

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF LOUISVILLE GAS)	CASE NO.
AND ELECTRIC COMPANY FOR THE TWO-YEAR)	2013-00243
BILLING PERIOD ENDING APRIL 30, 2013)	

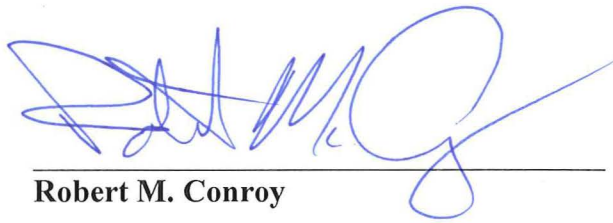
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S QUESTIONS RAISED AT
THE AUGUST 30, 2013 TECHNICAL CONFERENCE

FILED: September 6, 2013

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, 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.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6th day of September 2013.



Notary Public (SEAL)

My Commission Expires:

7/21/2015

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Questions Raised at the
August 30, 2013 Technical Conference**

Case No. 2013-00243

Question No. 1

Witness: Robert M. Conroy

- Q-1. Please refer to pages 3 through 5 of the attachment to the response to Question No. 1 of the Commission Staff's First Request for Information in Appendix B of the Commission's Order Dated July 12, 2013. Provide the support for the calculation of the Electric Rate Base Percentage contained in Column 3.
- A-1. Please see the attached. The calculation of the Electric Rate Base Percentage is performed annually at the beginning of the year based on the prior year ending net cost base statements for electric and gas operations.

INCLUDING ECR RATE BASE - (PLANT, DEPRECIATION, DEFERRED TAXES)

LOUISVILLE GAS AND ELECTRIC COMPANY

Net Cost Base

For 12 Months Ended December 31, 2012

	<u>Electric</u>	<u>Gas</u>	<u>Combined</u>
NET COST BASE -			
Utility Plant at Original Cost (1)	4,236,426,859	905,714,576	5,142,141,435
Less: Reserve for Depreciation (1)	1,923,589,147	278,166,909	2,201,756,056
Customer Advances for Construction (5)	1,116,371	5,593,604	6,709,975
Deferred Income Taxes (5)	436,880,540	113,054,896	549,935,436
Deferred Taxes - FAS 109	24,760,302	3,068,123	27,828,425
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TOTAL UTILITY PLANT LESS DEPR. RESERVE, ETC.	1,850,080,499	505,831,044	2,355,911,543
Materials and Supplies (2)(4)	100,100,962	78,328	100,179,290
Gas Stored Underground (2)	0	33,280,764	33,280,764
Prepayments (2)(3)	4,388,895	700,769	5,089,664
Cash Working Capital	83,851,411	8,120,939	91,972,350
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TOTAL NET COST BASE	2,038,421,767	548,011,844	2,586,433,611
	78.81%	21.19%	100.00%

Notes:

- (1) Common utility plant and reserve allocated 71% Electric; 29% Gas.
- (2) Average for 13 Months ended current month.
- (3) Excludes PSC Fees
- (4) Excludes 25% of Trimble County Inventories.
- (5) Common portion allocated on utility plant and reserve basis 71% Electric; 29% Gas

LOUISVILLE GAS AND ELECTRIC COMPANY
CASH WORKING CAPITAL - 12 MONTHS ENDED December 31, 2012

	<u>Electric</u>	<u>Gas</u>	<u>Combined</u>
Total Operating Expenses	<u>723,289,058</u>	<u>179,859,257</u>	<u>903,148,315</u>
Deduct:			
Electric Power Purchased	52,477,768	-	52,477,768
Gas Supply Expenses	-	114,891,749	114,891,749
	<u>52,477,768</u>	<u>114,891,749</u>	<u>167,369,517</u>
Total Deductions			
Remainder	<u>670,811,290</u>	<u>64,967,508</u>	<u>735,778,798</u>
Cash Working Capital (12 1/2% of above)	<u>83,851,411</u>	<u>8,120,939</u>	<u>91,972,350</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Questions Raised at the
August 30, 2013 Technical Conference**

Case No. 2013-00243

Question No. 2

Witness: Robert M. Conroy

- Q-2. Please refer to page 3 of 3 of the attachment to the response to Question No. 5 of the Commission Staff's First Request for Information in Appendix B of the Commission's Order Dated July 13, 2013. Explain why the Environmental Compliance Rate Base amounts for the Eliminated Plans (2005 & 2006) Environmental Compliance Plans at Feb. 28, 2011 and Post Rate Case ECR Plan (2009) Environmental Compliance Plans at Feb. 28, 2011 does not sum to the Total Environmental Compliance Plans at Feb. 28, 2011 Environmental Compliance Rate Base amount of \$72,365,045.
- A-2. The Environmental Compliance Rate Base amounts for the Eliminated Plans (2005 & 2006) Environmental Compliance Plans at Feb. 28, 2011 and Post Rate Case ECR Plan (2009) Environmental Compliance Plans at Feb. 28, 2011 as shown on the referenced page included an error in the formula. Please see the revised attachment that includes the correct amounts. The error did not impact the calculation of the Jurisdictional Environmental Revenue Previously Rolled-In from Case No. 2011-00162 for the Eliminated Plans (2005 & 2006) or the Post Rate Case ECR Plan (2009).

