

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**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**

**TESTIMONY OF**  
**LONNIE E. BELLAR**  
**SENIOR VICE PRESIDENT, OPERATIONS**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Filed: March 14, 2017**



**INTRODUCTION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**Q. Please state your name, position, and business address.**

A. My name is Lonnie E. Bellar. I am the Senior Vice President of Operations for Louisville Gas and Electric Company (“LG&E” or “Company”) and an employee of LG&E and KU Services Company, which provides services to LG&E and Kentucky Utilities Company (“KU”). My business address is 220 West Main Street, Louisville, Kentucky 40202.

**Q. Please describe your educational and professional background.**

A. A statement of my professional history and education is attached to this testimony as Appendix A.

**Q. What is your position at LG&E?**

A. Since January 2017, I have been the Senior Vice President of Operations. I am responsible for all operations areas including generation, energy supply and analysis, electric distribution and transmission, gas distribution and storage, and customer service. Immediately prior to this position, I was the Vice President of Gas Distribution, where I was responsible for the safe, reliable, and strategic operation of LG&E’s natural gas transmission and distribution systems and the delivery of natural gas to customers.

**Q. Have you previously testified before this Commission?**

A. Yes, I have testified in numerous proceedings before the Commission. Most recently, I testified in LG&E’s 2016 and 2012 base rate cases, the case in which LG&E applied to amend its Certificate of Public Convenience and Necessity concerning flue-gas

1 desulfurization for Mill Creek Unit 3, and in the administrative case for consideration  
2 of smart grid and smart meter technologies.<sup>1</sup>

3 **Q. What are the purposes of your testimony?**

4 A. The purposes of my testimony are to describe LG&E's franchise agreement with  
5 Louisville-Jefferson County Metro Government ("Louisville Metro") and LG&E's  
6 gas distribution system.

7 **Q. Are you sponsoring any exhibits to your testimony?**

8 A. Yes. I am sponsoring the following exhibits to my direct testimony.

9 **Exhibit LEB-1** LG&E's Gas System Map

10 **Exhibit LEB-2** List of Municipalities in Jefferson County

11 **Exhibit LEB-3** List of LG&E-Served Municipalities Outside Jefferson County

12 **LG&E'S GAS DISTRIBUTION SYSTEM**

13 **Q. Please describe LG&E's gas system.**

14 A. LG&E's gas distribution business serves approximately 320,000 customers. For the  
15 coming year, LG&E's annual throughput is expected to be about 44,000,000 mcf.  
16 Approximately one-fourth of LG&E's throughput is expected to be transported for  
17 commercial and industrial customers; the remainder is expected to be sold to  
18 residential, commercial, industrial, and other customers. LG&E is different from the  
19 typical local gas distribution company in that it owns and operates considerable on-

---

<sup>1</sup> *In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates and for Certificates of Public Convenience and Necessity, Case No. 2016-00371; In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Lines and Risers, and a Gas Line Surcharge, Case No. 2012-00222; In the Matter of: Application of Louisville Gas and Electric Company to Modify Its Certificate of Public Convenience and Necessity as to the Mill Creek Unit 3 Flue-Gas Desulfurization Unit, Case No. 2012-00469; In the Matter of: Consideration of the Implementation of Smart Grid and Smart Meter Technologies, Case No. 2012-00428.*

1 system underground gas storage consisting of five storage fields and three compressor  
2 stations. In addition to these five underground gas storage fields, the gas facilities we  
3 operate also include approximately 4,337 miles of gas distribution pipe and 387 miles  
4 of transmission pipe. LG&E's gas distribution business serves customers in Bullitt,  
5 Green, Hardin, Hart, Henry, Jefferson, Larue, Marion, Meade, Metcalfe, Nelson,  
6 Oldham, Shelby, Spencer, Trimble, and Washington Counties.

7 **Q. Please briefly describe how LG&E distributes natural gas from interstate**  
8 **pipelines to its customers.**

9 A. Certainly. LG&E takes all of its natural gas supplies from delivery points on two  
10 interstate pipelines, Texas Gas Transmission, LLC and Tennessee Gas Pipeline  
11 Company, LLC. The twelve delivery points where the natural gas is transferred from  
12 the interstate pipeline system to LG&E are referred to as "city gates." A map of  
13 LG&E's gas system is shown in Exhibit LEB-1.

