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PUBLIC SERVICE  
COMMISSION

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

Derek A. Rahn  
Manager - Revenue  
Requirement  
T 502-627-4127  
F 502-217-4002  
derek.rahn@lge-ku.com

Jeff D. Cline, Manager – Annual Report Branch  
Public Service Commission of Kentucky  
Division of Filings  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

April 1, 2016

***Re: Annual Resource Assessment Filing for Kentucky Utilities  
Company Pursuant to Administrative Case No. 387***

Dear Mr. Cline:

Enclosed, in accordance with Ordering Paragraph (2) of the Commission's Order in Administrative Case 387, dated October 7, 2005, are an original and five (5) copies of the 2015 Annual Resource Assessment Filing for Kentucky Utilities Company, along with a Petition for Confidential Protection regarding certain information provided in response to Item Nos. 11 and 14.

Additionally, in response to your letter dated May 31, 2013, which requested a discussion regarding the consideration given to price elasticity in the forecasted demand, energy, and reserve margin information submitted with the annual Administrative Case No. 2000-387 resource assessments. The discussion is provided following Item No. 14.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Rahn', is positioned above the printed name.

Derek A. Rahn

Enclosures

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

**In the Matter of:**

<b>A REVIEW OF THE ADEQUACY OF</b>	)	
<b>KENTUCKY'S GENERATION CAPACITY</b>	)	<b>ADMINISTRATIVE</b>
<b>AND TRANSMISSION SYSTEM</b>	)	<b>CASE NO. 387</b>

**2015 ANNUAL RESOURCE ASSESSMENT FILING**  
**OF**  
**KENTUCKY UTILITIES COMPANY**  
**PURSUANT TO APPENDIX G**  
**OF THE COMMISSION'S ORDER**  
**DATED DECEMBER 20, 2001**  
**AS AMENDED BY THE**  
**COMMISSION'S ORDER**  
**DATED MARCH 29, 2004**

**FILED: APRIL 2016**

**KENTUCKY UTILITIES COMPANY**

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**ITEM NO. 1**

The information originally requested in Item 1 of Appendix G of the Commission's Order dated December 20, 2001, in Administrative Case No. 387, is no longer required pursuant to the Commission's Order of March 29, 2004, amending the previous Order.

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**ITEM NO. 2**

The information originally requested in Item 2 of Appendix G of the Commission's Order dated December 20, 2001, in Administrative Case No. 387, is no longer required pursuant to the Commission's Order of March 29, 2004, amending the previous Order.

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**ITEM NO. 3**

**RESPONDENT: Richard Smith / Stuart Wilson**

3. Actual and weather-normalized monthly coincident peak demands for the just completed calendar year. Demands should be disaggregated into (a) native load demand (firm and non-firm) and (b) off-system demand (firm and non-firm).

Response:

See attached Table KU-3, which shows the actual and weather-normalized native KU peak demands. The normalized native KU stand-alone peak demands are available only on a seasonal (summer/winter) basis.

**TABLE KU-3  
NATIVE AND OFF-SYSTEM DEMANDS (MW) BY MONTH FOR 2015**

**Kentucky Utilities**

Time of Monthly Native Peak	Actual			Normal Weather (Seasonal)	Off-System (1)		
	Native Peak	Non-Firm	Firm	Native Peak	Firm	Non-Firm	Total
1/8/2015 8:00	4,860	0	4,860		0	297	297
2/20/2015 8:00	5,112	0	5,112	4,714	0	76	76
3/6/2015 8:00	4,261	0	4,261		0	3	3
4/24/2015 7:00	2,753	0	2,753		0	100	100
5/11/2015 13:00	3,343	0	3,343		0	381	381
6/15/2015 15:00	3,790	0	3,790		0	23	23
7/28/2015 14:00	3,865	0	3,865	3,954	0	501	501
8/4/2015 15:00	3,785	0	3,785		0	0	0
9/3/2015 17:00	3,787	0	3,787		0	0	0
10/8/2015 16:00	3,005	0	3,005		0	200	200
11/23/2015 8:00	3,445	0	3,445		0	0	0
12/4/2015 8:00	3,456	0	3,456		0	0	0

**Notes**

(1) The allocation of off-system sales split between LG&E and KU is handled in the After-the-Fact Billing (“AFB”) process in accordance with the Power Supply System Agreement between LG&E and KU. The individual company sales will include an allocation of the sales sourced with purchased power and allocated to the individual company based on each company's contribution to off-system sales.

