

**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 TWO-YEAR ) 2015-00222  
BILLING PERIOD ENDING APRIL 30, 2015 )**

**REVISED**

**DIRECT TESTIMONY OF**

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

**Filed: December 1, 2015**

1 recommends that the Commission approve an increase to the Environmental  
2 Surcharge Revenue Requirement of \$653,108 per month for three months, beginning  
3 in the second full billing month following the Commission's Order in this proceeding.  
4 This method is consistent with the method of implementing previous over- or under-  
5 recovery positions in prior ECR review cases.

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

8 A. The inclusion of the collection reflecting the under-recovery position in the  
9 determination of the ECR billing factor will increase the billing factor by  
10 approximately 0.77%. For a residential customer using an average of 973 kWh per  
11 month, the impact of the adjusted ECR billing factor would be an increase of  
12 approximately \$0.74 per month for three months (using rates and adjustment clause  
13 factors in effect for the July 2015 billing month).

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

17 A. Yes. It is now appropriate to incorporate into electric base rates the surcharge  
18 amounts the Commission finds just and reasonable for the two-year billing period  
19 ending April 2015. LG&E recommends that an incremental environmental surcharge  
20 amount of \$59,779,640 be incorporated into base rates at the conclusion of this case.  
21 LG&E determined the incremental roll-in amount of \$59,779,640 using  
22 environmental surcharge rate base as of February 28, 2015 and environmental  
23 surcharge operating expenses for the twelve-month period ending February 28, 2015.

1 c) The Commission should approve the use of an overall rate of return on capital  
2 of 9.99%, 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 \$59,779,640 in incremental  
5 environmental costs into LG&E's base rates, for a total base rate ECR  
6 component of \$73,663,008, to be included in base rates following the  
7 methodology previously approved by the Commission and implemented by  
8 LG&E. The implementation of the change in base rates reflecting the roll-in  
9 amount should take effect with bills rendered beginning with the first billing  
10 cycle in the second month following the month in which the Commission  
11 issues its 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.