14 **Q. Does LG&E's operation of its distribution system radiate outward from**  
15 **Louisville Metro into surrounding counties?**

16 A. No. LG&E does not operate its distribution system originating in Louisville and  
17 radiating out; rather the distribution system and the area served by the distribution  
18 system *includes* Louisville Metro and the various counties and municipalities  
19 contained therein. LG&E's entire distribution system and thus service area is  
20 ultimately fed from its twelve city gates, of which only four are within Louisville  
21 Metro.<sup>2</sup>

---

<sup>2</sup> Exhibit LEB-1.

1 **Q. Does most of LG&E’s gas originate and pass through LG&E’s distribution**  
2 **system located in Louisville Metro’s right-of-way?**

3 A. No. Only some of LG&E’s gas originates and passes through the distribution system  
4 in Louisville Metro’s right-of-way; and there is no reasonable method to calculate the  
5 amount of LG&E’s natural gas that passes through Louisville Metro’s right-of-way.<sup>3</sup>

6 LG&E has only four of its twelve city gates located within the former City of  
7 Louisville or unincorporated areas of Jefferson County, which is the area where the  
8 Louisville Metro franchise fee may be collected (“Franchise Area”).<sup>4</sup> Of the  
9 remaining eight city gates, one gate is in the City of Middletown in Jefferson County,  
10 three gates are in Oldham County, one is in Trimble County, one is in Marion  
11 County, one is in Hart County, and one is in Meade County. Accordingly, a  
12 significant portion of LG&E’s gas does not originate by delivery at city gates within  
13 Louisville Metro.

14 In fact, contrary to Louisville Metro’s assertions, much of the gas used to  
15 serve Louisville Metro passes through other jurisdictions. In 2016, approximately  
16 forty-five percent of LG&E’s gas supply was received by LG&E within the  
17 Louisville Metro Franchise Area, and approximately fifty-five percent of LG&E’s gas  
18 supply was received by LG&E outside the Louisville Metro Franchise Area.  
19 Approximately seventy-two percent of LG&E’s total gas deliveries (both sales and  
20 transport volumes) were made to customers located within the Louisville Metro  
21 Franchise Area in 2016. Therefore, deliveries to customers located *within* the

---

<sup>3</sup> The 2016 Franchise provides, at the request of Louisville Metro, that the Franchise Fee may be calculated by the measured mcf of gas delivered to customers. This calculation method, however, does not represent a calculation of the amount of LG&E’s natural gas that passes through Louisville Metro’s right-of-way.

<sup>4</sup> Exhibit LEB-1.

1 Franchise Area are very dependent on gas supplies received by LG&E from *outside*  
2 the Franchise Area. Thus, contrary to Louisville Metro’s contentions, customers  
3 located within the Franchise Area utilize LG&E’s gas distribution system and other  
4 utility infrastructure located outside the Franchise Area to obtain the volumes of gas  
5 needed for their gas service.

6 **Q. Do “land-locked” municipalities in Jefferson County rely on the rights-of-way of**  
7 **Louisville Metro to receive gas?**

8 A. No. In Paragraph 32 of Louisville Metro’s amended complaint in Case No. 2016-  
9 00347,<sup>5</sup> Louisville Metro asserts that because most municipalities “are essentially  
10 land-locked within Louisville Metro . . . , it is physically impossible for those  
11 municipalities to receive natural gas service without utilizing Louisville Metro’s  
12 rights-of-way.” This allegation is factually incorrect and disregards the  
13 interconnectedness of the gas distribution system. Louisville Metro and all  
14 municipalities in Jefferson County depend upon the entire LG&E gas distribution  
15 system to receive gas service. For instance, one of LG&E’s city gates is located in  
16 Middletown in Jefferson County. Louisville Metro receives gas from the city gate in  
17 Middletown and benefits from Middletown’s rights-of-way. Just as municipalities in  
18 Jefferson County rely on Louisville Metro rights-of-way to receive gas, Louisville  
19 Metro also relies on the rights-of-way of these other municipalities in LG&E’s gas  
20 system. Thus, Louisville Metro’s assertion that other municipalities rely on  
21 Louisville Metro to receive gas ignores the fact that Louisville Metro is also  
22 dependent on these other municipalities to receive gas. LG&E’s distribution system

---

<sup>5</sup> *In the Matter of: Louisville/Jefferson County Metro Government v. Louisville Gas and Electric Company*, Case No. 2016-00347, Amended Complaint at 6 (Ky. PSC Nov. 9, 2016).

