

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO.
ELECTRIC AND GAS RATES) 2014-00372

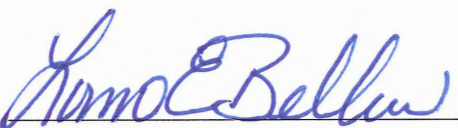
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
FIRST SET OF DATA REQUESTS OF METROPOLITAN HOUSING COALITION
DATED JANUARY 8, 2015

FILED: JANUARY 23, 2015

VERIFICATION

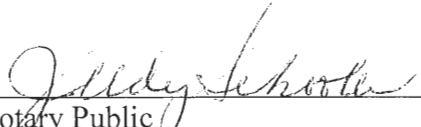
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 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 20th day of January 2015.



Notary Public (SEAL)

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

CASE NO. 2014-00372

**Response to First Set of Data Requests of Metropolitan Housing Coalition
Dated January 8, 2015**

Question No. 1-1

Responding Witness: Lonnie E. Bellar / Robert M. Conroy

Q-1-1. With respect to the Direct Testimony of Paul W. Thompson regarding the gas riser replacement program, please explain:

- a. How and upon whom (i.e. property owner, landlord, tenants) the Gas Tracker Fee is imposed in cases of multi-unit residential rental structures where the units are individually metered for gas service.
 - b. In the case of multi-unit residential structures, are more than one gas riser replacement made? Is a new riser required for each unit?
 - c. If the answer to Question 1-1a is that the fee is imposed on each rental unit, please explain how LG&E believes that such a fee imposition on a tenant is consistent with the Uniform Residential Landlord Tenant Act, KRS 383.595 et seq., which was adopted by Metro Louisville and is codified at J.C.O. 385.500 et seq.
 - d. Specifically, and without limitation, how is imposition of such fee on tenants consistent with KRS 383.595's requirement that the "landlord shall maintain in good and safe working order and condition all electrical, plumbing, sanitary, heating, ventilating, air-conditioning, and other facilities and appliances supplied or required to be supplied by him."
 - e. If a new riser is not needed for each unit in a multi-unit residential rental structure, how is the fee apportioned among the units?
- A-1-1. a. Under the Company's Gas Line Tracker Adjustment tariff, approved in Case No. 2012-00222, all customers receiving service under rate schedules RGS, VFD, CGS, IGS, AAGS and DGGs are assessed an adjustment to their rate schedules that will enable the Company to recover costs associated with the GLT program, including the replacement of gas risers. When the gas risers are replaced, the new risers are owned by the Company, not by the customer (the landlord or the tenant in the case of rental property). KRS 383.595(d) imposes on the landlord the duty to maintain in good and safe working order and condition certain facilities and appliances supplied or required to be

supplied by the landlord. The gas risers are not supplied or required to be supplied by the landlord, but instead are part of the Company's natural gas plant. Thus, KRS 383.595 does not apply to the gas riser replacement program.

- b. As a part of the ongoing LG&E Gas Riser Replacement Program, every gas riser in the service territory will be inspected and replaced if necessary. Multi-unit buildings can have either a single gas service riser serving multiple dwelling/units via a manifold or have multiple gas service risers. Therefore if replacement is necessary and the multi-unit building is served by only one riser, a new riser will not be required for each dwelling/unit, only for the one riser supplying the manifold. Where there are multiple risers per building, each riser would be inspected and replaced if necessary.
- c. See the response to part a.
- d. See the response to part a.
- e. The Company disagrees with the premise of the question. The GLT factor is not allocated to customers based on the type of dwelling or the number of risers installed and therefore is not affected by the number of units in a multi-unit residential rental structure. See the response to part a.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to First Set of Data Requests of Metropolitan Housing Coalition
Dated January 8, 2015**

Question No. 1-2

Responding Witness: Robert M. Conroy

Q-1-2. Please identify and provide, to the extent that it is not part of the filing, the justification for the increase in the fixed customer charges for electric and gas users, and provide:

- a. The percentage increase in customer charges for the average user (1010 kWh/month), the low user (350 kWh/month) and the high user (2500 kWh/month), over the current customer charge.
- b. The increase in monthly customer charges in dollar amounts for each category of user identified in Question 1-2a, if the Commission were to approve the requested increase in the monthly customer charge for being a gas or electric customer of LG&E.
- c. The increase in monthly customer charges in dollar amounts for each category of user identified in Question 1-2a, if the amount sought in increased customer charge were instead reflected in a change in the volumetric rate.
- d. Please explain whether the approach proposed in the filing, or that suggested in Question 1-2c, would be more likely to disincent the use of energy efficiency by customers to reduce their overall utility bills.

