

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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,) CASE NO. 2012-00222
APPROVAL OF OWNERSHIP OF GAS SERVICE)
LINES AND RISERS, AND A GAS LINE SURCHARGE)
)

KIUC'S RESPONSES TO
LOUISVILLE GAS AND ELECTRIC COMPANY'S
FIRST REQUEST FOR INFORMATION

1. Provide a list of the regulatory proceedings in which Mr. Baron submitted testimony concerning interruptible or curtailable service rates.

RESPONSE:

Please see Baron Exhibit SJB-1. Mr. Baron has testified in hundreds of proceedings and it is possible that he addressed interruptible or curtailable service rates in such testimony in a limited manner such that the issue has not been identified in the description provided in Exhibit SJB-1. Without reading each of Mr. Baron's hundreds of testimony documents, it is not possible to determine whether this has occurred.

Answering Witness: Stephen J. Baron

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2. Provide a copy of testimony submitted by Mr. Baron concerning interruptible or curtailable service rates in other jurisdictions.

RESPONSE:

As stated above, Mr. Baron has testified in hundreds of proceedings and his testimony is publically available at the utility commission websites or by contacting the appropriate commission where the testimony was originally filed. Additionally, KIUC will provide a copy of any particular testimony that the Company requests.

Answering Witness: Stephen J. Baron

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3. In reference to page 11 of Mr. Baron's direct testimony, has Mr. Baron opposed the "curtailable credit offset methodology" used in the class cost of service studies in the prior rate case proceedings? If not, please explain why it is a specific problem in this proceeding.

RESPONSE:

No, not to the best of his recollection. Mr. Baron does not oppose the curtailable credit offset methodology in this case. As discussed in his testimony, he has corrected an error in the Company's application of this methodology.

Answering Witness: Stephen J. Baron

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4. Please refer to page 28 and 29 of Mr. Baron's testimony.
- a. Is the adjustment based solely on the use of the August 2012 bill multiplied by 12 months?
 - b. At what point after the end of the test year did Carbide switch from Rate ITOD to Rate RTS?
 - c. Is it likely that other customers on the LG&E switched rates after the end of the test year?

RESPONSE:

- a. The adjustment is based on the difference between the actual test year level of Carbide revenues and the August 2012 bill multiplied by 12 months.
- b. Carbide began taking service under rate RTS on May 1, 2012 (0)
- c. Mr. Baron does not know the answer to this question.

Answering Witness: Stephen J. Baron

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5. Please provided a listing (date, case number, jurisdiction, client) of all testimony filed by Mr. Baron related to curtailable or interruptible service. For each such testimony, please provide a copy of the testimony.

RESPONSE:

See responses to questions 1 and 2.

Answering Witness: Stephen J. Baron

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6. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Baron's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

See attached non-confidential workpapers. Confidential workpapers are being filed under seal.

Answering Witness: Stephen J. Baron

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7. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Baudino's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

KIUC filed Mr. Baudino's workpapers along with his testimony, including electronic spreadsheets with formulas intact. Attached please find a copy of an article Mr. Baudino referenced in his testimony. Note that Mr. Baudino did not provide copies of Value Line material due to copyright restrictions.

Answering Witness: Richard A. Baudino

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KIUC'S RESPONSES TO
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8. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Goins's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

The requested information was included in the workpapers filed with Dr. Goins' direct testimony on October 3, 2012, and is available at the KPSC web site. Please note that information shown in the Excel workbook KIUC_Goins_WPs_2012-00221-00222-dg.xls, Tab CT_Hrs2010 was not used in the preparation of Dr. Goins' direct testimony.

Answering Witness: Dennis Goins

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**KIUC'S RESPONSES TO
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9. Refer to Mr. Kollen's testimony beginning at page 14 through page 17. Did Mr. Kollen propose the same adjustment to storm damage expense and injuries and damages in prior rate case proceeding by the Companies which had test years ending September 30, 2003, April 30, 2008 and October 31, 2009? If not, please explain why not?

RESPONSE:

No. Mr. Kollen does not recall if he considered such adjustments in those prior proceedings, or if he did, why he did not propose such adjustments.

Answering Witness: Lane Kollen

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10. Please explain the apparent discrepancy between Mr. Baron's testimony concerning the adjustment for Carbide operations after the test year and Mr. Kollen's testimony related to his objection of the Off-system sales adjustment which he claims is a "post-test year" adjustment.

RESPONSE:

There is no discrepancy. Mr. Baron addressed the Carbide revenues during the test year and proposed a normalization adjustment. The revenue normalization adjustment proposed by Mr. Baron is similar in nature to the numerous revenue normalization adjustments proposed by LG&E witness Mr. Conroy, none of which were post test year adjustments, and none of which were disputed by KIUC. In the case of the Carbide revenue, the Company failed to remove the effects of a nonrecurring outage at the Carbide facility during the test year.

The OSS margin adjustments proposed by Companies' witness Mr. Bellar originally were presented by Mr. Bellar as normalization adjustments, but then in their revised filings, the Companies transformed them into post-test year adjustments based on post-test year data. Mr.