1 in the rights-of-way of the various municipal and county governments is inextricably  
2 interconnected to serve all customers.

3 **Q. Do the maps provided by Louisville Metro in the amended complaint and**  
4 **addendum in Case No. 2016-00347 support the allegation that all LG&E gas**  
5 **customers receive their gas through mains located under Louisville Metro’s**  
6 **rights-of-way?**

7 A. No. The maps do not show that all LG&E customers receive their gas through mains  
8 located only under Louisville Metro rights-of-way. Instead, as explained above, the  
9 maps only show that the system is interconnected and LG&E gas customers receive  
10 gas through mains located in the rights-of-way in multiple municipal jurisdictions  
11 *other than* Louisville Metro. The maps do not affirmatively establish that all LG&E’s  
12 gas customers receive their gas from distribution lines located within Louisville  
13 Metro’s rights-of-way.

14 **FRANCHISE FEES**

15 **Q. Please briefly describe utility franchise agreements.**

16 A. Certainly. A utility franchise is a written agreement between a municipality and a  
17 utility company that identifies certain requirements for the utility to use the  
18 municipality’s public right-of-way. The establishment of and process for obtaining  
19 franchise agreements between municipalities and utilities is prescribed by legal  
20 requirements. For use of the rights-of-way, franchise agreements may provide that  
21 the utility pay a “franchise fee” to the municipality. Pursuant to our tariff, LG&E  
22 lists franchise fees as a separate item on customers’ bills and collects the fees directly  
23 from the customers within the municipality’s jurisdiction and remits the proceeds to



1 the municipality government.<sup>6</sup> Because the fees are remitted directly to the  
2 municipality government, LG&E does not include the franchise fees in its rates for  
3 service.<sup>7</sup>

4 **Q. Please describe LG&E’s current franchise agreement with Louisville Metro.**

5 A. LG&E and Louisville Metro executed the current franchise agreement on August 30,  
6 2016 (the “2016 Franchise”).<sup>8</sup> The 2016 Franchise is for a term of five years and  
7 includes a Franchise Fee to be paid to Louisville Metro.

8 **Q. Please describe the Franchise Fee in the 2016 Franchise.**

9 A. The 2016 Franchise provides that the Franchise Fee may be calculated by using any  
10 of the four calculation options or a combination of the methods in the franchise  
11 agreement, each at the sole discretion of Louisville Metro Council throughout the  
12 term of the 2016 Franchise. Section 11(a) of the franchise agreement provides that  
13 Louisville Metro may use any of the following methods or a combination of the  
14 methods to compute the Franchise Fee: (1) the number of the linear feet of in-service  
15 pipeline segments in the LG&E Geographic Information System (GIS) owned or  
16 operated by the Company, whether said pipe is used for transmission or distribution,  
17 within the Franchise Area; (2) each thousand cubic foot (mcf) of gas utilizing the  
18 Company’s pipe, pipeline, main, pumping stations or other means to transport;  
19 whether for transmission or distribution, for the purpose of providing natural gas  
20 service to customers as a local distribution company within the Franchise Area (using

---

<sup>6</sup> A copy of LG&E’s Franchise Rider tariff is contained in Exhibit 2 to LG&E’s *Application for Declaratory Order Regarding the Proper Method of Municipal Franchise Fee Recovery*.

<sup>7</sup> As explained in Mr. Conroy’s testimony, LG&E’s tariff provides for the collection of franchise fees as a line item on customer bills and has been repeatedly approved by the Commission as fair, just, and reasonable.

<sup>8</sup> A copy of the 2016 Franchise is contained in Exhibit 1 to LG&E’s *Application for Declaratory Order Regarding the Proper Method of Municipal Franchise Fee Recovery*.

1 the measured mcf of gas delivered to customers as a substitute);<sup>9</sup> (3) a percentage of  
2 Gross Receipts; (4) a flat fee; or (5) a combination of any of the above named  
3 options.

4 Under the terms of the 2016 Franchise, the total annual Franchise Fee is  
5 capped at three percent of gross receipts within the Louisville Metro Franchise Area.  
6 Based on LG&E's 2016 gross receipts within the Louisville Metro Franchise Area,  
7 the maximum three percent fee could result in annual Franchise Fees of nearly \$6  
8 million.

9 The 2016 Franchise Agreement also permits Louisville Metro to unilaterally  
10 change the method of calculating the franchise fee upon 60-days' notice to LG&E.