A-1-2. See the Direct Testimonies of Dr. Martin J. Blake and Robert M. Conroy.

- a. See Tab 66 of the Filing Requirements for the typical bill comparison under present and proposed rates at a range of usage levels.
- b. See the response to part a.
- c. The Company does not agree with the hypothetical scenario of leaving the basic service charge at its present level. The Company is proposing basic service charges and volumetric rates consistent with its cost of service studies. With that said, for a residential electric customer, if the basic service charge remained at \$10.75, the energy charge would need to be \$0.08355 per kWh in order to collect the same allocated revenue requirement. For a residential gas

customer, if the basic service charge remained at \$13.50, the distribution component would need to be \$3.10540 per MCF in order to collect the same allocated revenue requirement. See the attached bill impact summary similar to that provided in Schedule N in Tab 66 of the Filing Requirement.

- d. See the responses to Question No. 1-5, AG 1-9 and Sierra Club 1-17.

LOUISVILLE GAS AND ELECTRIC COMPANY
CASE NO. 2014-00372
Typical Electric Bill Comparison under Present & Proposed Rates
FORECAST PERIOD FOR THE 12 MONTHS ENDED JUNE 30, 2016

DATA: ___ BASE PERIOD ___ X ___ FORECASTED PERIOD
TYPE OF FILING: ___ X ___ ORIGINAL ___ UPDATED ___ REVISED
WORKPAPER REFERENCE NO(S): _____

SCHEDULE N (Electric)
PAGE 1 of 1
WITNESS: R. M. CONROY

Residential (Rate RS) / Volunteer Fire Dept (Rate VFD)

kWh	A	B	C	D	Billing Factors			H	I	J
	Base Rate Current Bill	Base Rate Proposed Bill	Increase (\$) [B - A]	Increase (%) [C / A]	FAC	DSM	ECR	Total Current Bill (\$) [A+E+F+G]	Total Proposed Bill (\$) [B+E+F+G]	Increase (%) [(I - H)/H]
500	\$ 51.13	\$ 52.53	\$ 1.40	2.7%	\$ (0.10)	\$ 0.93	\$ 4.42	\$ 56.38	\$ 57.78	2.5%
750	\$ 71.32	\$ 73.41	\$ 2.09	2.9%	\$ (0.15)	\$ 1.40	\$ 6.63	\$ 79.20	\$ 81.29	2.6%
984	\$ 90.22	\$ 92.96	\$ 2.75	3.0%	\$ (0.19)	\$ 1.83	\$ 8.69	\$ 100.55	\$ 103.29	2.73%
1,200	\$ 107.66	\$ 111.01	\$ 3.35	3.1%	\$ (0.23)	\$ 2.23	\$ 10.60	\$ 120.26	\$ 123.61	2.8%
1,500	\$ 131.89	\$ 136.08	\$ 4.19	3.2%	\$ (0.29)	\$ 2.79	\$ 13.25	\$ 147.64	\$ 151.83	2.8%
2,000	\$ 172.27	\$ 177.85	\$ 5.58	3.2%	\$ (0.39)	\$ 3.72	\$ 17.67	\$ 193.27	\$ 198.85	2.9%
2,500	\$ 212.65	\$ 219.63	\$ 6.97	3.3%	\$ (0.49)	\$ 4.65	\$ 22.09	\$ 238.90	\$ 245.88	2.9%
3,000	\$ 253.03	\$ 261.40	\$ 8.37	3.3%	\$ (0.58)	\$ 5.58	\$ 26.51	\$ 284.54	\$ 292.91	2.9%

Assumptions:

Average usage = 984 kWh per month

Billing Factors calculated as a unit charge based on forecast period revenues and volumes

Calculations may vary from other schedules due to rounding

Calculated using Basic Service Charge at \$10.75 and volumetric charge at \$0.08355/kWh per instruction in MHC-1 data request

