

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT'S
REQUEST FOR INFORMATION
DATED MARCH 24, 2017**

FILED: APRIL 7, 2017

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Senior Vice President – Operations for 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.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of April 2017.



Notary Public (SEAL)

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00317

**Response to Louisville/Jefferson County Metro Government's
Request for Information
Dated March 24, 2017**

Question No. 1

Responding Witness: Lonnie E. Bellar

- Q-1. Refer to the Direct Testimony of Bellar, page 5, and provide the results from the network analysis model used by LG&E that shows the directions of flow and all nullity points for LG&E's entire gas distribution system in Kentucky, whether that model is based on Synergee or another software product that performs the same function, for the following time periods:
- a. The latest peak day, and
 - b. The latest base sendout day.
- A-1. LG&E does not have a business reason to model individual historical days. Instead, the hydraulic network analysis model is used to determine operational and system requirements necessary to ensure reliable customer service. The data set forth in the attachment includes flow rates for facilities, location of nodes and direction of flow on LG&E's gas system during the individual hour that was modeled for the current planning period. This data is used to determine expected system operating conditions on LG&E's retail gas system during projected high load conditions rather than historical operating conditions.

See attached. This information is being filed under seal pursuant to a Petition for Confidential Protection. As used in the attachment, the term "facility" is any equipment transporting gas between two points, and may include pipes, valves, and fittings. Facility flow direction is indicated by the flow being positive or negative. Positive flow indicates direction from the "From Node" to the "To Node". Node flow is positive for flow into the system (supply) and negative for flow out of the system (demand). The location of the nodes is identified through the projected coordinate system WGS1984/BLM-16NftUS, which is the system used by the software.

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Question No. 2

Responding Witness: Lonnie E. Bellar

- Q-2. Please describe the engineering tool(s) and related software systems utilized by LG&E to properly size distribution pipe diameter for the Company's distribution and/or transmission systems.

- A-2. LG&E utilizes information from its graphical information system (GIS), GE Smallword, in conjunction with steady state gas system hydraulic modeling software, Synergi Gas, to properly size its gas system infrastructure.

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Question No. 3

Responding Witness: Lonnie E. Bellar

- Q-3. Refer to the Direct Testimony of Bellar, page 11 at 18-20:
- a. Identify the names of “the 83 incorporated municipalities in Jefferson County that are separate and apart from Louisville Metro”. Please also indicate these cities on a revised version of Exhibit LEB-2, “List of Municipalities in Jefferson County.”
 - b. Identify the citation to an official state or county government source upon which this statement is based.
- A-3.
- a. Exhibit LEB-2 lists the 83 incorporated municipalities in Jefferson County that are separate and apart from Louisville Metro.
 - b. The statement and Exhibit LEB-2 are based on the searchable Kentucky Cities and Counties database on the Kentucky Secretary of State website.¹ Exhibit LEB-2 contains all cities in Jefferson County that are listed as “active” on the Kentucky Secretary of State website.

¹ *Kentucky Cities and Counties*, Kentucky Secretary of State Alison Lundergan Grimes, <http://apps.sos.ky.gov/land/cities/>.

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Question No. 4

Responding Witness: Lonnie E. Bellar/Counsel

- Q-4. For the 83 municipalities provided listed in the answer to question 3 above, provide:
- a. Whether they can negotiate their own individual franchise agreement with an electric, gas or combined electric and gas utility; and
 - b. What are the fees each municipality charges in its current franchise agreement with LG&E for use of each municipality's right of way.

A-4.

- a. Under Kentucky Revised Statutes Chapter 96, municipalities have the right to negotiate their own individual franchise agreement with an electric, gas or combined electric and gas utility.
- b. Listed below are the fees currently charged by each municipality in Jefferson County with a current franchise agreement with LG&E.

CITY	TYPE	FEES
Louisville (starting 4/1/2016)	Gas	0%
Louisville	Electric	0%
Windy Hills	Electric & Gas	0%

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Question No. 5

Responding Witness: Lonnie E. Bellar

Q-5. Provide a list of all municipalities within LG&E Service territory and the franchise fee they currently charge. Additionally, provide:

- a. Whether the fee is collected as a line item on the customer's bill.
- b. The total fee collected annually.
- c. The fee collected from the average customer.