11 **Q. Is LG&E currently collecting the Franchise Fee under the 2016 Franchise?**

12 A. No. LG&E and Louisville Metro fundamentally disagree on whether and which  
13 LG&E customers should be obligated to pay the franchise fee. Under Section 12 of  
14 the 2016 Franchise Louisville Metro reserved the right to make the Franchise Fee  
15 contingent upon the resolution of the dispute. Specifically, Louisville Metro Council  
16 made the Franchise Fee contingent upon the disposition of this dispute when passing  
17 the ordinance approving the 2016 Franchise Fee.<sup>10</sup> Thus, if the Commission agrees  
18 that the Franchise Fee should be collected as a line item in accordance with LG&E's  
19 tariff, under the express terms of the 2016 Franchise, Louisville Metro will not assess  
20 and LG&E will not collect a Franchise Fee from its customers.

---

<sup>9</sup> The parenthetical reference (i.e. "using the measured mcf of gas delivered to customers as a substitute") provides the method of calculation to be used in computing the franchise fee because the amount of gas utilizing LG&E's system located within Louisville Metro's rights-of-way to serve customers cannot be calculated.

<sup>10</sup> This ordinance is attached as Exhibit 6 to LG&E's Application.

1 **Q. Is LG&E currently accruing funds to pay the Franchise Fee in the future?**

2 A. No. There is no obligation to do so under the 2016 Franchise. The collection of the  
3 Franchise Fee, if any, will be prospective only. And if the Commission determines  
4 LG&E's collection of a franchise fee should continue through its Franchise Rider  
5 tariff, then, again, under the terms of the 2016 Franchise, LG&E will have no  
6 obligation to pay Louisville Metro a franchise fee and will not collect a franchise fee  
7 from its customers, pursuant to Section 11(b) of the 2016 Franchise.

8 **Q. Aside from making the assessment of the Franchise Fee contingent on the**  
9 **resolution of this dispute, what method has Louisville Metro presently chosen to**  
10 **use to calculate the Franchise Fee?**

11 A. Louisville Metro has currently chosen to calculate the Franchise Fee using the second  
12 method described above. Section 11(b) of the 2016 Franchise provides for a fee at  
13 the commencement of the franchise of "six percent (6%) of forty-three cents (\$0.43)  
14 per thousand cubic feet (mcf) of gas," which is 2.58 cents (\$0.0258) per mcf. As I  
15 previously described, LG&E is not currently collecting the Franchise Fee because  
16 Louisville Metro made the payment of the Franchise Fee contingent on the resolution  
17 of this dispute, and then only if the Commission ordered LG&E to include the  
18 Franchise Fee in base rates.

19 **Q. Can Louisville Metro unilaterally change its method of calculating the Franchise**  
20 **Fee?**

21 A. Yes. The terms of the 2016 Franchise allow Louisville Metro to unilaterally change  
22 the Franchise Fee to any of the five options in Section 11(a). The only limitations to  
23 this unilateral discretion are that Louisville Metro cannot raise the Franchise Fee to

1 more than three percent of LG&E’s gross receipts earned within the Franchise Area  
2 and must provide LG&E 60 days’ notice of any change. Although Section 11(b)  
3 states that Louisville Metro will calculate the Fee based on the second method,  
4 Section 11(b) is applicable only to the “commencement of the Franchise” and does  
5 not limit Louisville Metro’s ability to change the amount and computation method of  
6 the Franchise Fee. Thus, Louisville Metro may change its method of Franchise Fee  
7 calculation and assess a significantly larger annual franchise fee on short notice. For  
8 instance, Louisville Metro could increase the Franchise Fee from approximately \$1  
9 million to \$6 million within 60 days. If the Commission required that the Franchise  
10 Fee be collected in base rates, LG&E’s shareholders would have to absorb the \$5  
11 million increase until base rates could be changed. The converse is also true—  
12 assuming the \$6 million Franchise Fee is included in LG&E’s gas base rates, as  
13 Louisville Metro demands, if Louisville Metro decreases the Franchise Fee from  
14 approximately \$6 million to \$1 million following the 60-days’ notice, LG&E  
15 customers would continue to be charged gas base rates with the higher franchise fee  
16 amount until the next base rate case.

