

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

In the Matter of:

**AN EXAMINATION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF LOUISVILLE GAS) CASE NO.
AND ELECTRIC COMPANY FROM NOVEMBER 1,) 2013-00264
2012 THROUGH APRIL 30, 2013)**

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO STAFF'S
SUPPLEMENTAL REQUEST FOR INFORMATION
DATED OCTOBER 7, 2013**

FILED: OCTOBER 14, 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 14th day of October 2013.

 (SEAL)
Notary Public

My Commission Expires:

7/21/2015

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Staff's Supplemental Request for Information
Dated October 7, 2013

Case No. 2013-00264

Question No. 1

Witness: Robert M. Conroy

- Q-1. Refer to LG&E's Form B, Page 4, Sheet 1 of 1, the Analysis of Other Fuel Purchases, filed monthly during the period under review in support of LG&E's fuel adjustment clause calculation. The Form B indicates that the average price per MCF paid for natural gas purchases for each month of the review period was as follows:

<u>Month</u>	<u>Delivered Cost</u>	<u>MCF</u>	<u>\$ per MCF</u>
Nov-12	921,357.64	135,673	6.79
Dec-12	2,084,044.90	270,791	7.70
Jan-13	1,529,745.64	124,223	12.31
Feb-13	1,432,240.94	93,824	15.27
Mar-13	2,386,551.63	491,525	4.86
Apr-13	1,934,773.01	217,896	8.88

Explain why the prices per MCF of natural gas purchases for the months of January and February 2013 were significantly higher than the prices for the other months of the review period.

- A-1. The Delivered Cost reported on Page 4, Sheet 1 of 1 includes charges in addition to the actual purchase price of the natural gas. For example, the monthly delivered cost includes pipeline transportation costs for the Trimble County combustion turbines, contract demand charges for the special contract between LG&E's electric generation department and LG&E's gas supply department, and depreciation and property tax expenses on gas pipelines owned by LG&E and KU. Additionally, monthly adjustments for imbalances are included in the total delivered cost reported in the Form B. All of these additional costs impact the reported unit cost per MCF; however, the largest contributor to the variation noted above is the fixed pipeline transportation cost for the Trimble County CTs.

Since the installation of the combustion turbines at Trimble County (Units 5 – 10) LG&E and KU have contracted for firm gas pipeline transportation in order to ensure adequate pipeline capacity. Such transportation reservation has varied over the years and from month to month depending upon the number of units needed to reliably serve customers'

energy needs. The monthly pipeline transportation cost is charged to FERC account 151, Fuel Inventory, as a cost of fuel transport and is included with gas purchases in the inventory schedules reported in LG&E's and KU's Form B reports on Page 1, Sheet 3 of 3. For the six months of the current review period and the subsequent six-month period, LG&E and KU have contracted for transportation capacity to operate the number of CTs at the costs shown in the table below. Note that transportation capacity is priced on a daily MCF contract basis, and winter capacity is higher cost than summer capacity. Therefore, for the winter months of December through January, the capacity cost is \$0.50/MCF/day; for the shoulder months of March and November, the capacity cost is \$0.175/MCF/day, and for the summer months of April through October, the capacity cost is \$0.33/MCF/day. LG&E and KU have contracted for 125,000 MCF per day during the winter months, 151,000 MCF per day during the summer months, and 62,500 MCF per day during the shoulder months.

Month	Number of CTs	Monthly Cost
Nov-12	2	\$ 328,125
Dec-12	4	\$ 1,937,500
Jan-13	4	\$ 1,937,500
Feb-13	4	\$ 1,750,000
Mar-13	2	\$ 339,063
Apr-13	6	\$ 1,494,900
May-13	6	\$ 1,544,730
Jun-13	6	\$ 1,494,900
Jul-13	6	\$ 1,544,730
Aug-13	6	\$ 1,544,730
Sep-13	6	\$ 1,494,900
Oct-13	6	\$ 1,544,730

The monthly pipeline capacity charge influences the calculation of the unit cost of gas (\$/MCF). The table below identifies the monthly pipeline transportation charge separately from the total delivered cost from above, and calculates a separate average price per MCF of the natural gas excluding the pipeline transportation component. The resulting variance in the unit cost is not significant. The large variance in the months identified is a function of low commodity usage, the fixed transportation costs, and the demand component of the special contract with LG&E's gas supply department.

Month	Gas Purchases excluding TC Pipeline Charge	Monthly TC Pipeline Charge	Total Gas Purchases	Volume	Unit Cost excluding TC Pipeline Charge	Total Unit Cost, per Form B
Nov-12	\$ 806,513.89	\$ 114,843.75	\$ 921,357.64	135,673	\$ 5.945	\$ 6.791
Dec-12	\$1,405,919.90	\$ 678,125.00	\$2,084,044.90	270,791	\$ 5.192	\$ 7.696
Jan-13	\$ 851,620.64	\$ 678,125.00	\$1,529,745.64	124,223	\$ 6.856	\$12.315
Feb-13	\$ 819,740.94	\$ 612,500.00	\$1,432,240.94	93,824	\$ 8.737	\$15.265
Mar-13	\$2,267,879.76	\$ 118,671.88	\$2,386,551.63	491,525	\$ 4.614	\$ 4.855
Apr-13	\$1,411,558.01	\$ 523,215.00	\$1,934,773.01	217,896	\$ 6.478	\$ 8.879