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Kollen criticized and opposed the Companies' revised adjustments as inappropriate for various reasons, including the fact that they were selective post test year adjustments.

Answering Witness: Lane Kollen

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11. Please provide all quantitative support and evidence supporting Mr. Kollen's assertions at pages 22-23 of his testimony that Mr. Spanos "systematically biased" the survivor curves used to simulate the interim retirement history in his depreciation study.

RESPONSE:

Mr. Kollen relied on the work performed by Mr. Majoros as described in his testimony and has not performed any independent quantifications, although Mr. Kollen concurs that the Spanos depreciation study provides ample evidence of systematic bias. Mr. Kollen extracted the following charts for 18 separate plant accounts from the Spanos depreciation study to illustrate that the downward bias pervades the Spanos study and is not limited to one or two accounts. These charts show that the survivor curves selected by Mr. Spanos do not fit the actual historic retirement history and are systematically biased downward, which results in fewer survivors and thus, greater retirements than the actual data indicates. This systematic bias resulted in unreasonably short average service lives and thus, excessive depreciation rates for numerous plant accounts. Mr. Majoros made this same criticism in his testimony.

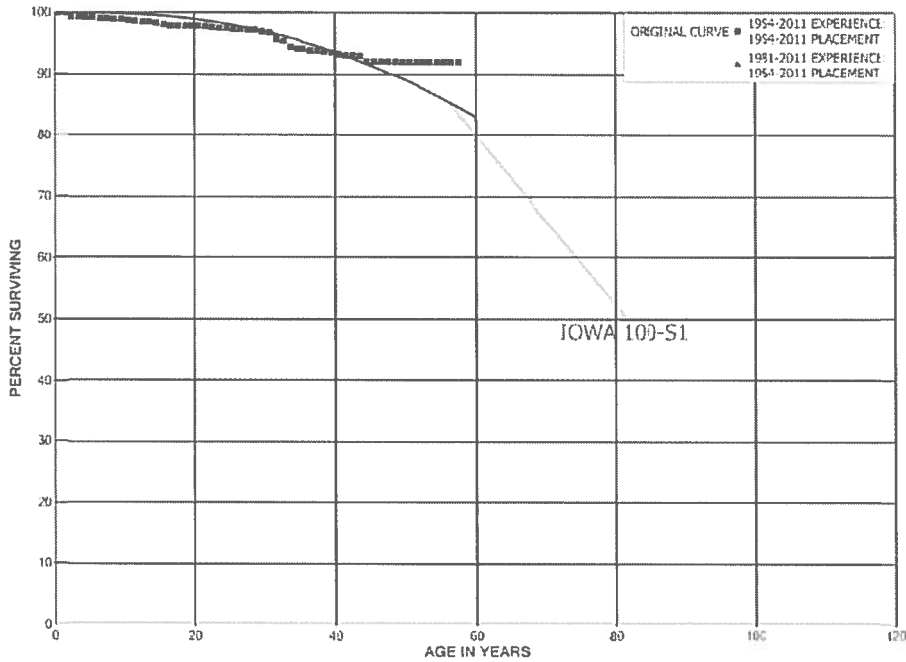
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 311 STRUCTURES AND IMPROVEMENTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



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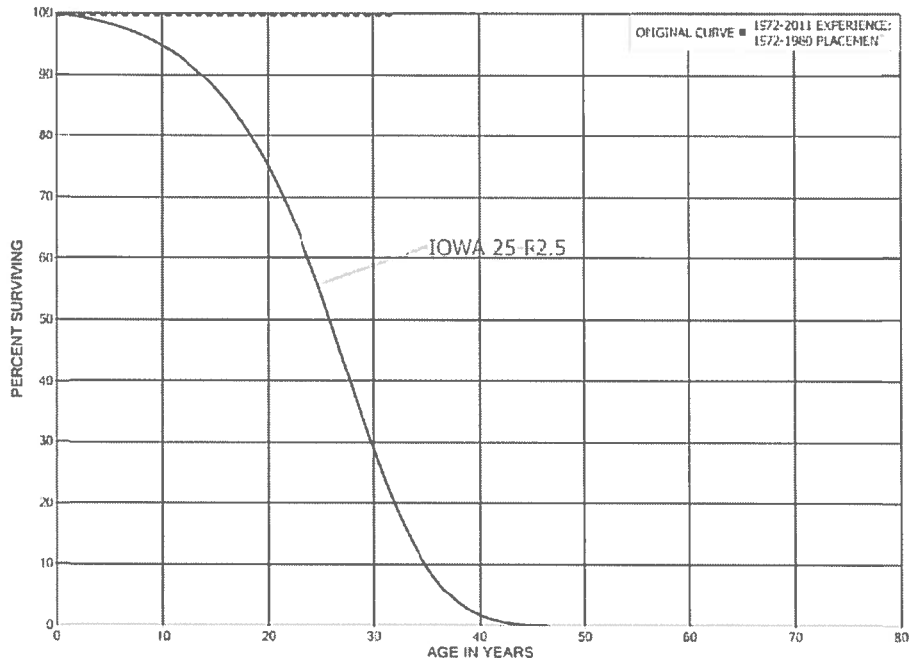
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ELECTRIC PLANT
ACCOUNT 312.01 LOCOMOTIVES
ORIGINAL AND SMOOTH SURVIVAL CURVES