17 **Q. Does the 2016 Franchise provide the area in which the Franchise Fee may be**  
18 **collected?**

19 A. Yes. The 2016 Franchise specifically delineates the area in which the Franchise Fee  
20 may be collected. Section 1 of the franchise agreement states: “There is hereby  
21 created a Franchise to acquire, lay, maintain and operate in the public streets,  
22 avenues, alleys and other public ways of Louisville Metro, but not within the  
23 jurisdiction of any other city located in Jefferson County, Kentucky (the “Franchise

1 Area”).<sup>11</sup> Thus, the Franchise Fee may be collected in the urban services district and  
2 those areas of Jefferson County which were unincorporated prior to the consolidation  
3 of the City of Louisville and Jefferson County. The Franchise Area does not include  
4 the separate incorporated municipalities within Jefferson County and, pursuant to the  
5 terms of the 2016 Franchise, Louisville Metro may not impose the Franchise Fee in  
6 those municipalities.<sup>12</sup>

7 **Q. Why does the 2016 Franchise specifically exclude the municipalities within**  
8 **Jefferson County from the Franchise Area?**

9 A. The separate municipalities in Jefferson County are excluded from the Franchise Area  
10 because they are separate and independent municipal governments from Louisville  
11 Metro. When the City of Louisville consolidated with Jefferson County’s  
12 government to create Louisville Metro in 2003, more than 80 incorporated  
13 municipalities existed in the area of Jefferson County, but outside the City of  
14 Louisville. The municipalities in existence at that time remained incorporated and  
15 retained the same governmental status they had before the merger. There are 83  
16 incorporated municipalities in Jefferson County that are separate and apart from  
17 Louisville Metro.<sup>13</sup> Each has the authority to require a franchise agreement from  
18 utilities to use their respective rights-of-way. All municipalities in Kentucky,  
19 including those located in Jefferson County, possess independent franchising  
20 authority.

---

<sup>11</sup> (emphasis added).  
<sup>12</sup> Exhibit LEB-2 contains a list of the municipalities in Jefferson County.  
<sup>13</sup> Exhibit LEB-2.

1 **Q. Does Louisville Metro have the authority to impose a franchise on municipal**  
2 **rights-of-way outside of the Franchise Area?**

3 A. No. Louisville Metro does not have franchising authority over the areas outside of  
4 the Franchise Area, including the other cities in Jefferson County. Louisville Metro  
5 thus has franchising authority over the old city of Louisville and unincorporated areas  
6 of Jefferson County but does not have franchising authority of the rights-of-way  
7 located in municipalities located in or outside of Jefferson County, Kentucky.

8           There are 83 municipalities in Jefferson County that are separate and apart  
9 from Louisville Metro, all with independent franchising authority.<sup>14</sup> Moreover,  
10 outside Jefferson County, LG&E customers reside in 31 additional and separate cities  
11 and municipalities, all with independent franchising authority as well.<sup>15</sup> Thus, if  
12 Louisville Metro were permitted to require LG&E to collect fees for the 2016  
13 Franchise from customers living outside of the Franchise Area, many customers could  
14 be subject to multiple franchise fees. For instance, LG&E currently collects from  
15 customers in Radcliff and Pleasureville the franchise fees assessed by their respective  
16 cities. If Louisville Metro were permitted to require LG&E to collect the Franchise  
17 Fee for the 2016 Franchise from customers who reside within one of the  
18 municipalities within or outside of Jefferson County, these residents—and potentially  
19 others—would have to pay two franchise fees. And left unchecked, the same  
20 customers could potentially pay for hundreds of franchise fees from different  
21 municipalities notwithstanding the customers do not reside in Louisville Metro’s  
22 Franchise Area.

---

<sup>14</sup> Exhibit LEB-2.

<sup>15</sup> Exhibit LEB-3.

1           If the Commission were to require LG&E to collect the Louisville Metro 2016  
2 Franchise Fee from customers outside the Franchise Area, other municipalities may  
3 also attempt to require the collection of their franchise fees from customers outside of  
4 their franchising authority. The potential domino effect would subject customers to  
5 numerous franchise fees imposed by other jurisdictions and for which they have no  
6 representation or ability to object.

7 **Q. Please explain why LG&E does not collect the Franchise Fee from residents of**  
8 **the 83 municipalities located in Jefferson County.**

9 A. Certainly. The municipalities in Jefferson County, like the municipalities located  
10 outside of Jefferson County, retain independent franchising authority and Louisville  
11 Metro simply does not have the authority to assess franchise fees on those customers  
12 who reside in other municipalities.