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**ITEM NO. 4**

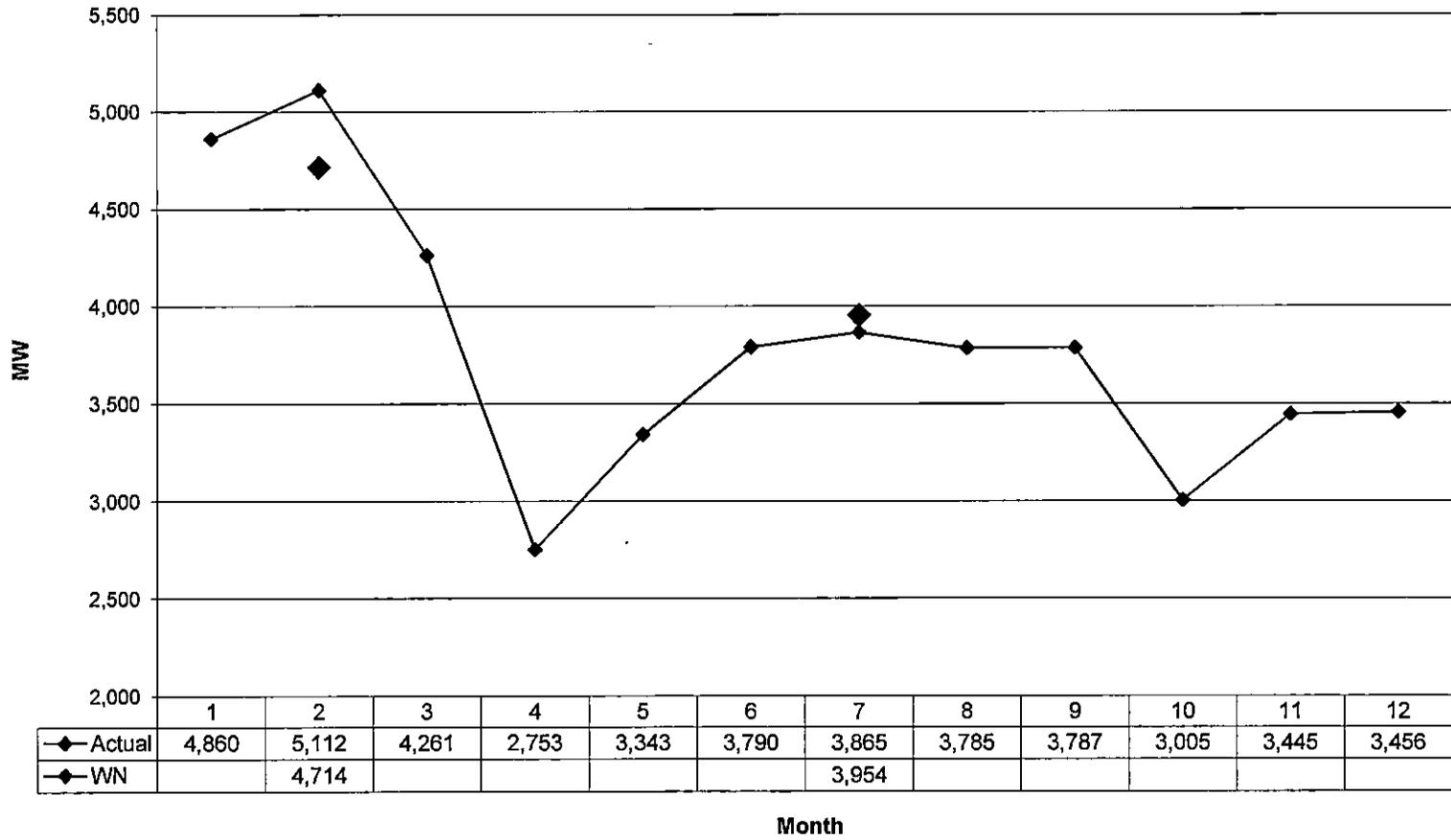
**RESPONDENT: Richard Smith**

4. Load shape curves that show actual peak demands and weather-normalized peak demands (native load demand and total demand) on a monthly basis for the just completed calendar year.

