

**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 SIX-MONTH ) 2015-00021**  
**BILLING PERIODS ENDING APRIL 30, 2014 )**  
**AND OCTOBER 31, 2014**

**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

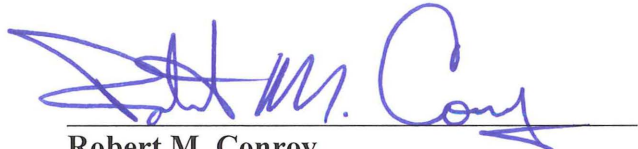
**DATED MARCH 18, 2015**

**FILED: April 2, 2015**

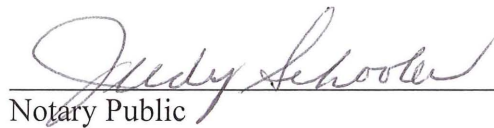
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for Louisville Gas and Electric Company and Kentucky Utilities Company, an employee of 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 31st day of March 2015.

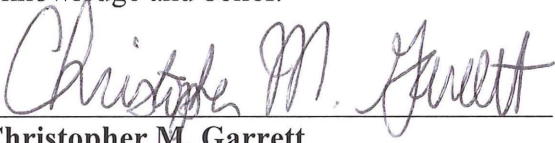
 (SEAL)  
Notary Public

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

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 31<sup>st</sup> day of March 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**

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

**Case No. 2015-00021**

**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. The Company assumed the reference to the requested information should be "Electric Rate Base Percentage contained in Column 3" and responded accordingly.

See attached. For the response to Item 1, the Company used the Electric Rate Base Percentage as of December 31, 2013. For the response to Item 5, the Company used the Electric Rate Base Percentage as of December 31, 2014 since it will be used in the next ECR review case in the true-up calculations.

**INCLUDING ECR RATE BASE - (PLANT, DEPRECIATION, DEFERRED TAXES)****LOUISVILLE GAS AND ELECTRIC COMPANY****Net Cost Base****For 12 Months Ended December 31, 2013**

	<u>Electric</u>	<u>Gas</u>	<u>Combined</u>
NET COST BASE -			
Utility Plant at Original Cost (1)	4,746,777,082	974,708,298	5,721,485,380
Less: Reserve for Depreciation (1)	2,009,012,851	295,119,382	2,304,132,233
Customer Advances for Construction (5)	1,182,483	5,244,847	6,427,330
Deferred Income Taxes (5)	456,685,837	120,889,805	577,575,642
Deferred Taxes - ASC 740 (formerly FAS 109)	22,293,911	3,130,023	25,423,934
	<hr/>	<hr/>	<hr/>
TOTAL UTILITY PLANT LESS DEPR. RESERVE, ETC.	2,257,602,000	550,324,241	2,807,926,241
Materials and Supplies (2)(4)	93,350,098	531,522	93,881,620
Gas Stored Underground (2)	-	31,565,348	31,565,348
Prepayments (2)(3)	5,619,251	749,048	6,368,299
Cash Working Capital	84,181,210	8,035,170	92,216,380
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TOTAL NET COST BASE	2,440,752,559	591,205,329	3,031,957,888
	80.50%	19.50%	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, 2013**

	<u>Electric</u>	<u>Gas</u>	<u>Combined</u>
Total Operating Expenses	<u>721,573,867</u>	<u>223,555,940</u>	<u>945,129,806</u>
Deduct:			
Electric Power Purchased	48,124,184	-	48,124,184
Gas Supply Expenses	-	<u>159,274,580</u>	<u>159,274,580</u>
Total Deductions	<u>48,124,184</u>	<u>159,274,580</u>	<u>207,398,764</u>
Remainder	<u>673,449,683</u>	<u>64,281,360</u>	<u>737,731,043</u>
Cash Working Capital (12 1/2% of above)	<u>84,181,210</u>	<u>8,035,170</u>	<u>92,216,380</u>

**INCLUDING ECR RATE BASE - (PLANT, DEPRECIATION, DEFERRED TAXES)****LOUISVILLE GAS AND ELECTRIC COMPANY****Net Cost Base****For 12 Months Ended December 31, 2014**

	<u>Electric</u>	<u>Gas</u>	<u>Combined</u>
NET COST BASE -			
Utility Plant at Original Cost (1)	5,332,473,813	1,050,288,207	6,382,762,020
Less: Reserve for Depreciation (1)	2,103,588,480	313,237,740	2,416,826,220
Customer Advances for Construction (5)	1,669,572	6,564,479	8,234,051
Deferred Income Taxes (5)	538,126,522	161,265,579	699,392,101
Deferred Taxes - ASC 740 (formerly FAS 109)	<u>20,718,051</u>	<u>2,798,632</u>	<u>23,516,683</u>
TOTAL UTILITY PLANT LESS DEPR. RESERVE, ETC.	2,668,371,188	566,421,777	3,234,792,965
Materials and Supplies (2)(4)	92,519,207	559,989	93,079,196
Gas Stored Underground (2)	-	35,623,773	35,623,773
Prepayments (2)(3)	5,062,769	822,210	5,884,979
Cash Working Capital	<u>89,290,591</u>	<u>8,385,417</u>	<u>97,676,008</u>
TOTAL NET COST BASE	<u>2,855,243,755</u>	<u>611,813,166</u>	<u>3,467,056,921</u>
	82.35%	17.65%	100.00%

## Notes:

- (1) Common utility plant and reserve allocated 70% Electric; 30% 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 70% Electric; 30% Gas

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**CASH WORKING CAPITAL - 12 MONTHS ENDED December 31, 2014**

	<u>Electric</u>	<u>Gas</u>	<u>Combined</u>
Total Operating Expenses	<u>762,167,000</u>	<u>261,338,740</u>	<u>1,023,505,741</u>
Deduct:			
Electric Power Purchased	47,842,269	-	47,842,269
Gas Supply Expenses	<u>-</u>	<u>194,255,410</u>	<u>194,255,410</u>
Total Deductions	<u>47,842,269</u>	<u>194,255,410</u>	<u>242,097,680</u>
Remainder	<u>714,324,731</u>	<u>67,083,330</u>	<u>781,408,061</u>
Cash Working Capital (12 1/2% of above)	<u>89,290,591</u>	<u>8,385,417</u>	<u>97,676,008</u>



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2015-00021**

**Question No. 2**

**Witness: Robert M. Conroy / Christopher M. Garrett**

- Q-2. Provide the recalculation of LG&E's over/under recovery position if LG&E 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. See the attached Excel workbook. In summary, LG&E would be in an over recovery position of \$1,478,766 were LG&E not to elect to take bonus tax depreciation in 2014. However, LG&E 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 one month to two months.

# Attachment in Excel

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

**LOUISVILLE GAS AND ELECTRIC COMPANY**

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

**Case No. 2015-00021**

**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 \$1,515,358 over 2 months (\$739,383 per month), the recalculated ECR billing factor will be lower by approximately .88% per month. For a residential customer using 984 kWh per month, the impact of the adjusted ECR billing factor would be a decrease of approximately \$0.84 per month.

For comparative purposes to LG&E'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 984 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 one month to two months.

# Attachment in Excel

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