Attachment to Response to MHC-1 Question No. 1-2

Page 1 of 2

Conroy

LOUISVILLE GAS AND ELECTRIC COMPANY
CASE NO. 2014-00372
Typical Gas Bill Comparison under Present & Proposed Rates
FORECAST PERIOD FOR THE 12 MONTHS ENDED JUNE 30, 2016

DATA: ___BASE PERIOD__X___FORECASTED PERIOD
TYPE OF FILING: __X__ ORIGINAL ___ ___ UPDATED ___ ___ REVISED
WORKPAPER REFERENCE NO(S): _____

SCHEDULE N (Gas)
PAGE 1 OF 1
WITNESS: R. M. CONROY

Residential (Rate RGS) / Volunteer Fire Dept (Rate VFD)

MCF	A		B		C		D		E			F		G		H		I		J
	Base Rate		Base Rate		Increase		Increase		Billing Factors			Total		Total		Increase				
	Current	Bill	Proposed	Bill	(\$)	[B - A]	(%)	[C / A]	GSC	DSM	GLT	Current	Bill	(\$)	[A+E+F+G]	Proposed	Bill	(\$)	[B+E+F+G]	(%)
3.0	\$	21.43	\$	22.82	\$	1.39	6.5%	\$	15.78	\$	0.29	\$	3.63	\$	41.13	\$	42.52			3.4%
5.7	\$	28.56	\$	31.20	\$	2.64	9.2%	\$	29.98	\$	0.55	\$	3.63	\$	62.72	\$	65.36			4.2%
10.0	\$	39.92	\$	44.55	\$	4.63	11.6%	\$	52.60	\$	0.96	\$	3.63	\$	97.11	\$	101.74			4.8%
20.0	\$	66.34	\$	75.61	\$	9.27	14.0%	\$	105.19	\$	1.92	\$	3.63	\$	177.08	\$	186.35			5.2%
40.0	\$	119.18	\$	137.72	\$	18.54	15.6%	\$	210.39	\$	3.84	\$	3.63	\$	337.04	\$	355.58			5.5%
60.0	\$	172.01	\$	199.82	\$	27.81	16.2%	\$	315.58	\$	5.76	\$	3.63	\$	496.98	\$	524.79			5.6%
80.0	\$	224.85	\$	261.93	\$	37.08	16.5%	\$	420.78	\$	7.67	\$	3.63	\$	656.93	\$	694.01			5.6%
100.0	\$	277.69	\$	324.04	\$	46.35	16.7%	\$	525.97	\$	9.59	\$	3.63	\$	816.88	\$	863.23			5.7%

Assumptions:

Average usage = 5.7 Mcf per month

Billing Factors calculated as a unit charge based on forecast period revenues and volumes

Calculations may vary from other schedules due to rounding

Calculated using Basic Service Charge at \$13.50 and volumetric charge at \$3.10540/Mcf per instructions in MHC 1-2 data request.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to First Set of Data Requests of Metropolitan Housing Coalition
Dated January 8, 2015**

Question No. 1-3

Responding Witness: Robert M. Conroy

- Q-1-3. Please identify any study or report justifying the proposed increase in service charge, and explain whether there are any costs formerly recovered as a component of the volumetric charges that have been shifted to the fixed service charge under the new tariffs?
- A-1-3. Please see the LG&E electric cost of service study, which indicates that LG&E's current electric Basic Service Charge and Energy Charge are not in alignment with actual costs, and therefore lead to the recovery of fixed costs through the volumetric energy charge. Also, see the testimony of Dr. Blake and Mr. Conroy for a discussion of the appropriate rate design for residential customers.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to First Set of Data Requests of Metropolitan Housing Coalition
Dated January 8, 2015**

Question No. 1-4

Responding Witness: Robert M. Conroy

Q-1-4. Please explain why LG&E is proposing to decrease the costs per CCF and kWh at the same time as proposing to increase the fixed meter cost – service charge, and explain:

- a. Whether LG&E has evaluated or studied the impact of such a shift on low-income and fixed-income gas and electric customers.
- b. Whether LG&E has evaluated or studied the impact of such a shift on motivation of average and high users to adopt energy efficiency measures.
- c. Whether LG&E has evaluated or studied the impact of such a shift on the development of distributed renewable electricity, including ability of customers that have incorporated solar and other renewable distributed technology, to recover the costs associated with such investments.
- d. Please provide any such studies, reports, or other evaluations requested in a-c.
- e. Please explain how the shift of additional revenue recovery to fixed from volumetric charges will impact new and current energy efficiency investments by low, average, and high residential electric and gas users.

