

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR CERTIFICATES OF)	
PUBLIC CONVENIENCE AND NECESSITY AND)	
APPROVAL OF ITS 2016 COMPLIANCE PLAN)	CASE NO. 2016-00027
FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

LOUISVILLE GAS AND ELECTRIC COMPANY

**SUPPLEMENTAL RESPONSE TO THE
COMMISSION STAFF'S INITIAL REQUEST**

DATED MARCH 11, 2016

FILED: APRIL 19, 2016

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Case No. 2016-00027

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 1

Witness: Robert M. Conroy

- Q-1. Refer to the Direct Testimony of Robert M. Conroy ("Conroy Testimony"), page 7, lines 21–22, which state that the total projected capital cost for Project 29 is \$196.9 million, and that LG&E seeks to recover \$193.7 million through the environmental surcharge. Explain what costs will be recovered and what costs are not recovered.

ORIGINAL RESPONSE

- A-1. In LG&E's most recent base rate case (Case No. 2014-00372), LG&E included capital costs for environmental projects not yet included in an approved ECR plan in its revenue requirement calculation. The \$193.7 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.

SUPPLEMENTAL RESPONSE

In LG&E's most recent base rate case (Case No. 2014-00372), LG&E included capital costs for environmental projects not yet included in an approved ECR plan in its revenue requirement calculation. Upon further review, LG&E determined the \$193.7 million referenced above does not completely represent the total amount of Project 29 LG&E seeks to recover through the ECR mechanism. LG&E subsequently determined that a 13-month average capital expenditure should be used to reflect the same calculation used for the approved revenue requirement in LG&E'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 \$195.8 million rather than \$193.7 million.¹ The net value does not represent any particular component or specific cost associated with ECR Project No. 29, 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 LG&E's most recent rate case. To avoid any form of double recovery, capital expenditures will not flow through

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

the ECR mechanism until the amount in base rates is exceeded. The following table illustrates changes to the amount LG&E seeks to recover through the ECR mechanism. 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 29	\$196.9	\$3.2	\$193.7	\$1.1	\$195.8

Attachment in Excel

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

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Case No. 2016-00027

SUPPLEMENTAL RESPONSE DATED APRIL 19, 2016

Question No. 2

Witness: Robert M. Conroy

- Q-2. Refer to the Conroy Testimony, page 7, line 23, and page 8, lines 1 and 2, which state that the total projected capital cost for Project 30 is \$114.1 million, and that LG&E seeks to recover \$110.4 million through the environmental surcharge. Explain what costs will be recovered and what costs are not recovered.

ORIGINAL RESPONSE

- A-2. The \$110.4 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. 1.

SUPPLEMENTAL RESPONSE

Upon further review, LG&E determined the \$110.4 million referenced above does not completely represent the total amount of Project No. 30 LG&E seeks to recover through the ECR mechanism for the reasons identified in the supplemental response to Question No. 1. LG&E seeks to recover \$113.0 million for Project No. 30 through the ECR mechanism. This net value does not represent any particular component or specific cost associated with Project No. 30, 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 LG&E'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. 1.

\$ Millions	Project Total	Original Amount in Base Rates	Original Net Recovered through ECR	Revised Amount in Base Rates	Revised Net Recovered through ECR
Project 30	\$114.08	\$3.64	\$110.44	\$1.05	\$113.03