

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 KENTUCKY)	CASE NO.
UTILITIES COMPANY FOR THE SIX-MONTH)	2015-00020
BILLING PERIODS ENDING APRIL 30, 2014)	
AND OCTOBER 31, 2014)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

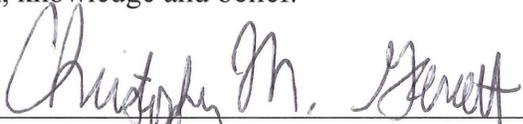
DATED MARCH 18, 2015

FILED: April 2, 2015

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Director – Accounting and Regulatory Reporting for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, 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.



Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31st day of March 2015.

 (SEAL)

Notary Public

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

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's Second Request for Information
Dated March 18, 2015**

Case No. 2015-00020

Question No. 1

Witness: Robert M. Conroy / Christopher M. Garrett

- Q-1. Refer to the response to Commission Staff's First Request for Information, Item 1, pages 3 and 5 of 7, and Item 5, page 1 of 3. Provide the support for the calculation of the Jurisdictional Rate Base Percentage contained in Column 7.
- A-1. See attached. For the response to Item 1, the Company used the Jurisdictional Rate Base Percentage as of December 31, 2013. For the response to Item 5, the Company used the Jurisdictional Rate Base Percentage as of December 31, 2014 since it will be used in the next ECR review case in the true-up calculations.

KENTUCKY UTILITIES

**Net Original Cost Kentucky Jurisdictional Rate Base
At December 31, 2013**

Title of Account (1)	Kentucky Jurisdictional Rate Base (2)	Other Jurisdictional Rate Base (3)	Total Company Rate Base (4)
1. Utility Plant at Original Cost	\$ 7,102,895,891	\$ 1,005,709,593	\$ 8,108,605,484
2. Deduct:			
3. Reserve for Depreciation (a)	2,304,221,652	343,189,261	2,647,410,913
4. Net Utility Plant	4,798,674,239	662,520,332	5,461,194,571
5. Deduct:			
6. Customer Advances for Construction	2,882,357	-	2,882,357
7. Accumulated Deferred Income Taxes	583,146,861	77,713,336	660,860,197
8. Asset Retirement Obligation-Net Assets	136,370,761	19,932,043	156,302,804
9. Investment Tax Credit (b)	83,622,422	13,113,977	96,736,399
10. Total Deductions	806,022,401	110,759,356	916,781,757
11. Net Plant Deductions	3,992,651,838	551,760,976	4,544,412,814
12. Add:			
13. Materials and Supplies (c)	112,771,861	16,267,990	129,039,851
14. Prepayments (c)(d)	6,301,938	457,632	6,759,570
15. Emission Allowances (c)	247,581	36,186	283,767
16. Cash Working Capital (page 2)	99,607,874	8,515,913	108,123,787
17. Total Additions	218,929,254	25,277,721	244,206,975
18. Total Net Original Cost Rate Base	<u>\$ 4,211,581,092</u>	<u>\$ 577,038,697</u>	<u>\$ 4,788,619,789</u>
19. Percentage of Rate Base to Total Company Rate Base	<u>87.95%</u>	<u>12.05%</u>	<u>100.00%</u>
20. Net Operating Income	\$ 268,211,471	\$ 27,394,681	\$ 295,606,152
21. Net Operating Income / Net Original Cost Rate Base	6.37%	4.75%	6.17%

- (a) Includes deduction for ARO-Regulatory Liabilities.
(b) Reflects investment tax credit treatment per Case No. 2007-00178.
(c) Average for 13 months.
(d) Excludes PSC fees.

KENTUCKY UTILITIES

**Calculation of Cash Working Capital
At December 31, 2013**

Title of Account (1)	Kentucky Jurisdictional Rate Base (2)	Other Jurisdictional Rate Base (3)	Total Company Rate Base (4)
1. Operating and maintenance expense for the 12 months ended December 31, 2013	\$ 866,127,871	\$ 120,567,375	\$ 986,695,246
2. Deduct:			
3. Electric Power Purchased	<u>69,264,876</u>	<u>9,833,230</u>	<u>79,098,106</u>
4. Total Deductions	\$ 69,264,876	\$ 9,833,230	\$ 79,098,106
5. Remainder (Line 1 - Line 4)	<u>\$ 796,862,995</u>	<u>\$ 110,734,145</u>	<u>\$ 907,597,140</u>
6. Cash Working Capital	<u>\$ 99,607,874</u>	<u>\$ 8,515,913</u>	<u>\$ 108,123,787</u>

Kentucky Jurisdictional (12 1/2% of Line 5)
Other Jurisdictional comprised of FERC, Tennessee,
and Virginia Jurisdictional methodologies.