A-5. See response to Question No. 5 (b) and (c) below for a listing of all municipalities within LG&E Service territory and the franchise fee they currently charge.

- a. For the municipalities listed below that have assessed a franchise fee, and in accordance with LG&E's Franchise Fee tariff approved by the Kentucky Public Service Commission, the amount of the franchise fee is listed as a separate line item on the customer's bill, showing and designating the unit of government to which the payment is due.

b. and c.

City	Type of Franchise	Fee %	Line Item on Customer Bill	Annual Fee Collected – 12 Months Ending 12/31/2016	Average E/G Monthly Fee - Residential Customer
Muldraugh	Electric & Gas	3%	Yes	\$30,185.51	\$2.76 / \$1.38
Pleasureville	Gas	1%	Yes	\$2,199.14	\$0.57
Radcliff	Gas	3%	Yes	\$49,450.90	\$1.40
West Point	Electric & Gas	3%	Yes	\$28,819.56	\$2.78 / \$1.43

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Question No. 6

Responding Witness: Lonnie E. Bellar

- Q-6. In regards to the answer to question 5(a) above, where the fee is collected as a line item on the bill, is the fee structured to allow LG&E to collect the franchise fee as a dollar amount, a percentage of another part of the bill, or per therm or ccf used?
- A-6. The current fees for the municipalities listed in 5(a) above are structured to allow LG&E to collect the franchise fees that these municipalities have assessed as a percentage of gross receipts from those customers within the particular franchise area. While LG&E is not currently collecting any franchise fee from customers within the Louisville/Jefferson County Metro Government Franchise Area, the fee can be structured to accommodate any of the calculation methods contained in the Franchise Agreement (i.e., flat fee, percentage of receipts, per ccf, etc.)

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Question No. 7

Responding Witness: Lonnie E. Bellar

- Q-7. How does LG&E reconcile actual fees collected with the amount remanded to the municipalities, and when?
- A-7. LG&E remits all franchise fees billed to each customer adjusted for fees that were remitted to municipalities by the Company for customers that defaulted on their payment and charged-off or recoveries of charge-offs related to uncollectible amounts. Payments are made quarterly to Muldraugh, West Point, and Pleasureville and semi-annually to Radcliff.

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Question No. 8

Responding Witness: Lonnie E. Bellar

- Q-8. Please confirm whether LG&E uses the Synergie software system for natural gas distribution system planning. If not, please identify the system that LG&E does use for distribution system planning. Did LG&E request approval to recover the cost of the associated license for this software system through rates in its latest rate case? What is the latest approved rate case that includes the cost of this license fee in the total amount to be recovered through rates?
- A-8. Yes, LG&E utilizes information from its graphical information system (GIS), GE Smallword, in conjunction with steady state gas system hydraulic modeling software, Synergi Gas, to properly size its gas system infrastructure.

The cost of the software license was included as an expense in the test year in LG&E's current rate case.

Synergi software license costs were also included as an expense in LG&E's last rate case in 2014.

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Question No. 9

Responding Witness: Lonnie E. Bellar

- Q-9. Refer to the Direct Testimony of Bellar, page 7 at 5-7 and confirm whether the 2016 Franchise (agreement) is in effect today and LG&E is recovering the cost for it on current bills.
- A-9. The 2016 Franchise is in effect today, but LG&E is not collecting the Franchise Fee specified in the 2016 Franchise on its current bills to customers. LG&E is not currently collecting the Franchise Fee because Louisville Metro made the payment of the Franchise Fee contingent on the resolution of this dispute, and then only if the Commission ordered LG&E to include the Franchise Fee in base rates.² The collection of the Franchise Fee, if any, will be prospective only.³ Under the express terms of the 2016 Franchise, if the Commission determines that the Franchise Fee should be collected as a line item in accordance with LG&E's tariff, Louisville Metro will not assess and LG&E will not collect a Franchise Fee from its customers.⁴

² Louisville Metro Council made the Franchise Fee contingent upon the disposition of this dispute when passing the ordinance approving the 2016 Franchise Fee. The ordinance is attached as Exhibit 6 to LG&E's Application.

³ Section 11(b).