13 **Q. Is it discriminatory for LG&E to only collect the Franchise Fee from customers**  
14 **located in the Franchise Area?**

15 A. No. Louisville Metro argues that because the areas outside of the Franchise Area are  
16 more economically advantaged than those within the Franchise Area, LG&E has  
17 caused the most disadvantaged customers to shoulder the entire franchise fee.<sup>16</sup> By  
18 assessing the Franchise Fee to customers located in the Franchise Area, LG&E is not  
19 arbitrarily exempting a group of customers; rather, LG&E is collecting the Fee in  
20 compliance with the franchise agreement and LG&E's Commission-approved tariff.

---

<sup>16</sup> *In the Matter of: Louisville/Jefferson County Metro Government v. Louisville Gas and Electric Company*, Case No. 2016-00347, Amended Complaint at 9, 13 (Ky. PSC Nov. 9, 2016).

1 To do otherwise would be unfair and unreasonable to customers located outside the  
2 Franchise Area.<sup>17</sup>

3 **Q. Could the individual usage of the Louisville Metro rights-of-way be reasonably**  
4 **calculated for each customer?**

5 A. No. Louisville Metro suggests that because the gas Franchise Fee is based on the  
6 volume of gas, each customer should be charged a Franchise Fee based on individual  
7 usage. This allegation conflates unrelated concepts. While LG&E knows how much  
8 gas is delivered to each customer, LG&E does not know what percentage of the gas  
9 delivered to each customer passed through Louisville Metro rights-of-way. Further,  
10 because of the integrated nature of the natural gas distribution system, natural gas  
11 received by an individual customer may pass through the right-of-way in multiple  
12 municipalities to reach its final destination, demonstrating the interdependency of  
13 customers to facilities both in and outside the Louisville Metro Franchise Area.

14 Although the 2016 Franchise allows for the Franchise Fee to be calculated  
15 using the amount of gas delivered to customers, this calculation is unrelated to each  
16 customer's individual usage of the Louisville Metro rights-of-way. Determining the  
17 percentage of gas that has passed through Louisville Metro rights-of-way for each  
18 customer cannot be reasonably measured. Thus, each customer cannot be charged an

---

<sup>17</sup> See, e.g., Case No. 7843, Order (“[I]t is unfair to customers not residing within a municipality to be forced to pay part of the costs of a utility's franchise agreement with that municipality. Accordingly, tariff provisions which perpetuate such an arrangement are unfair and unreasonable.”); Case No. 89-054, Order (“Imposing this cost on utility customers who are located outside the community and who receive no benefit from the community services supported by such fees is discriminatory . . . .”); Case No. 7804, Order (“[S]ince the fees go to the municipalities in question there is no justification to assess residents outside of the political boundaries of the Franchise Area. Such a policy is tantamount to taxation without representation and therefore not in the best interest of the consumer.”).



1 individualized fee based on usage of Louisville Metro rights-of-way as Louisville  
2 Metro alleges.

3 Louisville Metro suggests that such a calculation is available because cost of  
4 service studies are regularly used in Commission proceedings to ensure that  
5 customers are paying a reasonable amount for service. A cost of service study is used  
6 in base rate proceedings to identify and allocate costs incurred by a utility for the  
7 purpose of allocating revenue by customer classes and the design of rates. This type  
8 of study does not provide LG&E with a method for calculating each customer's  
9 individual usage for the purpose of calculating a customer's responsibility under the  
10 Franchise Fee.

11 **CONCLUSION**

12 **Q. What is your conclusion and recommendation?**

13 A. I recommend that the Commission continue to find that LG&E's method of collecting  
14 franchise fees as a line item on the bills of customer residing in the municipality  
15 imposing the fee is consistent with the Commission's prior orders and order that  
16 LG&E continue to follow its tariff for the collection of the franchise fee imposed by  
17 Louisville Metro.

