

**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 AND ELECTRIC COMPANY ) CASE NO.  
FROM NOVEMBER 1, 2012 THROUGH OCTOBER 31, ) 2014-00453  
2014 )

AN EXAMINATION OF THE APPLICATION OF )  
THE FUEL ADJUSTMENT CLAUSE OF )  
LOUISVILLE GAS AND ELECTRIC COMPANY ) CASE NO.  
FROM NOVEMBER 1, 2013 THROUGH APRIL 30, ) 2014-00228  
2014 )

**DIRECT TESTIMONY OF**  
**CHARLES R. SCHRAM**  
**DIRECTOR – ENERGY PLANNING, ANALYSIS & FORECASTING**  
**LG&E AND KU SERVICES COMPANY**

**Filed: February 20, 2015**

1 **Q. Please state your name and business address.**

2 A. My name is Charles R. Schram. My position is Director – Energy Planning,  
3 Analysis, and Forecasting for LG&E and KU Services Company, which provides  
4 services to Louisville Gas and Electric Company (“LG&E” or “the Company”)  
5 and Kentucky Utilities Company (“KU”) (collectively “the Companies”). My  
6 business address is 220 West Main Street, Louisville, Kentucky 40202. A  
7 complete statement of my education and work experience is attached to this  
8 testimony as Appendix A.

9 **Q. What is the purpose of your testimony?**

10 A. I am submitting this testimony in accordance with the Order entered in this  
11 proceeding by the Commission on February 5, 2015 (“Order”), directing LG&E  
12 to file written direct testimony to address changes in the wholesale electric power  
13 market that significantly affected, or will significantly affect, LG&E’s electric  
14 power procurement practices.

15 **Q. What changes have occurred in the wholesale electric power market during**  
16 **the period November 1, 2012 through October 31, 2014 that have**  
17 **significantly affected LG&E’s electric power procurement practices?**

18 A. LG&E’s electric power procurement practices were not significantly affected by  
19 any changes in the wholesale electric power market during this period.

20 **Q. How have prices developed in the wholesale power market during the period**  
21 **November 1, 2012 through October 31, 2014 and how did that affect LG&E’s**  
22 **purchases of economy power?**

1 A. The average electric power price during the period November 1, 2012 through  
2 October 31, 2014 was \$43.71/MWh, compared to \$39.75/MWh during the  
3 previous 2-year period (November 1, 2010 through October 31, 2012).<sup>1</sup> These  
4 higher prices were driven largely by higher natural gas prices, which averaged  
5 \$4.00/MMBtu during the period November 1, 2012 through October 31, 2014,  
6 compared to \$3.41/MMBtu during the previous 2-year period.<sup>2</sup> Higher market  
7 prices typically result in fewer market purchases as it is more cost effective to  
8 meet native load demand with the Company's resources without relying on higher  
9 cost market purchases. Economy purchases for the two year period of November  
10 1, 2012 through October 31, 2014 were approximately 68% lower than the  
11 previous two year period.

12 **Relatively** low natural gas prices and a low economic growth rate  
13 continue to result in relatively weak wholesale power prices. LG&E continues to  
14 look for opportunities to purchase hourly power from the wholesale market when  
15 the cost is lower than its own resources and when import of this power is  
16 supported by adequate transmission availability and other operational parameters.

17 **Q. What changes does LG&E expect to occur in the wholesale power market**  
18 **within the next two years that may significantly affect LG&E's electric**  
19 **power procurement practices?**

20 A. LG&E does not expect changes in the wholesale power market in the next two  
21 years that would significantly affect LG&E's power procurement practices.  
22 Natural gas continues to set marginal electricity prices in the region. On-shore

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<sup>1</sup> Based on average monthly around-the-clock prices for PJM West Hub.

<sup>2</sup> Based on average monthly prices for Henry Hub.

1 shale gas supplies are expected to continue to be a growing part of the U.S. gas  
2 supply. Consistent with my testimony in the prior 2-year FAC review, most  
3 forecasters continue to believe that gas prices will avoid sustained periods of  
4 volatility given the demonstrated responsiveness of new shale gas supplies.

5           Regardless of the development of wholesale markets, electric transmission  
6 constraints and congestion may at times limit the Company's ability to import  
7 power from the wholesale market to serve native load, highlighting the continuing  
8 importance of the Company's ability to serve its customers with its own supply  
9 side resources to ensure security of supply.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

VERIFICATION

STATE OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON)

The undersigned, **Charles R. Schram**, being duly sworn, deposes and says that he is the Director, Energy Planning, Analysis & Forecasting for LG&E and KU Services Company and that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Charles R. Schram

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February, 2015.

  
\_\_\_\_\_  
Notary Public (SEAL)

My Commission Expires:

**JUDY SCHOOLER**  
**Notary Public, State at Large, KY**  
**My commission expires July 11, 2018**  
**Notary ID # 512743**

## Appendix A

### Charles R. Schram

Director – Energy Planning, Analysis & Forecasting  
LG&E and KU Services Company  
220 West Main Street  
Louisville, Kentucky 40202  
(502) 627-3250

### Professional Experience

#### LG&E and KU

Director, Energy Planning, Analysis & Forecasting	May 2008 – Present
Manager, Transmission Protection & Substations	2006 – 2008
Manager, Business Development	2005 – 2006
Manager, Strategic Planning	2001 – 2005
Manager, Distribution System Planning & Eng.	2000 – 2001
Manager, Electric Metering	1997 – 2000
Information Technology Analyst	1995 – 1997

#### U.S. Department of Defense – Naval Ordnance Station

Manager, Software Integration	1993 – 1995
Electronics Engineer	1984 – 1993

### Education

Master of Business Administration  
University of Louisville, 1995  
Bachelor of Science – Electrical Engineering  
University of Louisville, 1984  
E.ON Academy General Management Program: 2002-2003  
Center for Creative Leadership, Leadership Development Program: 1998