A-1-4. See the testimonies of Dr. Blake and Mr. Conroy and the response to Sierra Club 1-17.

- a. No.
- b. No.
- c. No.
- d. Not applicable.
- e. LG&E has not performed the requested analysis. See also the responses to Question No. 1-5, and AG 1-9.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Response to First Set of Data Requests of Metropolitan Housing Coalition
Dated January 8, 2015**

Question No. 1-5

Responding Witness: Robert M. Conroy

Q-1-5. Please explain how the proposed rate structure satisfies the Commission's recommendation in Case No. 2014-00003 that LG&E "shall continue encouraging participation in programs to help low-income customers reduce energy consumption, thereby reducing monthly energy bills," when it appears that the monthly service charges will increase by 67% and 40.7% for electricity and gas, respectively, and the return on energy efficiency in lowering bills will decrease by 5.68% and 19.7% respectively.

A-1-5. The cited order text does not refer to LG&E's providing financial incentives for low-income customers to participate in DSM-EE programs, but rather to LG&E's outreach efforts to encourage such participation; note that the same order states, "The Companies work and encourage the local community action agencies ("CAAs") to promote DSM/EE programs that are designed for low-income customers. It is through these CAAs that the Companies should continue to inform, educate, and promote those programs designed for low-income participants throughout the Companies' service territories."¹ The order further states:

The Commission appreciates the Companies' efforts in offering low-income programs for its customers. The record in this proceeding reflects the Companies' efforts to work with CAAs and other interested parties to encourage participation by low-income customers in programs such as the WeCare and Residential Conservation/Home Energy Performance programs, which encourage EE and energy savings and aid in reducing the cost of customers' energy bills.

So the quote MHC provides above does not concern financial incentives for low-income customers to participate in LG&E's DSM-EE programs.

¹ *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs*, Case No. 2014-00003, Order at 25 (Nov. 14, 2014).

That aside, LG&E's proposed increases in its electric and gas residential basic service charges and reductions in residential energy charges are fully consistent with the cited Commission recommendation. First, LG&E's proposed base rate changes will not affect its ongoing and increasing outreach to low-income customers to invite them to participate in the Company's DSM-EE programs, including LG&E's 24-month pilot program launched in the fall of 2014 with low-income service providers to increase the marketing of energy-efficiency programs to low-income customers and improve the communication of energy-efficiency information with these customers. Second, LG&E's Residential Low-Income Weatherization Program is LG&E's second-largest DSM-EE program by budget, and will continue to provide significant benefits to low-income customers who participate in the program because *there is no cost to customers to participate*. The offer of receiving a benefit at no additional cost is still attractive, and that remains the offer LG&E is making to its low-income customers through its Residential Low-Income Weatherization Program.

Finally, the Commission has stated, "[T]he Commission is very much interested in cost-of-service-based rates and demand-side management programs that incentivize both the utility and customers to practice energy efficiency in a cost-effective manner."² The Commission has also stated that cost-based ratemaking is "the foundation of the Commission's rate-making philosophy."³ LG&E's proposed residential electric and gas rates operating in tandem with LG&E's robust and recently Commission-approved portfolio of DSM-EE programs are precisely in line with the Commission's stated desire. The proposed cost-based rate designs will provide accurate incentives to customers to make cost-effective energy-efficiency choices, choices that include a broad array of DSM-EE measures that LG&E provides. Please see also LG&E's responses to AG 1-9 and Sierra Club 1-17.

² *In the Matter of: General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.*, Case No. 2008-00409, Order at 6 (Mar. 31, 2009).

³ *In the Matter of: Big Rivers Electric Corporation's Notice of Changes in Its Rates for Electricity Sold to Member Cooperatives*, Case No. 9163, Order at 26-27 (May 6, 1985) ("The appeal of this rate structure is that rates are still based on cost, which is the foundation of the Commission's rate-making philosophy.").