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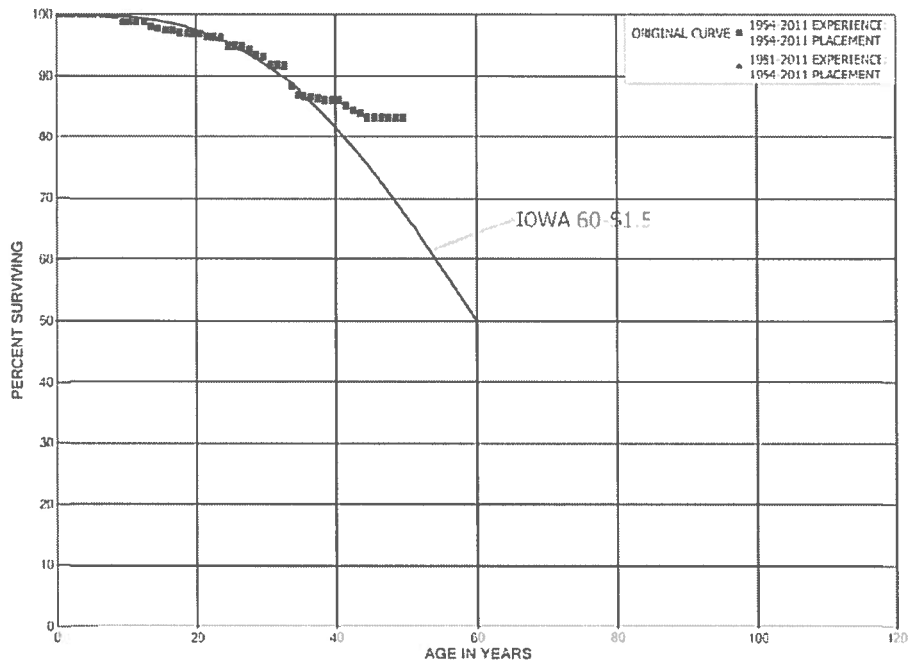
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 314 TURBOGENERATOR UNITS
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-30

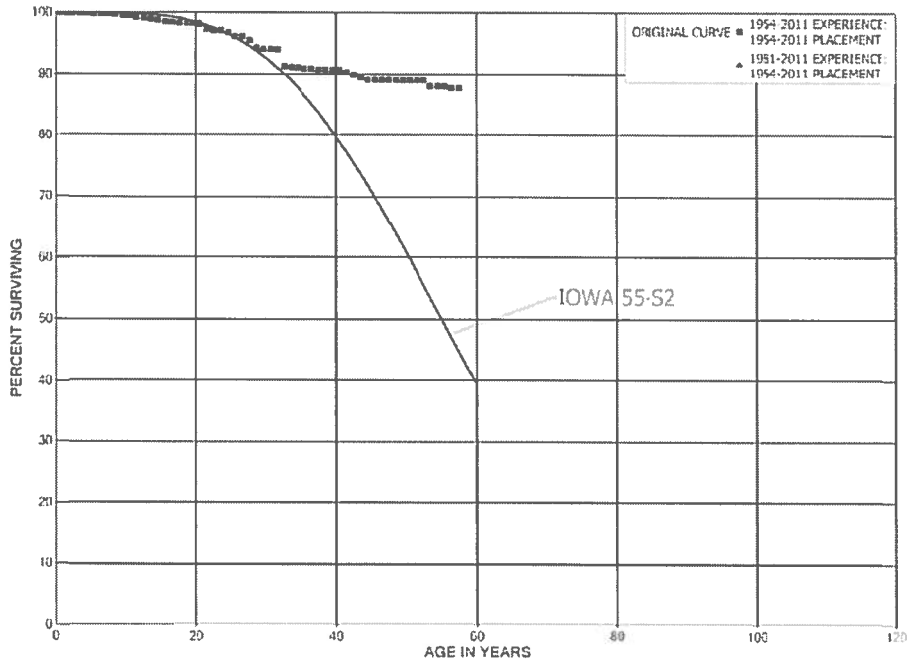
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 315 ACCESSORY ELECTRIC EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



