

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY AND)
APPROVAL OF ITS 2016 COMPLIANCE PLAN) **CASE NO. 2016-00026**
FOR RECOVERY BY ENVIRONMENTAL)
SURCHARGE)

KENTUCKY UTILITIES COMPANY
SUPPLEMENTAL RESPONSE TO THE
COMMISSION STAFF'S INITIAL REQUEST
DATED MARCH 11, 2016

FILED: APRIL 19, 2016

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and Louisville Gas and Electric Company and 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 19th day of April 2016.



Notary Public (SEAL)

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2016
Notary ID # 512743

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Initial Request Dated March 11, 2016

Case No. 2016-00026

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 1

Witness: Robert M. Conroy

- Q-1. The Direct Testimony of Robert M. Conroy ("Conroy Testimony"), page 5, states that as to Project 36, "The total expected capital cost of Phase II is \$11.9 million (of which KU seeks to recover \$5.3 million through the environmental cost recovery ("ECR") mechanism as part of its 2016 Plan Project 36). KU is not seeking operation and maintenance ("O&M") cost recovery through the ECR mechanism for this project. . . ."
- a. Explain what costs will be recovered in the \$5.3 million.
 - b. If there are O&M costs, explain the kinds of cost and provide the annual O&M costs not being recovered.

ORIGINAL RESPONSE

- A-1. a. In KU's most recent base rate case (Case No. 2014-00371), KU included capital costs for environmental projects not yet included in an approved ECR plan in its revenue requirement calculation. The \$5.3 million referenced above does not represent any particular component or specific cost associated with the referenced ECR project, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016. To avoid any form of double recovery, capital expenditures will not flow through the ECR mechanism until the amount in base rates is exceeded.
- b. O&M costs related to Phase II will be similar to costs incurred in Phase I which are already being recovered through KU's environmental surcharge and are not distinguishable. KU plans to continue to recover its Brown landfill O&M costs through its environmental surcharge as part of Project 29.

SUPPLEMENTAL RESPONSE

- a. In KU's most recent base rate case (Case No. 2014-00371), KU included capital costs for environmental projects not yet included in an approved ECR plan in its revenue requirement calculation. Upon further review, KU determined the \$5.3 million referenced above does not completely represent the total amount of Project No. 36 KU

seeks to recover through the ECR mechanism. KU subsequently determined that a 13-month average capital expenditure should be used to reflect the same calculation used for the approved revenue requirement in KU's most recent rate case. This, in addition to a formulaic cell reference issue that over credited the project amount recovered through base rates, results in a net value of \$9.8 million rather than \$5.3 million.¹ The net value does not represent any particular component or specific cost associated with ECR Project No. 36, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016 used in KU's most recent base rate case. To avoid any form of double recovery, capital expenditures will not flow through the ECR mechanism until the amount in base rates is exceeded. The following table illustrates changes to the amount currently in base rates. Also, see the attachment being provided in Excel format that shows calculations for the amount in base rates.

\$ Millions	Project Total	Original Amount in Base Rates	Original Net Recovered through ECR	Revised Amount in Base Rates	Revised Net Recovered through ECR
Project 36	\$11.9	\$6.6	\$5.3	\$2.1	\$9.8

¹ See attachment that illustrates the error in calculating the original amount in base rates value.

Attachment in Excel

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

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Initial Request Dated March 11, 2016

Case No. 2016-00026

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 4

Witness: Robert M. Conroy

- Q-4. The Conroy Testimony, page 10, lines 6–9, states that as to Project 39, “The total projected capital cost of these surface impoundment closures is \$77.9 million for all three stations (of which KU seeks to recover \$77.5 million through the ECR mechanism as part of its 2016 Plan Project 39). KU is not seeking O&M cost recovery through the ECR mechanism for this project. . . .”
- a. Explain what costs will be recovered in the \$77.5 million.
 - b. If there are O&M costs, explain the kinds of cost and provide the annual O&M costs not being recovered.

ORIGINAL RESPONSE

- A-4. a. The \$77.5 million referenced above does not represent any particular component or specific cost associated with the referenced ECR project, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016. See the response to Question No. 1a.
- b. Any costs related to groundwater monitoring once the projects are complete are expected to be minimal and will be charged to the accumulated depreciation reserve similarly to other closure costs. Future O&M costs, such as mowing, are not currently known, but are expected to be minimal, and will be recovered through future rate case proceedings where applicable.

SUPPLEMENTAL RESPONSE

- a. Upon further review, KU determined the \$77.5 million referenced above does not completely represent the total amount of Project No. 39 KU seeks to recover through the ECR mechanism for the reasons identified in the supplemental response to Question No. 1a. KU seeks to recover \$77.9 million for Project No. 39 through the ECR mechanism. This net value does not represent any particular component or specific cost associated with ECR Project No. 39, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30,

Supplemental Response to Question No. 4**Page 2 of 2****Conroy**

2016 used in KU's most recent rate case. The following table illustrates changes to the amount currently in base rates. Also, see the supplemental response to Question No. 1a.