Louisville Gas And Electric Company

Calculation of ECR Roll-in at February 28, 2011 and Elimination of 2005-2006 Plans

	TOTAL		Eliminated Plans (2005 & 2006)		Post Rate Case ECR Plan (2009)	
	Environmental Compliance Plans at Feb. 28, 2011	Jurisdictional Basis	Environmental Compliance Plans at Feb. 28, 2011	Jurisdictional Basis	Environmental Compliance Plans at Feb. 28, 2011	Jurisdictional Basis
Calculation of Revenue Requirement						
Environmental Compliance Rate Base						
Pollution Control Plant in Service	65,553,070	57,222,520	65,553,070	57,222,520	-	-
Pollution Control CWIP Excluding AFUDC	11,127,475	9,713,384	2,705,119	2,361,350	8,422,356	7,352,035
Subtotal	76,680,545	66,935,905	68,258,189	59,583,870	8,422,356	7,352,035
Additions:						
Emission Allowance Inventory	-	-	-	-	-	-
Cash Working Capital Allowance	246,693	215,343	246,693	215,343	-	-
Subtotal	246,693	215,343	246,693	215,343	-	-
Deductions:						
Accumulated Depreciation on Pollution Control Plant	2,425,274	2,117,068	2,425,274	2,117,068	-	-
Pollution Control Deferred Income Taxes	2,136,919	1,865,357	2,136,919	1,865,357	-	-
Subtotal	4,562,193	3,982,425	4,562,193	3,982,425	-	-
Environmental Compliance Rate Base	\$ 72,365,045	\$ 63,168,823	\$ 63,942,689	\$ 55,816,788	\$ 8,422,356	\$ 7,352,035
Rate of Return -- Environmental Compliance Rate Base	11.18%	11.18%	11.18%	11.18%	11.18%	11.18%
Return on Environmental Compliance Rate Base	\$ 8,090,412	\$ 7,062,274	\$ 7,148,793	\$ 6,240,317	\$ 941,619	\$ 821,957
Pollution Control Operating Expenses						
12 Month Depreciation and Amortization Expense	953,730	832,529	953,730	832,529	-	-
12 Month Amortization of Investment Tax Credit	(24,553)	(21,433)			-	-
12 Month Taxes Other than Income Taxes	102,718	89,664	99,210	86,602	3,508	3,062
12 Month Operating and Maintenance Expense	1,630,599	1,423,381	1,630,599	1,423,381	-	-
12 Month Ash Dredging Expense	342,942	299,361	342,942	299,361	-	-
Total Pollution Control Operating Expenses	\$ 3,005,436	\$ 2,623,503	\$ 3,001,928	\$ 2,620,440	\$ 3,508	\$ 3,062
Gross Proceeds from By-Product & Allowance Sales	(188,879)	(164,876)	(223,921)	(195,465)	35,042	30,589
Total Company Environmental Surcharge Gross Revenue Requirement						
Return on Environmental Compliance Rate Base	8,090,412	7,062,274	7,148,793	6,240,317	941,619	821,957
Pollution Control Operating Expenses	3,005,436	2,623,503	3,001,928	2,620,440	3,508	3,062
Less Gross Proceeds from By-Product & Allowance Sales	188,879	164,876	223,921	195,465	(35,042)	(30,589)
Total Company Environmental Surcharge Gross Revenue Requirement	\$ 11,284,727	\$ 9,850,653	\$ 10,374,642	\$ 9,056,222	\$ 910,085	\$ 794,431
Jurisdictional Allocation Ratio	<u>87.2919%</u>		<u>87.2919%</u>		<u>87.2919%</u>	
Jurisdictional Revenues for 12 Months	\$ <u>875,616,715</u>		\$ <u>875,616,715</u>		\$ <u>875,616,715</u>	
Total Company Environmental Surcharge Gross Revenue Requirement	\$ 11,284,727		\$ 10,374,642		\$ 910,085	
Jurisdictional Allocation Ratio	87.2919%		87.2919%		87.2919%	
Jurisdictional Environmental Surcharge Gross Revenue Requirement	\$ <u>9,850,653</u>		\$ <u>9,056,222</u>		\$ <u>794,431</u>	

Attachment to Response to Question No. 5(a)

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Attachment to Response to Technical Conference Question No. 2

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