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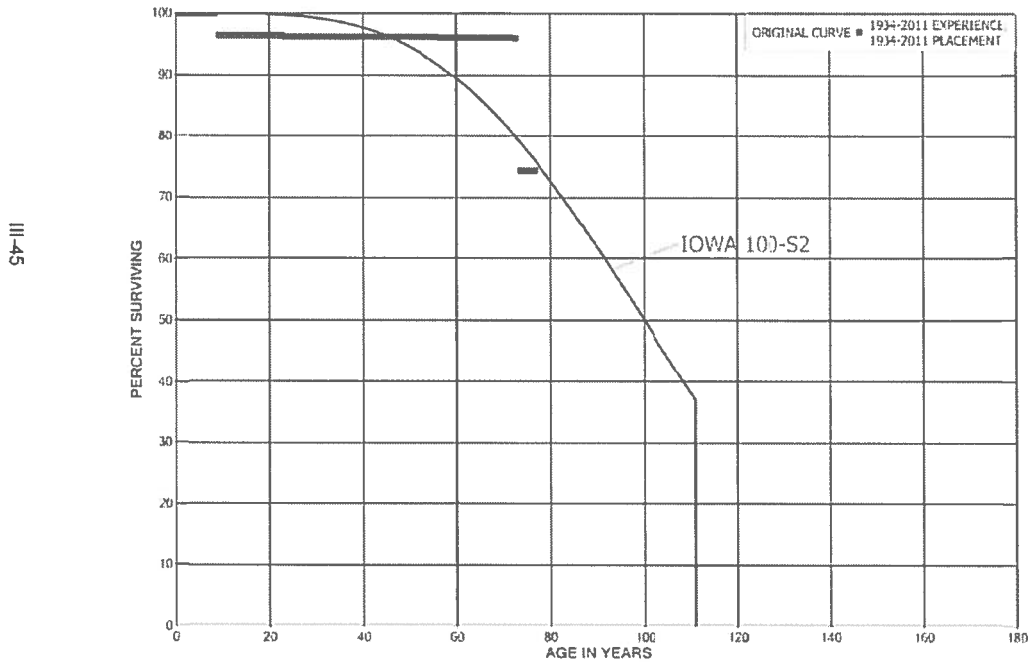
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 331 STRUCTURES AND IMPROVEMENTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



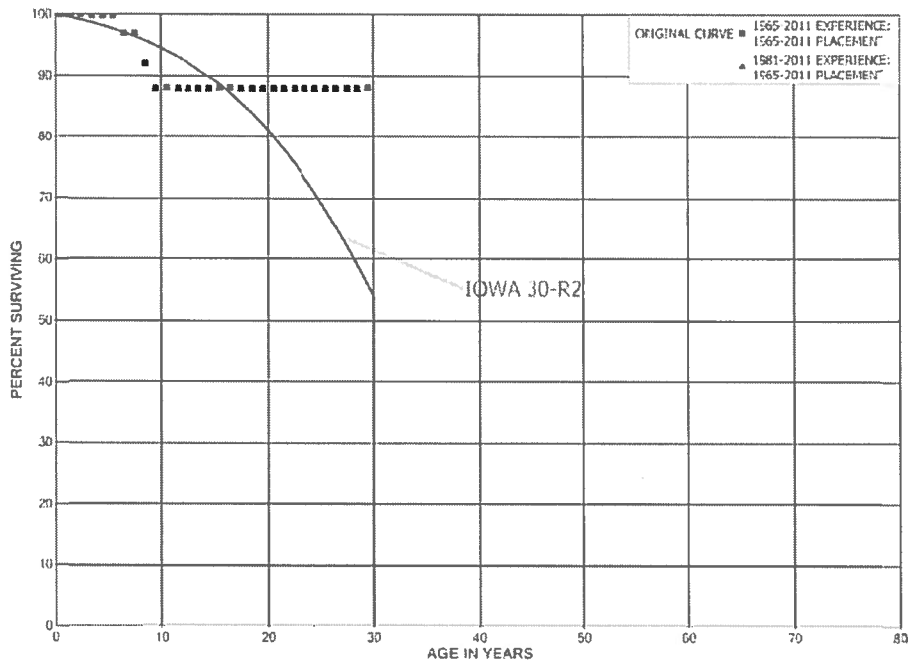
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 343 PRIME MOVERS
ORIGINAL AND SMOOTH SURVIVOR CURVES



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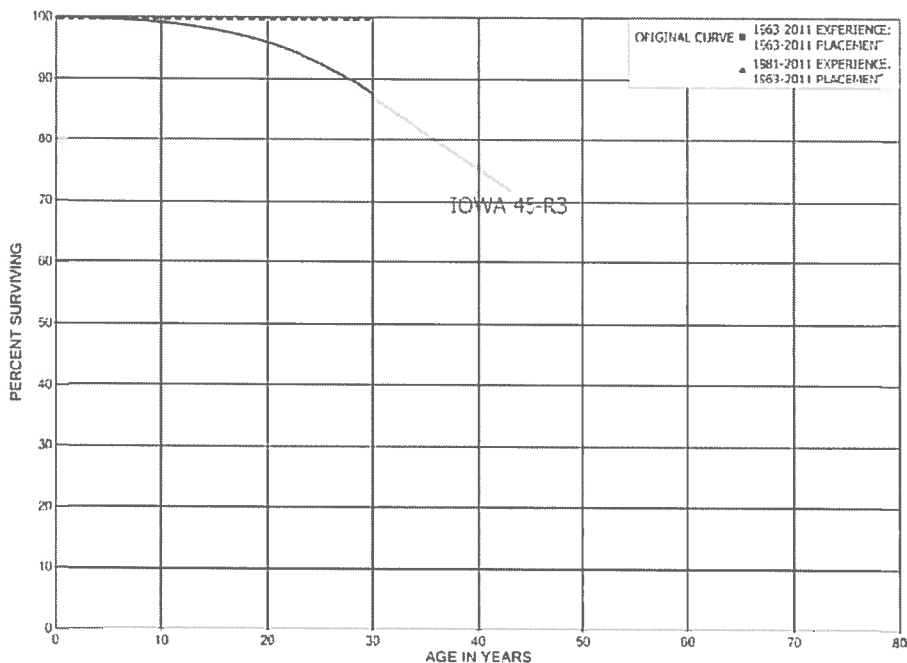
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 345 ACCESSORY ELECTRIC EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-83

