

Verification

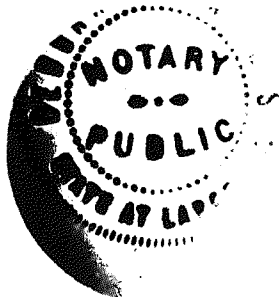
The undersigned, Daniel Frockt, being duly sworn, certifies that he is the Chief Financial Officer for the Louisville/Jefferson County metro Government, and that the Responses to Requests for Information contained herein are true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry.

Daniel Frockt
(name)

STATE OF KENTUCKY)
)
COUNTY OF Jefferson)

SUBSCRIBED AND SWORN to before me by (name) in the aforesaid state and county on the 7 day of April, 2017.

My commission expires 9/6/2020



Deborah M. Summers
Notary Public

Electronic Application of Louisville Gas and Electric Company for a Declaratory Order
Regarding the Proper Method of Municipal Franchise Fee Recovery
Case No. 2016-00317
Response of Louisville Metro to Requests from Commission Staff

QUESTION NO. 1

PAGE 1 OF 1

Refer to the Direct Testimony of Rick Blackwell ("Blackwell Testimony"), page 1, lines 22-23, which states "I know that for many years the former City of Louisville assessed a fee for LG&E's use of its right-of-ways and that fee was simply absorbed as a price of doing business."

- a. State the years referenced in this statement and the amount of the fee paid by LG&E each year.
- b. State whether this statement indicates Mr. Blackwell's belief that the fee was not recovered through LG&E's base rates during those years.

RESPONSE:

- a. See the Response to PSC 1-2(a).
- b. The changes were not on the bill as a line item and if recovered were done so through the base rates.

RESPONDING WITNESSES:

Rick Blackwell

Electronic Application of Louisville Gas and Electric Company for a Declaratory Order
Regarding the Proper Method of Municipal Franchise Fee Recovery
Case No. 2016-00317
Response of Louisville Metro to Requests from Commission Staff

QUESTION NO. 2

PAGE 1 OF 2

Refer to the Blackwell Testimony, page 2, lines 11-13, which state, "The basic theory of a franchise fee is to ensure that a utility pays the city for the benefit the utility realizes by use of the city's rights of way. Essentially, it is the rent a utility owes to a city for the opportunity to use the city's infrastructure to provide service and earn a profit."

- a. Explain whether LG&E acquired the existing natural gas rights-of-way ("ROW") for pipelines through financial payments or other arm's-length transactions, from the former city of Louisville.
- b. If the answer to part a. is yes, explain whether the former city of Louisville has those ROW agreements, and whether the acquisition of the ROW was a one-time payment for as long as those pipelines within the ROW are in service.
- c. If the answer to part b. is yes, explain whether the annual franchise fee is rent for the ROW, or a fee for the opportunity to do business.
- d. Explain whether the Louisville Metro views the franchise fee as net profit tax or assessment, since LG&E has the opportunity to provide service and earn a profit.
- e. Explain whether Louisville Metro assesses LG&E an occupational tax for the opportunity to serve Louisville Metro.

RESPONSE:

- a. Prior to the current natural gas franchise agreement, two previous gas franchise agreements were executed with LG&E: one in 1976 and another in 1998. The 1998 agreement called for a \$400,000 annual payment from LG&E to Louisville Metro for use of the ROW, with an annual CPI adjustment, the final check under that agreement was for \$596,021.22, a copy of which is attached. The 1976 agreement called for an annual payment of \$85,000. A copy of the ordinances approving the terms of the agreements are provided with this filing. Additionally, the 1998 franchise agreement

Electronic Application of Louisville Gas and Electric Company for a Declaratory Order
Regarding the Proper Method of Municipal Franchise Fee Recovery
Case No. 2016-00317
Response of Louisville Metro to Requests from Commission Staff

QUESTION NO. 2

PAGE 2 OF 2

- is provided. If other agreements are found by Louisville Metro, the record will be supplemented promptly.
- b. See answer to 2(a).
 - c. Please refer to Councilman Blackwell's testimony, page 3, lines 18-23, and page 2, lines 11-17.
 - d. See answer to 2(c).
 - e. Public Service Corporations are exempted from paying the Net Profits portion of the local Occupational License Tax [KRS 68.180 3(a)]. All employees are subject to the Withholdings portion of the local Occupational License Tax. And Public Service Corporations pay ad valorem taxes on both their real and tangible personal property to both State and local governments.

RESPONDING WITNESSES:

Daniel Frockt

Electronic Application of Louisville Gas and Electric Company for a Declaratory Order
Regarding the Proper Method of Municipal Franchise Fee Recovery
Case No. 2016-00317
Response of Louisville Metro to Requests from Commission Staff

QUESTION NO. 3

PAGE 1 OF 1

Refer to the Blackwell Testimony, page 2, lines 22-24. State whether Louisville Metro's intention is for the franchise fee to be based on the metered usage of each customer or on the percentage of natural gas delivered to each customer that passed through Louisville Metro's rights-of-way. If the latter, explain how the amount would be calculated.

RESPONSE:

The intent is to base the fee on the metered usage of each customer.

RESPONDING WITNESSES:

Rick Blackwell

Electronic Application of Louisville Gas and Electric Company for a Declaratory Order
Regarding the Proper Method of Municipal Franchise Fee Recovery
Case No. 2016-00317
Response of Louisville Metro to Requests from Commission Staff

QUESTION NO. 4

PAGE 1 OF 2

Refer to the Blackwell Testimony, page 3, lines 9-12, which state, "Those customers located in the satellite cities receive all the same benefits from the franchise fee as those customers located outside the satellite cities, except only one of those groups is actually paying for the benefits received."

- a. Provide a detailed list of the "benefits" referenced in this statement.
- b. State whether there are any benefits or services provided by Louisville Metro that customers outside of the satellite cities receive that customers located in the satellite cities do not receive, such as garbage pickup services. If yes, list each benefit or service.
- c. State whether franchise fee revenue received by Louisville Metro is segregated from other revenues received by Louisville Metro. If yes, list the individual expenditures made with these funds for calendar years 2015 and 2016. If no, and Louisville Metro is unable to provide the list of expenditures, explain how it is known which customers benefit from the franchise fee revenue.

RESPONSE:

- a. See the Affidavit of Doug Hamilton, Exhibit 5 to the Louisville Metro Amended Complaint in Case No. 2016-00347.
- b. No. Louisville Metro – excluding the satellite cities – is divided into two distinct taxing and service districts. The Urban Services District is the geographic area defined by the old political borders of the City of Louisville. The “unincorporated areas” is the rest of Jefferson County excluding the satellite cities and the urban services district. In return for higher taxes charged in the Urban Services District, those constituents receive additional services, such as trash and recycling pickup. The areas outside of the Urban Services District do not pay the additional tax and do not receive the additional services. The only infrastructure-related service provided

Electronic Application of Louisville Gas and Electric Company for a Declaratory Order
Regarding the Proper Method of Municipal Franchise Fee Recovery
Case No. 2016-00317
Response of Louisville Metro to Requests from Commission Staff

QUESTION NO. 4

PAGE 2 OF 2

within Jefferson County that all customers receive but only some customers pay for is the service provided by LG&E.

- c. Franchise fee revenue is not segregated from other revenues. Franchise fee revenue is added to the general fund.

RESPONDING WITNESSES:

Rick Blackwell