addition to updating its projected program costs for 2017, LG&E is also updating its GLT asset retirements to only include projected retirements occurring after June 30, 2016, the last month of the forecasted test year used in the Company's most recent base rate case filing, Case No. 2014-00372." Given that LG&E did not roll its GLT into its rate base as a result of that proceeding, explain the basis for this sentence.
- A-2. Since the inception of the GLT in 2013, a retirement adjustment has been included in the GLT to remove assets replaced through the GLT which were retired on the Company's books but still remained in base rates. This retirement adjustment was necessary to avoid charging customers for both the retired assets and the new replacement assets. The retirement adjustment represents a credit within the GLT mechanism and should be updated when new base rates become effective. For example, with the filing of the 2014 rate case (Case No. 2014-00372), assets retired after January 1, 2013 (GLT inception) and prior to June 30, 2016 (the last month of the forecasted test year) are no longer included in base rates and a retirement adjustment is no longer needed to prevent any over-recovery. This is consistent with the treatment of retirements in the Environmental Cost Recovery (ECR) mechanism.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
Dated November 28, 2016**

Case No. 2016-00383

Question No. 3

Witness: Lonnie E. Bellar

- Q-3. Identify generally the locations of the major main replacements that have been made in 2016, and describe how those specific locations and projects were selected and prioritized.
- A-3. In 2016, LG&E's main replacements were primarily near the Downtown and Old Louisville areas. Projects in these areas were selected to replace the bulk of the remaining cast iron and bare steel mains in LG&E's system, and were prioritized based on scheduling to substantially complete main installations for the Large Scale, Downtown Large Scale, and Priority main replacement programs in 2016. The remaining main installations predominantly near downtown Louisville (approximately 0.5 mile) are scheduled to be completed in 2017.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
Dated November 28, 2016**

Case No. 2016-00383

Question No. 4

Witness: Lonnie E. Bellar

- Q-4. State how many gas risers LG&E has replaced to date, and state how many riser replacements LG&E estimates remain.
- A-4. Approximately 167,500 risers have been replaced through the end of November, 2016. It is estimated up to 42,500 risers remain to be replaced.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's First Request for Information
Dated November 28, 2016**

Case No. 2016-00383

Question No. 5

Witness: Lonnie E. Bellar

Q-5. Provide an analysis as to whether LG&E projects it will complete its main replacements, service line replacements, riser replacements, and customer service replacements according to its original schedule, and compare its current projections of the total cost of its GLT program with its original budget as set out in Case No. 2012-00222.

A-5. Schedule Projections

Case No. 2012-00222 projected that the Gas Riser Replacement program would be complete in 2017. LG&E is on schedule to complete this project in 2017.

Case No. 2012-00222 projected that the Main Replacement program would be complete in 2016. LG&E anticipates completing the installation of the new main and services necessary to retire the remaining targeted pipe by the second quarter of 2017. Less than one mile of main installation currently remains. Completing this phase of the project work will accomplish the key objective of the project started some 21 years ago; the removal of cast iron, bare steel and wrought iron mains from LG&E's gas distribution system.

However, due to changes in the requirements for street restoration that have occurred since Case No. 2012-00222, LG&E anticipates final street restoration associated with installing mains and services for the Main Replacement project will continue throughout 2017 and 2018 and possibly into 2019. The schedule in Case No. 2012-00222 anticipated the continuation of the then existing street restoration requirements, which was predominately patching asphalt surfaces after all construction was complete. In Metro Louisville restoration requirements are specified by the Louisville Metro Public Works department guided by their Public Works Utility Policy. In late 2014, the predominant restoration requirement became to mill-and-pave the full-lane impacted by construction activity. Effective July 2016, the Louisville Metro Public Works Utility Policy was updated to require up to curb-to-curb mill-and-paving based on criteria that would be applicable to the majority of active LG&E construction areas. The majority of Main Replacement work since 2013 has involved construction in the roadway.

