

**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 )**  
**UTILITIES COMPANY FOR THE TWO-YEAR )**  
**BILLING PERIOD ENDING APRIL 30, 2015 )**

**CASE NO.**  
**2015-00221**

**REVISED**

**DIRECT TESTIMONY OF**

**ROBERT M. CONROY**  
**DIRECTOR - RATES**  
**LG&E AND KU SERVICES COMPANY**

**Filed: December 1, 2015**

1 Requirement of \$701,452 for one month, beginning in the second full billing month  
2 following the Commission's Order in this proceeding. This method is consistent with  
3 the method of implementing previous over- or under- recovery positions in prior ECR  
4 review cases.

5 **Q. What is the bill impact on a residential customer for the proposed collection of**  
6 **the under-recovery?**

7 A. The inclusion of the collection reflecting the under-recovery position in the  
8 determination of the ECR billing factor will increase the billing factor by  
9 approximately 0.58%. For a residential customer using an average of 1,234 kWh per  
10 month, the impact of the adjusted ECR billing factor would be an increase of  
11 approximately \$0.69 for one month (using rates and adjustment clause factors in  
12 effect for the July 2015 billing month).

13 **Q. Should the Commission approve incorporating into KU's base rates the**  
14 **environmental surcharge amounts found just and reasonable for the two-year**  
15 **billing period ending April 2015?**

16 A. Yes. It is now appropriate to incorporate into electric base rates the surcharge  
17 amounts the Commission finds just and reasonable for the two-year billing period  
18 ending April 2015. KU recommends that an incremental environmental surcharge  
19 amount of \$60,221,459 be incorporated into base rates at the conclusion of this case.  
20 KU determined the incremental roll-in amount of \$60,221,459 using environmental  
21 surcharge rate base as of February 28, 2015 and environmental surcharge operating  
22 expenses for the twelve-month period ending February 28, 2015. If approved, the  
23 total amount of environmental surcharge that will be included in base rates will be

1 c) The Commission should approve the use of an overall rate of return on capital  
2 of 10.15% using a return on equity of 10.00% beginning in the second full  
3 billing month following the Commission's Order in this proceeding;

4 d) The Commission should approve a "roll-in" of \$60,221,459 in incremental  
5 environmental costs into KU's base rates, for a total base rate ECR component  
6 of \$111,188,413, to be included in base rates following the methodology  
7 previously approved by the Commission and implemented by KU. The  
8 implementation of the change in base rates reflecting the roll-in amount  
9 should take effect with bills rendered beginning with the first billing cycle in  
10 the second month following the month in which the Commission issues its  
11 Order in this proceeding; and

12 e) The Commission should approve the proposed ECR Tariff to become  
13 effective with the expense month in which the Commission issues its Order.

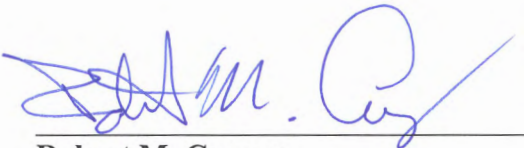
14 **Q. Does this conclude your testimony?**

15 A. Yes.

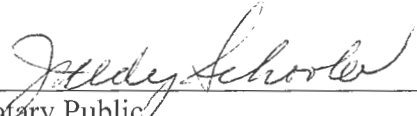
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that 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 1st day of December 2015.

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

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