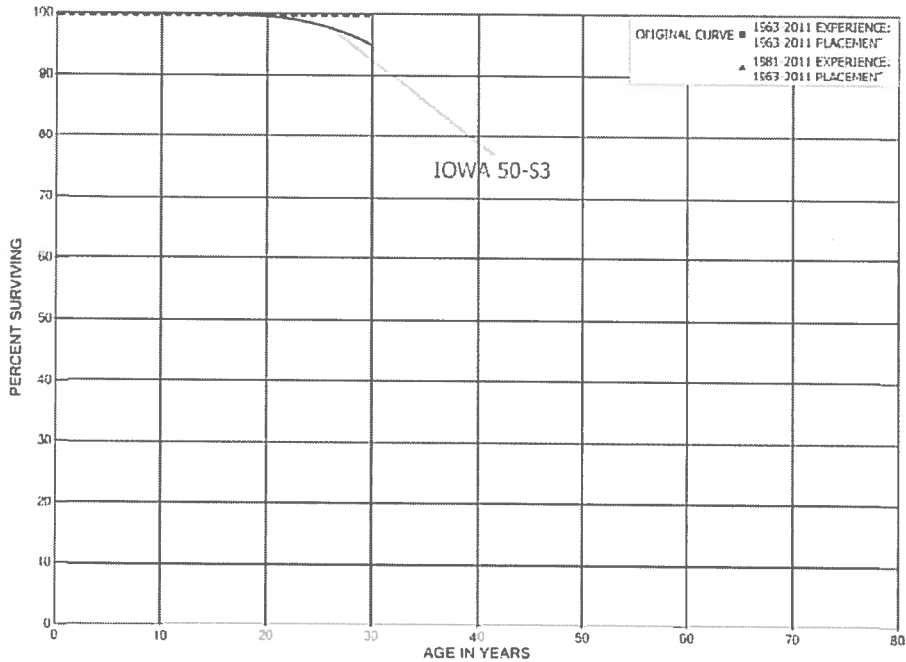
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 346 MISCELLANEOUS POWER PLANT EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



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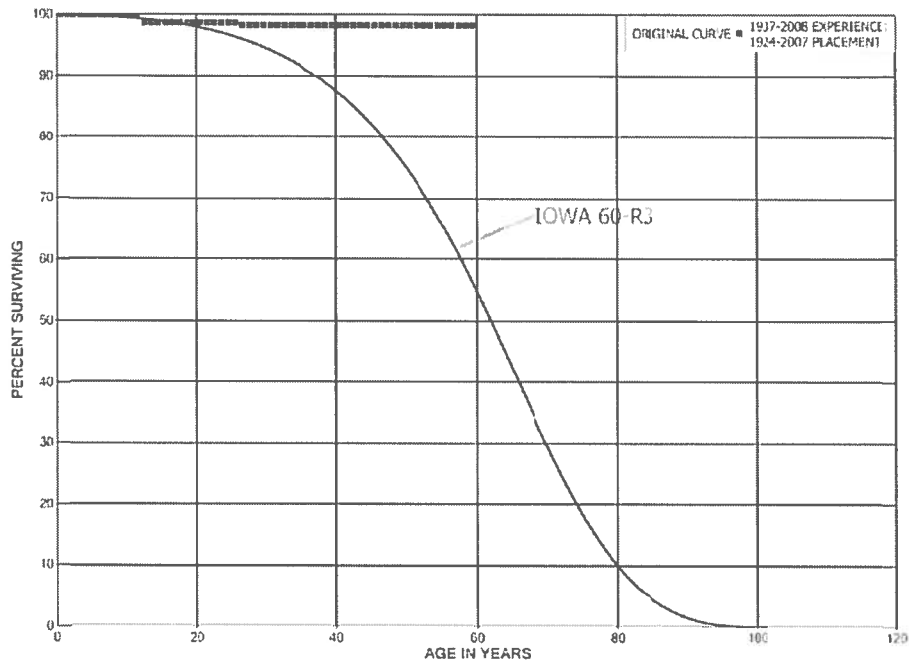
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 350.1 LAND RIGHTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-11