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

19 A. Yes, it does.  
20

## APPENDIX A

### **Lonnie E. Bellar**

Senior Vice President of Operations  
LG&E and KU Services Company  
220 West Main Street  
Louisville, Kentucky 40202  
Telephone: (502) 627-4830

### **Education**

Bachelors in Electrical Engineering;  
University of Kentucky, May 1987  
Bachelors in Engineering Arts;  
Georgetown College, May 1987  
E.ON Academy, Intercultural Effectiveness Program: 2002-2003  
E.ON Finance, Harvard Business School: 2003  
E.ON Executive Pool: 2003-2007  
E.ON Executive Program, Harvard Business School: 2006  
E.ON Academy, Personal Awareness and Impact: 2006  
Tuck Executive Education Program, Dartmouth University: 2015

### **Professional Experience**

#### **LG&E and KU Services Company**

Senior Vice President of Operations	Jan. 2017 – present
Vice President, Gas Distribution	Feb. 2013 – Jan. 2017
Vice President, State Regulation and Rates	Nov. 2010 – Jan. 2013

#### **E.ON U.S. LLC**

Vice President, State Regulation and Rates	Aug. 2007 – Nov. 2010
Director, Transmission	Sept. 2006 – Aug. 2007
Director, Financial Planning and Controlling	April 2005 – Sept. 2006
General Manager, Cane Run, Ohio Falls and Combustion Turbines	Feb. 2003 – April 2005
Director, Generation Services	Feb. 2000 – Feb. 2003
Manager, Generation Systems Planning	Sept. 1998 – Feb. 2000
Group Leader, Generation Planning and Sales Support	May 1998 – Sept. 1998

#### **Kentucky Utilities Company**

Manager, Generation Planning	Sept. 1995 – May 1998
Supervisor, Generation Planning	Jan. 1993 – Sept. 1995
Technical Engineer I, II and Senior, Generation System Planning	May 1987 – Jan. 1993

## **Professional Memberships**

Institute of Electrical and Electronics Engineers

## **Civic Activities**

E.ON U.S. Power of One Co-Chair – 2007

Kentucky Science Center – Board of Directors – 2008–Present

Metro United Way Campaign – 2008

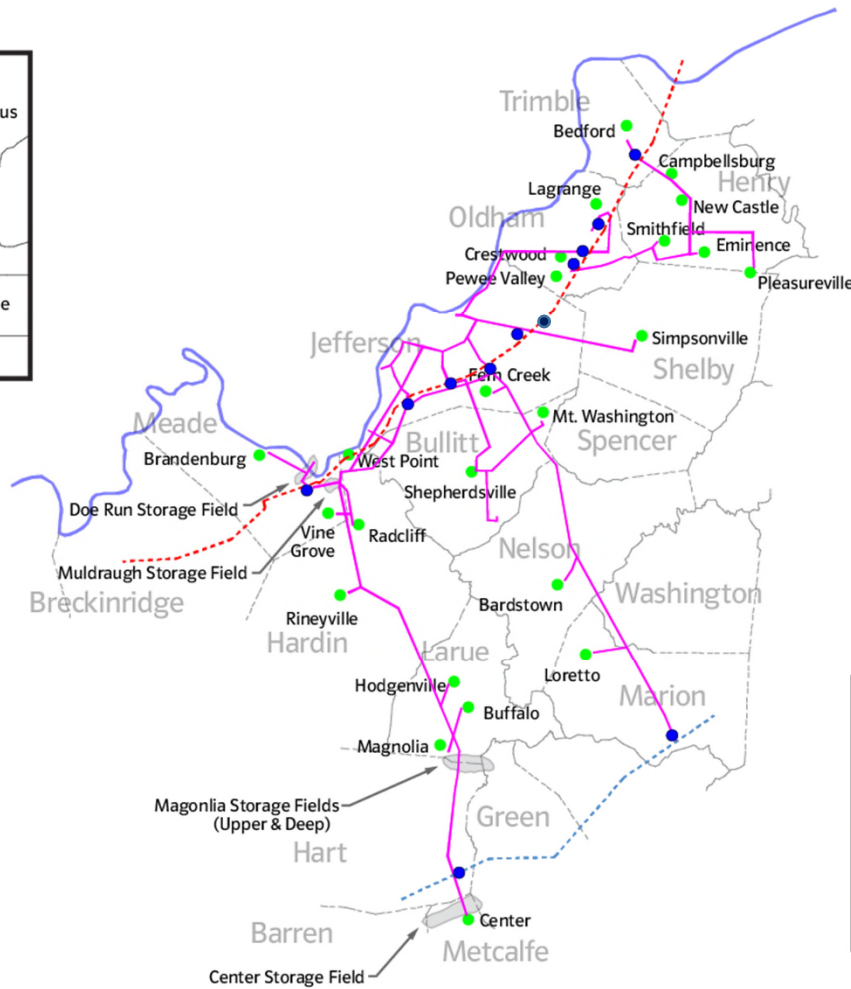
UK College of Engineering Advisory Board – 2009 – Present