\$ Millions	Project Total	Original Amount in Base Rates	Original Net Recovered through ECR	Revised Amount in Base Rates	Revised Net Recovered through ECR
Project 39	\$77.94	\$0.42	\$77.52	\$0.06	\$77.88

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Initial Request Dated March 11, 2016

Case No. 2016-00026

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 5

Witness: Robert M. Conroy

Q-5. Refer to the Conroy Testimony, page 11, lines 7–10, as to Project 40. The total projected capital cost is \$364.2 million for Ghent, but \$339.9 million is to be recovered through the ECR mechanism. Explain what costs are to be recovered and what costs are not.

ORIGINAL RESPONSE

A-5. The \$339.9 million referenced above does not represent any particular component or specific cost associated with the referenced ECR project, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016. See the response to Question No. 1a.

SUPPLEMENTAL RESPONSE

Upon further review, KU determined the \$339.9 million referenced above does not completely represent the total amount of Project No. 40 KU seeks to recover through the ECR mechanism for the reasons identified in the supplemental response to Question No. 1a. KU seeks to recover \$357.8 million for Project No. 40 through the ECR mechanism. This net value does not represent any particular component or specific cost associated with ECR Project No. 40, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016 used in KU's most recent rate case. The following table illustrates changes to the amount currently in base rates. Also, see the supplemental response to Question No. 1a.

\$ Millions	Project Total	Original Amount in Base Rates	Original Net Recovered through ECR	Revised Amount in Base Rates	Revised Net Recovered through ECR
Project 40	\$364.2	\$24.3	\$339.9	\$6.4	\$357.8

KENTUCKY UTILITIES COMPANY

Response to Commission Staff’s Initial Request Dated March 11, 2016

Case No. 2016-00026

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 6

Witness: Robert M. Conroy

Q-6. Refer to the Conroy Testimony, page 11, lines 10–12, as to Project 41. The total projected capital cost is \$105.3 million for Trimble County, but \$101.9 million is to be recovered through the ECR mechanism. Explain what costs are to be recovered and what costs are not.

ORIGINAL RESPONSE

A-6. The \$101.9 million referenced above does not represent any particular component or specific cost associated with the referenced ECR project, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016. See the response to Question No. 1a.

SUPPLEMENTAL RESPONSE

Upon further review, KU determined the \$101.9 million referenced above does not completely represent the total amount of Project No. 41 KU seeks to recover through the ECR mechanism for the reasons identified in the supplemental response to Question No. 1a. KU seeks to recover \$104.3 million for Project No. 41 through the ECR mechanism. This net value does not represent any particular component or specific cost associated with ECR Project No. 41, but rather represents the total projected capital investment for ECR Project No. 41 less the amount projected in the test year ending June 30, 2016 used in KU’s most recent rate case. The following table illustrates changes to the amount currently in base rates. Also, see the supplemental response to Question No. 1a.

\$ Millions	Project Total	Original Amount in Base Rates	Original Net Recovered through ECR	Revised Amount in Base Rates	Revised Net Recovered through ECR
Project 41	\$105.3	\$3.4	\$101.9	\$1.0	\$104.3

KENTUCKY UTILITIES COMPANY

Response to Commission Staff’s Initial Request Dated March 11, 2016

Case No. 2016-00026

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 7

Witness: Robert M. Conroy

Q-7. Refer to the Conroy Testimony, page 11, lines 12–13, as to Project 42. The total projected capital cost is \$101.3 million for Brown, but \$98.3 million is to be recovered through the ECR mechanism. Explain what costs are to be recovered and what costs are not.

ORIGINAL RESPONSE

A-7. The \$98.3 million referenced above does not represent any particular component or specific cost associated with the referenced ECR project, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016. See the response to Question No. 1a.

SUPPLEMENTAL RESPONSE

Upon further review, KU determined the \$98.3 million referenced above does not completely represent the total amount of Project No. 42 KU seeks to recover through the ECR mechanism for the reasons identified in the supplemental response to Question No. 1a. KU seeks to recover \$100.5 million for Project No. 42 through the ECR mechanism. This net value does not represent any particular component or specific cost associated with ECR Project No. 42, but rather represents the total projected capital investment for the project less the amount projected in the test year ending June 30, 2016 used in KU’s most recent rate case. The following table illustrates changes to the amount LG&E seeks to recover through the ECR mechanism. Also, see the supplemental response to Question No. 1a.

\$ Millions	Project Total	Original Amount in Base Rates	Original Net Recovered through ECR	Revised Amount in Base Rates	Revised Net Recovered through ECR
Project 42	\$101.3	\$3.0	\$98.3	\$0.8	\$100.5