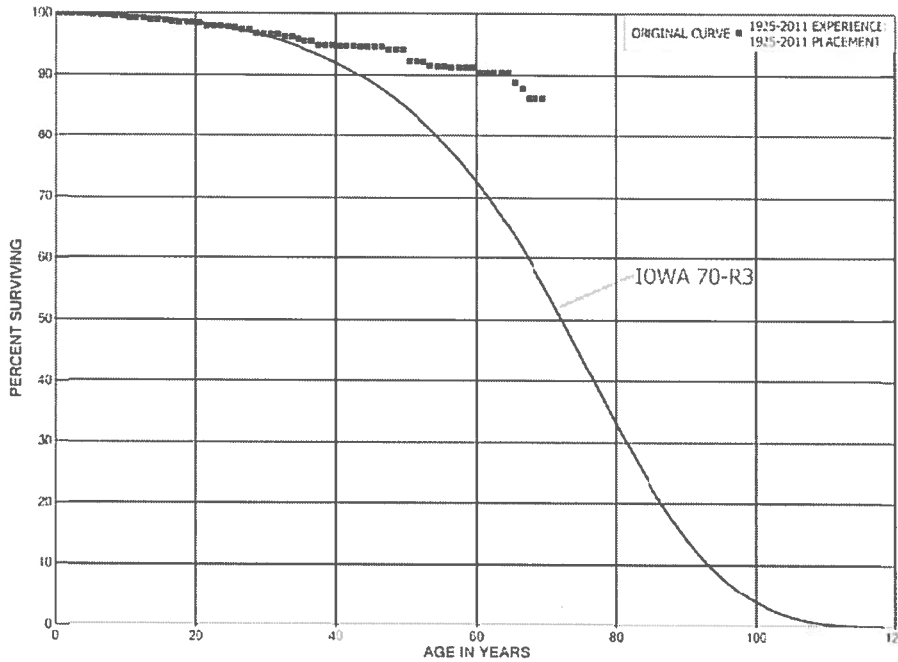
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ABOUT 354 TOWERS AND FIXTURES
ORIGINAL AND SMOOTH SURVIVOR CURVES



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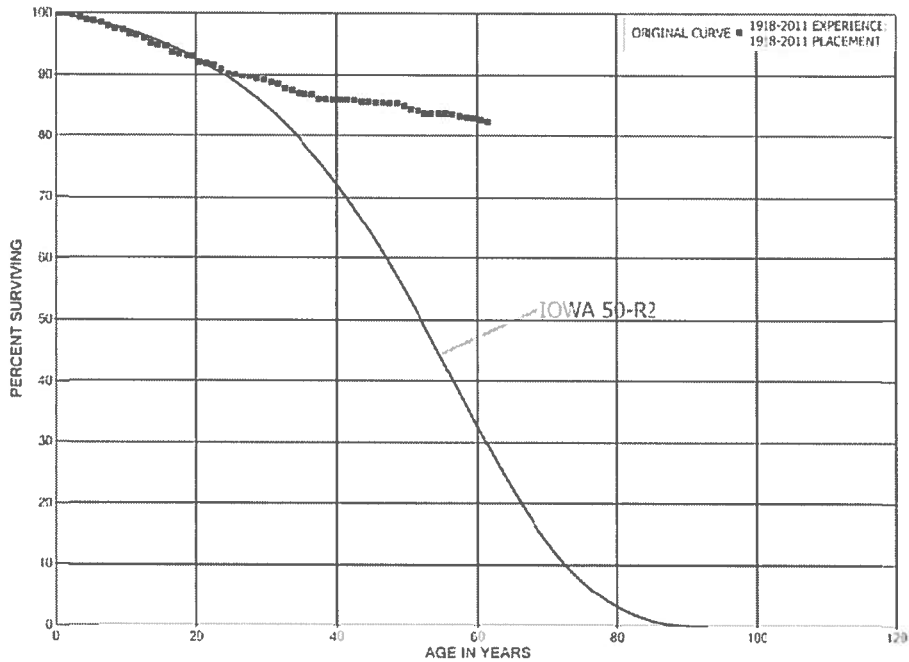
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LOUISVILLE GAS AND ELECTRIC COMPANY
ELECTRIC PLANT
ACCOUNT 356 OVERHEAD CONDUCTORS AND DEVICES
ORIGINAL AND SMOOTH SURVIVOR CURVES