American Gas Association – Board of Directors – 2013 – Present

Southern Gas Association – Board of Directors – 2013 – Present

Greater Louisville, Inc. – Board of Directors, Executive Committee – 2016–Present

# LG&E's Gas System



**System Map**  
Louisville Gas and Electric Company  
*Legend*

- Towns Served
- Underground Gas Storage Fields
- Major Gas Lines
- - - Texas Gas Transmission Line
- - - Tennessee Gas Transmission Line
- Gas Take Points

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC APPLICATION OF LOUISVILLE )**  
**GAS AND ELECTRIC COMPANY FOR A )**  
**DECLARATORY ORDER REGARDING THE ) CASE NO. 2016-00317**  
**PROPER METHOD OF MUNICIPAL FRANCHISE )**  
**FEE RECOVERY )**

**EXHIBIT LEB-2**

**LIST OF MUNICIPALITIES IN JEFFERSON COUNTY**

1. Anchorage
2. Audubon Park
3. Bancroft
4. Barbourmeade
5. Beechwood Village
6. Bellemeade
7. Bellewood
8. Blue Ridge Manor
9. Briarwood
10. Broeck Pointe
11. Brownsboro Farm
12. Brownsboro Village
13. Cambridge
14. Coldstream
15. Creekside
16. Crossgate
17. Douglass Hills
18. Druid Hills
19. Fincastle
20. Forest Hills
21. Glenview
22. Glenview Hills
23. Glenview Manor
24. Goose Creek
25. Graymoor-Devondale
26. Green Spring
27. Heritage Creek
28. Hickory Hill
29. Hills and Dales
30. Hollow Creek
31. Hollyvilla
32. Houston Acres
33. Hurstbourne
34. Hurstbourne Acres
35. Indian Hills

36. Jeffersontown
37. Kingsley
38. Langdon Place
39. Lincolnshire
40. Lyndon
41. Lynnview
42. Manor Creek
43. Maryhill Estates
44. Meadow Vale
45. Meadowbrook Farm
46. Meadowview Estates
47. Middletown
48. Mockingbird Valley
49. Moorland
50. Murray Hill
51. Norbourne Estates
52. Northfield
53. Norwood
54. Old Brownsboro Place
55. Parkway Village
56. Plantation
57. Poplar Hills
58. Prospect
59. Richlawn
60. Riverwood
61. Rolling Fields
62. Rolling Hills
63. Saint Matthews
64. Saint Regis Park
65. Seneca Gardens
66. Shively
67. South Park View
68. Spring Mill
69. Spring Valley
70. Strathmoor Manor
71. Strathmoor Village
72. Sycamore
73. Ten Broeck
74. Thornhill
75. Watterson Park
76. Wellington
77. West Buechel
78. Westwood
79. Wildwood
80. Windy Hills
81. Woodland Hills
82. Woodlawn Park
83. Worthington Hills

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF LOUISVILLE</b>	)	
<b>GAS AND ELECTRIC COMPANY FOR A</b>	)	
<b>DECLARATORY ORDER REGARDING THE</b>	)	<b>CASE NO. 2016-00317</b>
<b>PROPER METHOD OF MUNICIPAL FRANCHISE</b>	)	
<b>FEE RECOVERY</b>	)	

**EXHIBIT LEB-3**

**LIST OF LG&E-SERVED MUNICIPALITIES OUTSIDE JEFFERSON COUNTY**

Bullitt County

- Fox Chase
- Hebron Estates
- Hillview
- Hunters Hollow
- Lebanon Junction
- Mount Washington
- Pioneer Village
- Shepherdsville

Hardin County

- Elizabethtown
- Muldraugh
- Radcliff
- Vine Grove
- West Point

Henry County

- Campbellsburg
- Eminence
- New Castle
- Pleasureville
- Smithfield

Larue County

- Hodgenville

Marion County

- Loretto

Meade County

- Brandenburg
- Muldraugh

Nelson County

- Bardstown

Oldham County

- Crestwood
- Goshen
- La Grange
- Orchard Grass Hills
- Pewee Valley
- Prospect
- River Bluff

Shelby County

- Pleasureville
- Simpsonville

Trimble County

- Bedford