Response:

See attached Figure KU-4.

**Figure KU-4**  
**KU 2015**  
**Actual and Weather Normalized Seasonal Peak**



**KENTUCKY UTILITIES COMPANY**

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**ITEM NO. 5**

The information originally requested in Item 5 of Appendix G of the Commission's Order dated December 20, 2001, in Administrative Case No. 387, is no longer required pursuant to the Commission's Order of March 29, 2004, amending the previous Order.

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**ITEM NO. 6**

**RESPONDENT: Richard Smith / Stuart Wilson**

6. Based on the most recent demand forecast, the base case demand and energy forecasts and high case demand and energy forecasts for the current year and the following four years. The information should be disaggregated into (a) native load (firm and non-firm demand) and (b) off-system load (both firm and non-firm demand).

Response:

- a) See attached Table KU-6a. The values in Table KU-6a reflect the impact of the Companies' Energy Efficiency programs.
- b) Off-system sales ("OSS") projections for 2016-2020 contained in the attached Table KU-6b are based on the combined Companies' current plan. For OSS, only base case total sales energy projections exist for 2016-2020. The projections consist of the expected market sales, dubbed "Wholesale OSS". All OSS are non-firm.

**Table KU-6a**

**Kentucky Utilities**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Base Case Energy Sales (GWh)</b>	21,434	21,525	21,567	20,664	20,248
<b>High Case Energy Sales (GWh)</b>	22,625	22,746	22,819	21,940	21,495
<b>Base Case Energy Requirements (GWh)</b>	22,761	22,862	22,908	21,949	21,503
<b>High Case Energy Requirements (GWh)</b>	24,026	24,159	24,237	23,304	22,827
<b>Base Case Native Peak Demand (MW)</b>	4,327	4,355	4,354	4,364	4,101
<b>High Case Native Peak Demand (MW)</b>	4,567	4,602	4,607	4,634	4,354

**Table KU-6b**  
**Combined Companies**  
**Total Base Case Off-System Sales Energy Projection**

	2016	2017	2018	2019	2020
Existing OSS (GWh)	0	0	0	0	0
Wholesale OSS (GWh)	322	318	303	383	401
Total OSS (GWh)	322	318	303	383	401

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**ITEM NO. 7**

**RESPONDENT: Stuart Wilson**

7. The target reserve margin currently used for planning purposes, stated as a percentage of demand. If changed from what was in use in 2001, include a detailed explanation for the change.

Response:

As part of the 2014 Integrated Resource Plan ("2014 IRP"), the Companies established an optimal reserve margin range of 16% to 21%, with 16% used for planning purposes. The range provides an optimum level of reliability through various system operating conditions. The 2014 IRP was filed with the Commission in April 2014.

A detailed explanation of the current target reserve margin is documented in the report titled, "2014 Reserve Margin Study," included in Volume III of the Companies' 2014 IRP.

**KENTUCKY UTILITIES COMPANY**

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---

**ITEM NO. 8**

**RESPONDENT: Stuart Wilson**

8. Projected reserve margins stated in megawatts and as a percentage of demand for the current year and the following 4 years. Identify projected deficits and current plans for addressing these. For each year identify the level of firm capacity purchases projected to meet native load demand.

Response:

See attached Table KU-8. The Companies will monitor load requirements and evaluate supply alternatives to address future capacity deficits.

**Table KU-8**  
**Combined Companies**  
**Reserve Margin Needs (MW)**

<u>Current Values</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Peak Load	7,356	7,430	7,485	7,234	7,234
DSM at Peak Hour	-408	-442	-481	-490	-480
Net Load*	6,948	6,988	7,004	6,744	6,754
Existing Capability	7,809	7,811	7,821	7,821	7,822
Bluegrass Capacity Purchase and Tolling Agreement	165	165	165	0	0
OVEC	152	152	152	152	152
CSR/Interrupt	136	136	136	136	136
Total Supply	8,262	8,264	8,274	8,109	8,110
MW Margin	1,314	1,276	1,270	1,365	1,356
Reserve Margin %	18.9%	18.3%	18.1%	20.2%	20.1%
Capacity Need for 16%	(202)	(158)	(149)	(286)	(275)

\*Sum of individual values may not match totals due to rounding.