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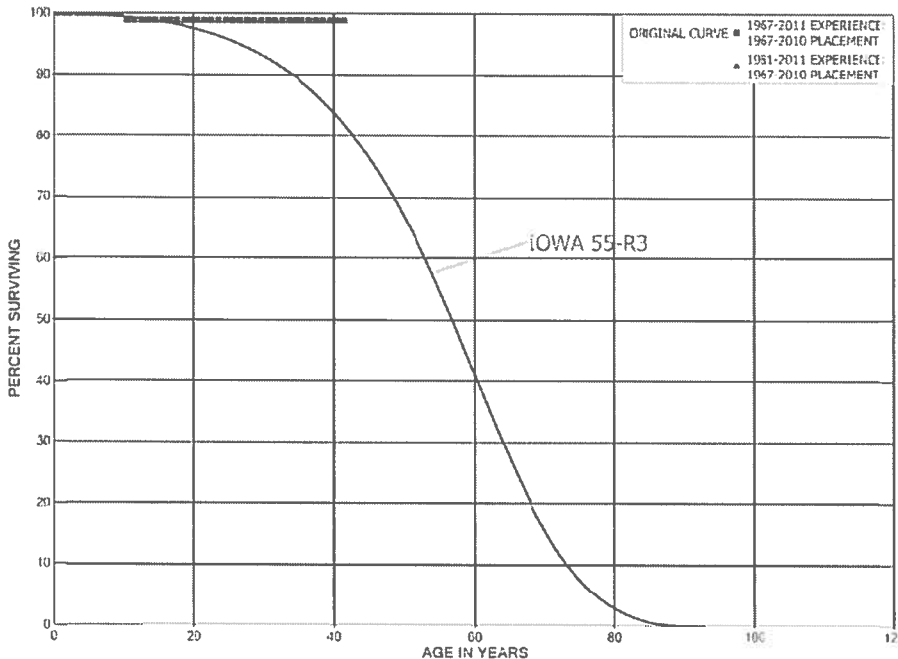
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ELECTRIC PLANT
ADJUSTING 357 UNDERGROUND CONDUIT
ORIGINAL AND SMOOTH SURVIVOR CURVES



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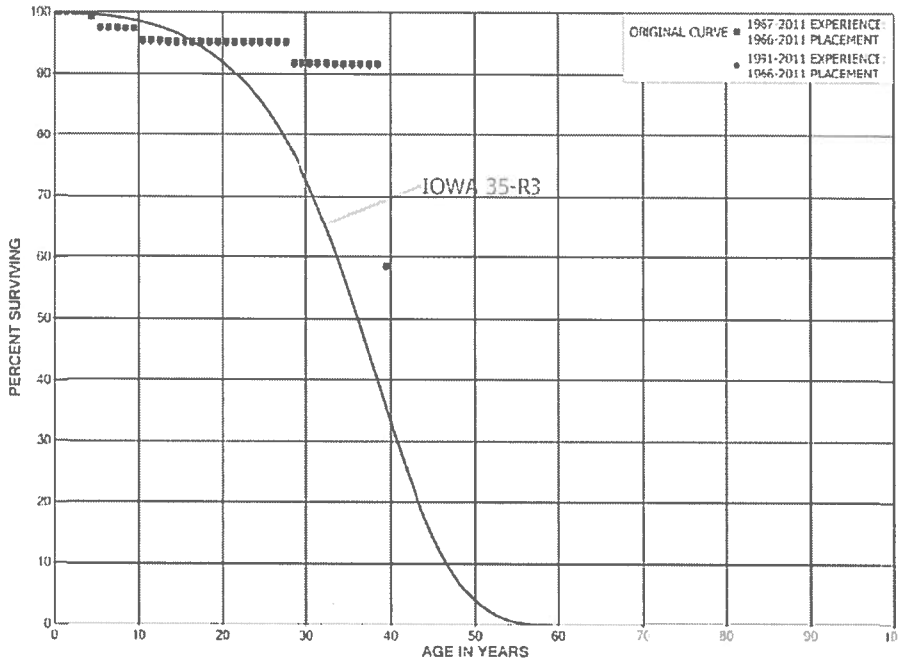
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Answering Witness: Lane Kollen

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12. Please provide all underlying calculations and work-papers supporting Mr. Kollen's short-term-debt calculation at page 37 of his Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

Mr. Kollen quantified the Company's total electric long-term debt by summing the electric amount of long-term debt excluding the environmental compliance plan debt on Blake Exhibit 2 page 1 of 2 in column 6 and the environmental compliance plan debt on Blake Exhibit 2 page 2 of 2 in column 6. Mr. Kollen then multiplied this total times 10% to quantify the \$89 million cited on page 37 of his testimony. Mr. Kollen multiplied the electric amount of long-term debt excluding the environmental compliance plans on Blake Exhibit 2 page 1 of 2 in column 6 times 10% to quantify the \$88 million cited on page 37 of his testimony.

Answering Witness: Lane Kollen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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,) CASE NO. 2012-00222
APPROVAL OF OWNERSHIP OF GAS SERVICE)
LINES AND RISERS, AND A GAS LINE SURCHARGE)
)

KIUC'S RESPONSES TO
LOUISVILLE GAS AND ELECTRIC COMPANY'S
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13. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Kollen's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

KIUC filed Mr. Kollen's workpapers along with his testimony, including electronic spreadsheets with formulas intact.

Answering Witness: Lane Kollen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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14. Please refer to page 27 of Mr. Majoros's direct testimony.
- a. Please provide the source of the definition of a regulatory liability presented by Mr. Majoros.
- b. If the definition provided is Mr. Majoros's own, please provide all authoritative sources that support Mr. Majoros's definition of a regulatory liability.

RESPONSE:

Page 84 of the Form 10-K Annual report of KU and LGE's parent company provides its definition of the regulatory liability for non-legal asset retirement obligations that Mr. Majoros is referencing in this case. Here is that definition:

In the case of LG&E and KU, estimated costs of removal for all assets are recovered in rates as a component of depreciation. Since costs of removal are collected in rates prior to payment of such costs, the accrual for these costs of removal is classified as a regulatory liability. The regulatory liability is relieved as costs are incurred. The depreciation and accretion expense related to an ARO are offset with a regulatory credit on the income statement, such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO has been settled.