The Service Line Replacement project replaces leaking company services, as part of both Main Replacement and other leak mitigation efforts. Case No. 2012-00222 originally projected the GLT recovery of this activity to end in 2016 as the Main Replacement project was complete. The replacement of service lines as a leak mitigation effort will continue. In this filing LG&E is requesting continued GLT recovery of Service Line Replacement activity related to ongoing leak mitigation efforts. This request is consistent with the proposed treatment of this activity in Case No. 2016-00371. In that case, in addition to requesting an increase in base rates, LG&E is requesting approval for a new GLT project beginning in 2018 to proactively replace steel customer services and associated steel company services. This new GLT project activity has the potential to impact the level of investment required to address ongoing leak mitigation activity currently being recovered through the GLT. Thus, continued recovery of ongoing leak mitigation activity, as it relates to the replacement of company services, will ensure appropriate cost recovery continues between base rates and the GLT.

Case No. 2012-00222 projected GLT recovery of Customer Service Replacements, associated with LG&E taking responsibility for the Customer Service Line in 2013, to be active through 2017. These projects include installing new and replacing customer service lines. These projects are performed either at a customer's request for service resulting in the installation of a new service line or as needed when an existing customer service needs to be replaced. Similarly, as discussed above continued GLT recovery of Customer Service Replacements will ensure appropriate cost recovery continues between base rates and the GLT.

Capital Investments

Case No. 2012-00222 estimated an investment of \$112.8 million for the Gas Riser Replacement program from 2013 - 2017. LG&E is projecting an investment of \$110.6 million.

Case No. 2012-00222 estimated an investment of \$101.3 million for the Main Replacement Program from 2012 - 2016. LG&E is projecting to invest \$103.1 million during this time period. As described previously, some remaining main installation (less than one mile) and activity associated with the retirement of old main will occur in the first half of 2017. Final restoration will also occur in 2017 and continue possibly through 2019. LG&E projects investments of \$27.5 million from 2017 - 2019 to complete the program. The total investment from 2012 - 2019 is projected to be \$130.7 million or \$29.4 million higher than the estimate in Case No. 2012-00222. LG&E estimates up to \$27.5 million of the \$29.4 million difference is due to increased final street restoration requirements.

Case No. 2012-00222 estimated an investment of \$8.4 million for Service Line Replacements from 2012 - 2016. LG&E is projecting an investment of \$8.3 million during this time period. As explained previously LG&E is requesting GLT recovery of expenditures for this activity and forecasts spend of \$2.1 million in 2017.

Case No. 2012-00222 estimated an investment of \$34.0 million for Customer Service Lines from 2012 - 2017. LG&E is projecting an investment of \$29.6 million during this period. The lower than estimated investment was primarily driven by fewer customer service lines replaced than anticipated.

Incremental Operating Expenses

In Case No. 2012-00222 LG&E estimated incremental operating expenses of approximately \$11.1 million from 2013 - 2017. LG&E is projecting incremental expenses of \$6.8 million during this period, or \$4.3 million lower than estimated. In Case No. 2012-00222 LG&E estimated \$2.7 million to cover the company cost associated with customers opting to have their Gas Riser replaced on an accelerated basis prior to program replacement. To date no expense has been occurred in this area. The bulk of the remaining difference of \$1.6 million (\$4.3 million - \$2.7 million) is explained by lower incremental leak survey costs of \$1.3 million. All planned leak survey activity was completed but at a lower cost than anticipated.

Aldyl-A Piping Replacement Program

LG&E requested and received approval in Case No. 2015-00360 for an Aldyl-A Piping Replacement Program and its inclusion as part of the GLT. LG&E estimated completing the program in 2017 with an estimated cost of \$7.6 million. The project will be completed in 2017 at a projected cost of \$4.6 million. Replacement costs have been lower than estimated and fewer miles than anticipated will be replaced under the GLT.