KENTUCKY UTILITIES

**Net Original Cost Kentucky Jurisdictional Rate Base
At December 31, 2014**

Title of Account (1)	Kentucky Jurisdictional Rate Base (2)	Other Jurisdictional Rate Base (3)	Total Company Rate Base (4)
1. Utility Plant at Original Cost	\$ 7,681,087,383	\$ 986,620,796	\$ 8,667,708,179
2. Deduct:			
3. Reserve for Depreciation	2,470,919,404	328,049,333	2,798,968,737
4. Net Utility Plant	<u>5,210,167,979</u>	<u>658,571,463</u>	<u>5,868,739,442</u>
5. Deduct:			
6. Customer Advances for Construction	2,189,028	29,417	2,218,445
7. Accumulated Deferred Income Taxes	790,334,003	95,837,706	886,171,709
8. Investment Tax Credit (a)	82,459,256	12,405,883	94,865,139
9. Total Deductions	<u>874,982,287</u>	<u>108,273,006</u>	<u>983,255,293</u>
10. Net Plant Deductions	<u>4,335,185,692</u>	<u>550,298,457</u>	<u>4,885,484,149</u>
11. Add:			
12. Materials and Supplies (b)	111,481,231	15,099,056	126,580,287
13. Prepayments (b)(c)	5,653,360	350,240	6,003,600
14. Emission Allowances (b)	196,942	27,819	224,761
15. Cash Working Capital (page 2)	107,072,339	8,090,355	115,162,694
16. Total Additions	<u>224,403,872</u>	<u>23,567,470</u>	<u>247,971,342</u>
17. Total Net Original Cost Rate Base	<u>\$ 4,559,589,564</u>	<u>\$ 573,865,927</u>	<u>\$ 5,133,455,491</u>
18. Percentage of Rate Base to Total Company Rate Base	<u>88.82%</u>	<u>11.18%</u>	<u>100.00%</u>
19. Net Operating Income	\$ 265,713,390	\$ 28,589,561	\$ 294,302,951
20. Net Operating Income / Net Original Cost Rate Base	5.83%	4.98%	5.73%

- (a) Reflects investment tax credit treatment per Case No. 2007-00178.
(b) Average for 13 months.
(c) Excludes PSC fees.

KENTUCKY UTILITIES

**Calculation of Cash Working Capital
At December 31, 2014**

Title of Account (1)	Kentucky Jurisdictional Rate Base (2)	Other Jurisdictional Rate Base (3)	Total Company Rate Base (4)
1. Operating and maintenance expense for the 12 months ended December 31, 2014	\$ 951,551,663	\$ 121,442,731	\$ 1,072,994,394
2. Deduct:			
3. Electric Power Purchased	<u>94,972,955</u>	<u>13,069,672</u>	<u>108,042,627</u>
4. Total Deductions	<u>\$ 94,972,955</u>	<u>\$ 13,069,672</u>	<u>\$ 108,042,627</u>
5. Remainder (Line 1 - Line 4)	<u>\$ 856,578,708</u>	<u>\$ 108,373,059</u>	<u>\$ 964,951,767</u>
6. Cash Working Capital	<u>\$ 107,072,339</u>	<u>\$ 8,090,355</u>	<u>\$ 115,162,694</u>

Kentucky Jurisdictional (12 1/2% of Line 5)
Other Jurisdictional comprised of FERC, Tennessee,
and Virginia Jurisdictional methodologies.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's Second Request for Information
Dated March 18, 2015**

Case No. 2015-00020

Question No. 2

Witness: Robert M. Conroy / Christopher M. Garrett

- Q-2. Provide the recalculation of KU's over/under recovery position if KU had taken the Section 199 deduction instead of the bonus tax depreciation deduction in 2014. Provide the information in electronic format with all cells and formulas intact and unprotected and all rows and columns accessible.
- A-2. Please see the attached excel workbook. In summary, KU would be in an over recovery position of \$3,296,449 were KU not to elect to take bonus tax depreciation in 2014. However, KU intends to elect to take bonus tax depreciation in 2014 as this is expected to provide the greatest benefit to customers over the life of the property. As discussed in Mr. Garrett's testimony, the increase in the deferred tax liability associated with the bonus tax depreciation deduction in 2014 will continue to reduce the environmental rate base thus lowering the ECR revenue requirement in 2015 and beyond.

Please note that the recalculation of the over/under recovery position as requested no longer requires the use of separate gross-up revenue calculations as of December 31, 2013 and February 28, 2014 since this recalculation assumes bonus depreciation is not elected in 2014. Also, the recommended distribution period of the resulting over-recovery position would change from two months to six months.

Attachment in Excel

The attachment(s)
provided in separate
file(s) in Excel format.

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's Second Request for Information
Dated March 18, 2015**

Case No. 2015-00020

Question No. 3

Witness: Robert M. Conroy

- Q-3. Provide the dollar impact on an average residential customer's bill resulting from the analysis provided in Item 2. Provide the information in electronic format with all cells and formulas intact and unprotected and all rows and columns accessible.
- A-3. See the attachment being provided in Excel format.

Based upon distributing the recalculated over-recovered position of \$3,296,449 over 6 months (\$549,408 per month), the recalculated ECR billing factor will be lower by approximately .45% per month. For a residential customer using 1,247 kWh per month, the impact of the adjusted ECR billing factor would be a decrease of approximately \$0.48 per month.

For comparative purposes to KU's response to Question No. 6 of the Commission Staff's First Request for Information, the Company used the actual average residential customer's usage for the 12-months ending December 31, 2014 of 1,247 kWh per month and the rates and adjustment clause factors in effect for the December 2014 billing month as provided in the original response. However, the recommended period to distribute the over-recovered position has been changed from two months to six months.

Attachment in Excel

The attachment(s)
provided in separate
file(s) in Excel format.