

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 THIRD REQUEST FOR INFORMATION

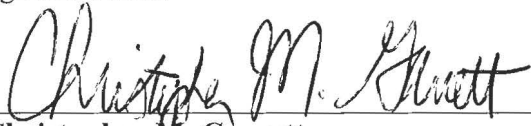
DATED MAY 28, 2015

FILED: June 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 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.



Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd day of June 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 Third Request for Information
Dated May 28, 2015**

Case No. 2015-00021

Question No. 1

Witness: Christopher M. Garrett

- Q-1. Refer to LG&E's the response to Commission Staff's Second Request for Information, Item 2, wherein LG&E states "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."
- a. Explain why electing to take bonus tax depreciation provides the greatest benefit to customers over the life of the property.
 - b. Provide the quantitative analysis that supports this statement.
- A-1.
- a. As included in the rebuttal testimony of Kent Blake in Case No. 2014-00372, the decision to elect or "opt out" of bonus depreciation impacts the revenue requirement for customers over the entire life of the underlying asset additions. Such long-term investment decisions have historically been made by the Company and the Kentucky Public Service Commission based on the relative Net Present Value Revenue Requirement ("NPVRR") of the alternatives, with the lowest NPVRR being the best economic answer for customers absent any operational, compliance or other considerations. Therefore, LG&E performed NPVRR calculations to elect and "opt out" of the bonus depreciation deduction. The conclusion of the NPVRR analysis is that LG&E will elect to take the bonus depreciation deduction in 2014 as this provides the greatest revenue requirement benefit from accelerated depreciation over the life of these underlying assets with a NPVRR \$30.9 million greater than it would be without this election (\$44.4 million vs. \$13.6 million) The NPVRR calculations are consistent with the calculations used in Case No. 2014-00372 but only include the impacts associated with ECR projects eligible for bonus depreciation in 2014.
 - b. See the attachment provided in Excel format.

Attachment in Excel

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