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Paragraph 11.b. of SFAS No. 71 states:

A regulator can provide current rates intended to recover costs that are expected to be incurred in the future with the understanding that if those costs are not incurred future rates will be reduced by corresponding amounts. If current rates are intended to recover such costs and the regulator requires the enterprise to remain accountable for any amounts charged pursuant to such rates and not yet expended for intended purposes, the enterprise shall not recognize as revenues amounts charged pursuant to such rates. Those amounts shall be recognized as liabilities and take to income only when the associated costs are incurred.

b. It is, in fact, Mr. Majoros' definition. See above.

Answering Witness: Michael J. Majores, Jr.

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15. Please refer to pages 28 through 29 of Mr. Majoros's testimony.
- a. Please provide the section of the FERC uniform system of accounts from Mr. Majoros has cited the definitions of cost of removal and replacement.
 - b. Please provide the "Plant Instructions" section from the uniform system of accounts.
 - c. Please provide citations to all authorities on which Mr. Majoros bases his statement that "FERC's definition means that cost of removal incurred in connection with a replacement is a component of the replacement cost."

RESPONSE:

a., b. & c.: See attached.

Answering Witness: Michael J. Majores, Jr.

COMMONWEALTH OF KENTUCKY
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16. Refer to page 30 of Mr. Majoros's testimony. Please provide citations to all authorities or other support for the statement, "The only reason for dismantlement would be to replace the existing plants with new plants."

RESPONSE:

That is the only [valid] reason because the companies do not have any obligation, legal or otherwise to dismantle the plants.

Answering Witness: Michael J. Majores, Jr.

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)**

**KIUC'S RESPONSES TO
LOUISVILLE GAS AND ELECTRIC COMPANY'S
FIRST REQUEST FOR INFORMATION**

17. Please provide a list of all LG&E and KU facilities visited by Mr. Majoros. Please provide all photos and notes taken on these site visits.

RESPONSE:

Mr. Majoros has not visited any LG&E or KU facility.

Answering Witness: Michael J. Majores, Jr.

COMMONWEALTH OF KENTUCKY
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KIUC'S RESPONSES TO
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18. Please provide the following:

- a. All workpapers relied on by Mr. Majoros related to the development of life and net salvage estimates, remaining lives and depreciation rates. Please provide these in Excel-readable format; and
- b. an electronic (Excel, if available) copy of each exhibit to Mr. Majoros's testimony.

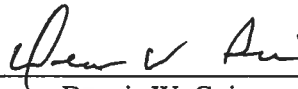
RESPONSE:

See attached documents, with index document.

Answering Witness: Michael J. Majores, Jr.

VERIFICATION

The undersigned, Dennis W. Goins of Potomac Management Group, being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the foregoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

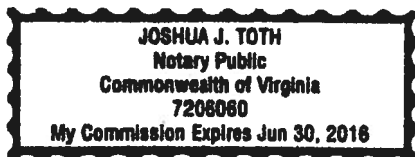


Dennis W. Goins

Sworn to and subscribed before me on this
24th day of October, 2012.



Notary Public



VERIFICATION

The undersigned, Lane Kollen of Kennedy & Associates, being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

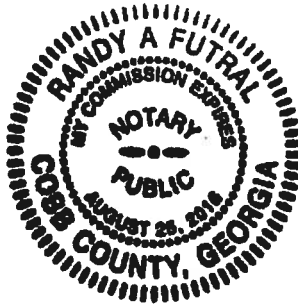


Lane Kollen

Sworn to and subscribed before me on this
24th day of October, 2012.



Notary Public



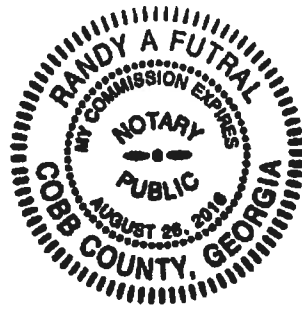
VERIFICATION

The undersigned, Stephen J. Baron of Kennedy and Associates, being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

Stephen J. Baron
Stephen J. Baron

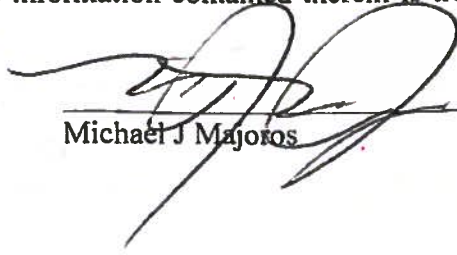
Sworn to and subscribed before me on this
24th day of October, 2012.

Randy A. Futral
Notary Public



VERIFICATION

The undersigned, Michael J. Majoros of Snively King Majoros & Associates, Inc., being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.



Michael J Majoros

Sworn to and subscribed before me on this
24th day of October, 2012.



Notary Public

DONNA ANN JEFFRIES
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires July 14, 2015