

1 over-recovery will usually occur when actual revenues for the billing month are greater  
2 than the 12-month average revenues used for the expense month.

3 **Q. What kind of adjustment is LG&E proposing in this case as a result of the**  
4 **operation of the environmental surcharge during the billing period?**

5 A. LG&E is proposing that the over-recovery be distributed over three months following  
6 the Commission's Order in this proceeding. Specifically, LG&E recommends that the  
7 Commission approve a decrease to the Environmental Surcharge Revenue  
8 Requirement of \$567,402 per month for two months and \$567,403 for one month,  
9 beginning in the second full billing month following the Commission's Order in this  
10 proceeding. This method is consistent with the method of implementing previous over-  
11 or under-recovery positions in prior ECR review cases.

12 **Q. What is the bill impact on a residential customer for the proposed collection of the**  
13 **over-recovery?**

14 A. The inclusion of the distribution reflecting the over-recovery position in the  
15 determination of the ECR billing factor will decrease the billing factor by  
16 approximately 0.67% per month for three months. For a residential customer using an  
17 average of 976 kWh per month, the impact of the adjusted ECR billing factor would be  
18 a decrease of approximately \$0.62 per month for three months (using rates and  
19 adjustment clause factors in effect for the November 2015 billing month).

20 **Q. What rate of return is LG&E proposing to use for all ECR Plans upon the**  
21 **Commission's Order in this proceeding?**

22 A. LG&E is recommending an overall rate of return on capital of 10.10%, including the  
23 currently approved 10.00% return on equity and adjusted capitalization, to be used to

1 calculate the environmental surcharge. This is based on capitalization as of August 31,  
2 2015 and the Commission's Order of June 30, 2015 in Case No. 2014-00372 and use  
3 of the 2015 gross-up revenue factor that excludes the §199 manufacturing tax  
4 deduction. Please see the response and attachment to Commission Staff's Request for  
5 Information Question No. 5 following this testimony.

6 **Q. What is your recommendation to the Commission in this case?**

7 A. LG&E makes the following recommendations to the Commission in this case:

- 8 a) The Commission should approve the proposed decrease to the Environmental  
9 Surcharge Revenue Requirement of \$567,402 per month for two months and  
10 \$567,403 for one month beginning in the second full billing month following  
11 the Commission's Order in this proceeding;
- 12 b) The Commission should determine the environmental surcharge amount for the  
13 six-month billing period ending October 31, 2015 to be just and reasonable;
- 14 c) The Commission should approve the use of an overall rate of return on capital  
15 of 10.10%, using a return on equity of 10.00%, beginning in the second full  
16 billing month following the Commission's Order in this proceeding.

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

18 A. Yes.