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**ITEM NO. 9**

The information originally requested in Item 9 of Appendix G of the Commission's Order dated December 20, 2001, in Administrative Case No. 387, is no longer required pursuant to the Commission's Order of March 29, 2004, amending the previous Order.

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**ITEM NO. 10**

The information originally requested in Item 10 of Appendix G of the Commission's Order dated December 20, 2001, in Administrative Case No. 387, is no longer required pursuant to the Commission's Order of March 29, 2004, amending the previous Order.

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**ITEM NO. 11**

**RESPONDENT: Stuart Wilson**

11. A list that identifies scheduled outages or retirements of generating capacity during the current year and the following four years.

Response:

The planned maintenance outage schedule for 2016 through 2020 is being provided pursuant to a Petition for Confidential Protection. The schedule is regularly modified based on actual operating conditions, forced outages, changes in the schedule required to meet environmental compliance regulations, fluctuations in wholesale prices, and other unforeseen events.

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**ITEM NO. 12**

**RESPONDENT: Stuart Wilson**

12. Identify all planned base load or peaking capacity additions to meet native load requirements over the next 10 years. Show the expected in-service date, size and site for all planned additions. Include additions planned by the utility, as well as those by affiliates, if constructed in Kentucky or intended to meet load in Kentucky.

Response:

See attached Table KU-12. The Companies jointly plan their generation portfolio.

**Table KU-12**  
**Combined Companies**  
**Planned Capacity Additions (2016-2025)**

<b>In Service/ Acquisition Date</b>	<b>Type</b>	<b>Site</b>	<b>Summer Net Capacity at Time of System Peak Demand (MW)</b>	<b>Winter Net Capacity at Time of System Peak Demand (MW)</b>
May 2016	Solar Photovoltaic ("PV")	E W Brown (Mercer Co, KY)	8	0

Note: Summer peak demand is assumed to occur during the hour beginning 3 PM EST. Winter Peak demand is assumed to occur during the hour beginning 7:00 AM EST.

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**ITEM NO. 13**

**RESPONDENT: Ashley Moore**

13. The following transmission energy data for the just completed calendar year and the forecast for the current year and the following four years:
- a. Total energy received from all interconnections and generation sources connected to the transmission system.
  - b. Total energy delivered to all interconnections on the transmission system.
  - c. Peak load capacity of the transmission system.
  - d. Peak demand for summer and winter seasons on the transmission system.

Response:

Actual data exists for 2015. The Company does not forecast this type of data; therefore, no forecast exists for 2016-2020.

- a. LG&E and KU transmission operate as a single NERC Control Area (CA) that contains several interconnected generators not owned by LG&E and KU; the non-Company owned facilities are also included as sources below:

Tie Lines Received (MWh)	18,485,636
Net Generation-LG&E (MWh)	14,108,988
Net Generation-KU (MWh)	22,062,126
Net Received from OMU (MWh)	2,445,400
Net Generation-IPPs (MWh)	<u>76,334</u>
Total Sources (MWh)	57,178,484

- b. LG&E and KU operate as a single CA, the amount of energy delivered at the interconnections of the single CA were 20,935,321 MWh.

- c. There is no set number for peak load capacity for the transmission system. The system is built to support Network Service and firm point-to-point customers, as tested under the LGE/KU Transmission Planning Guidelines. Actual transmission capacity available for Network customers, import, export or thru-flow will vary depending on which facilities (generation, load, or transmission) in the interconnected transmission system of the eastern interconnect are connected and operated at any given time.
- d. The maximum summer peak transmission load for the combined LG&E/KU transmission system was 6,646 MW for the peak hour of 7/29/2015 at 3:00 PM.

The maximum winter peak transmission load for the combined LG&E/KU transmission system was 7,236 MW for the peak hour of 2/20/2015 at 8:00 AM.

**KENTUCKY UTILITIES COMPANY**

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**ITEM NO. 14**

**RESPONDENT: Delyn Kilpack**

14. Identify all planned transmission capacity additions for the next 10 years. Include the expected in-service date, size and site for all planned additions and identify the transmission need each addition is intended to address.

Response:

The response to this item is being provided pursuant to a Petition for Confidential Protection.

**Discussion Regarding the Consideration Given to Price Elasticity in the  
Forecasted Demand, Energy and Reserve Margin Information  
Provided with Annual Resource Assessment Filings  
2016**

Price elasticity of demand is a direct input into the Louisville Gas and Electric Company and Kentucky Utilities Company (collectively “the Companies”) Residential and General Service (small commercial) forecast models. These models use Itron’s Statistically Adjusted End Use (“SAE”) Models. The elasticity coefficients used in the SAE models are applicable to shorter-term forecasting (up to 10 years). Over the longer-term, the implied elasticity estimate increases (in absolute value) in the SAE models due to improvements in the efficiencies and saturations of appliances and other equipment to appropriately adjust demand.

In developing the elasticity coefficients, the Companies have consulted multiple sources to better understand how customers respond to electricity prices. These sources include ITRON, available studies<sup>1</sup>, and our small commercial customers. The Companies’ price elasticity of demand coefficients are consistent with the ranges cited in the studies. Sources do not indicate any recent change in customer response to electricity prices but the Companies continue to monitor new research and data. Specifically, EPRI research states that the “effect of including recent information covering a period of rising prices appears to be minimal.”

Currently, the Companies use an elasticity coefficient of -0.1 for the Residential forecast. Below, the residential price elasticity of demand is applied in a simple example to determine the impact on customer usage for a hypothetical customer, price, and price increase.

Inputs

Electricity Price: \$0.08/kWh  
Monthly customer usage: 1,000 kWh  
Price increase: 5%  
Price Elasticity of demand: -0.1

Formula

(price elasticity of demand) = (% change in quantity demanded) / (% change in price)

Restated as:

(% change in quantity demanded) = (% change in price) x (price elasticity of demand)

Results

Completing the equation based on the inputs above:

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<sup>1</sup> “Regional Differences in the Price-Elasticity of Demand for Energy” by M.A. Bernstein and J. Griffin, RAND Corporation for NREL (2006); “Price Responsiveness in the AEO2003 NEMS Residential and Commercial Buildings Sector Models” by S. Wade, Energy Information Administration (2005); “Price Elasticity of Demand for Electricity: A Primer and Synthesis” by B. Neenan, EPRI (2007); “Trends in Regional U.S. Electricity and Natural Gas Price Elasticity” by V. Niemeyer, EPRI (2010); “A Global Survey of Electricity Demand Elasticities” by C. Dahl was presented at the 34th IAEE International Conference: Institutions, Efficiency, and Evolving Energy Technologies in June 2011 at the Stockholm School of Economics in Sweden.

$(\% \text{ change in quantity demanded}) = (.05) \times (-0.1) = -0.005 = -0.5\%$

Therefore, the revised monthly customer usage is 0.5% less than 1,000 kWh, or 995 kWh per month.

For small commercial customers, the Companies currently use a price elasticity of demand of -0.05. The Companies' discussions with small commercial customers indicate that these customers will attempt to pass along higher costs for electricity in the price of their goods and services. These customers typically noted that they have few options for changing their use of energy after upgrading lighting and climate control to increase efficiency.

The Companies' forecasts for Large Commercial and Industrial customers also consider how customers respond to energy prices, but these forecasts do not use the SAE models to incorporate explicit price elasticity of demand coefficients. Instead, the Companies' forecast the largest customers' energy and demand on an individual basis and use specific industry indices for others. Recognizing that customers may respond to price through efficiency measures or other operational changes, these individual forecasts and indices inherently reflect the expected changes in customers' energy use due to economic inputs, including the price of electricity. The Companies recognize that larger commercial and industrial customers may not display a smooth reduction in usage as prices rise. Over the longer-term, in extreme cases, some large energy intensive customers may even cease operations or relocate upon reaching certain energy price points.