⁴ *Id.*

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Question No. 10

Responding Witness: Lonnie E. Bellar

- Q-10. Refer to the Direct Testimony of Bellar, page 6 at 11-13, wherein Mr. Bellar states that the referenced maps affirmatively establish that all LG&E's gas customers do not receive their gas from distribution lines located within Louisville Metro's rights-of-way. Please confirm that neither do the referenced maps affirmatively establish that no LG&E's customers receive their gas from distribution lines located within Louisville Metro's rights-of-way.
- A-10. The question mischaracterizes Mr. Bellar's Testimony. Rather, at page 6, lines 11-13, Mr. Bellar states: "The maps do not affirmatively establish that all LG&E's gas customers receive their gas from distribution lines located within Louisville Metro's rights-of-way."

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Question No. 11

Responding Witness: Lonnie E. Bellar

- Q-11. Refer to Exhibit LEB-1, "LG&E's Gas System" (map) and identify and provide the receipt pressures for each of LG&E's city gate station interconnections ("Gas Take Points") with the interstate pipelines that interconnect with LG&E's Gas System.
- A-11. The table below sets forth the applicable minimum delivery pressures by each of the interstate pipelines delivering gas to LG&E effective November 1, 2016. Certain information is being filed under seal pursuant to a Petition for Confidential Protection.

CONFIDENTIAL INFORMATION REDACTED

<u>Texas Gas Transmission, LLC</u>	<u>Minimum Delivery Pressure (psig)</u>
Doe Run	
Penile	
Preston	
Bardstown Road	
Ellingsworth	
English Station	
Crestwood	
Elder Park	
LaGrange	
Bedford	
<u>Tennessee Gas Pipeline Company, LLC</u>	<u>Minimum Delivery Pressure (psig)</u>
Monroe	 (Jun 1 - Oct 31)
Calvary	 (Nov 1 - May 31)

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Question No. 12

Responding Witness: Lonnie E. Bellar

- Q-12. Please provide the most recent schematic of LG&E's transmission and distribution system identifying all node points and the pressure at which gas received at the city gate station is injected into the Company's distribution system, for both the peak day and the base sendout.
- A-12. The requested schematic of LG&E's system is not available. However, node points are identified in the response to Question No. 1 and the pressure at which gas is received at the city gates is identified in the response to Question No. 11.

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Question No. 13

Responding Witness: Lonnie E. Bellar

- Q-13. Refer to Exhibit LEB-1, "LG&E's Gas System" (map) and identify and provide the maximum daily receipt obligations of the interstate pipelines that interconnect with LG&E's Gas System at each of the city gate stations ("Gas Take Points") shown on this map.
- A-13. The tables below set forth the applicable contract demand levels (maximum primary firm delivery obligations of the interstate pipelines to LG&E) in effect as of November 1, 2016, between LG&E and the indicated interstate pipeline.

In the case of Texas Gas Transmission, LLC, these primary firm delivery obligations are not limited by Texas Gas Transmission, LLC to specific LG&E city-gate stations, but instead the figures represent a system-wide total for all of the city-gate stations.

Furthermore, the amounts for Texas Gas Transmission, LLC and Tennessee Gas Pipeline Company, LLC do not include any volumes that may be delivered to LG&E by third parties either for the account of LG&E or for the accounts of gas transportation customers delivering their own supplies to LG&E for further transportation to the customer. The amounts that can be taken at any given city-gate station are limited by the meter capacity of that station. Please refer to the response to Question No. 14.

Texas Gas Transmission, LLC

MMBtu per Day

Nov	244,900
Dec	244,900
Jan	244,900
Feb	244,900
Mar	244,900
Apr	157,440
May	120,000
Jun	120,000
Jul	120,000
Aug	120,000
Sep	120,000
Oct	177,020

Tennessee Gas Pipeline Company, LLC

MMBtu per Day

Nov	20,000	(Calvary Only)
Dec	20,000	(Calvary Only)
Jan	20,000	(Calvary Only)
Feb	20,000	(Calvary Only)
Mar	20,000	(Calvary Only)
Apr	20,000	(Calvary Only)
May	20,000	(Calvary Only)
Jun	20,000	(Monroe Only)
Jul	20,000	(Monroe Only)
Aug	20,000	(Monroe Only)
Sep	20,000	(Monroe Only)
Oct	20,000	(Monroe Only)

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Question No. 14

Responding Witness: Lonnie E. Bellar

- Q-14. Refer to Exhibit LEB-1, "LG&E's Gas System" (map) and identify the local load areas or zones served by each of the city gate stations and their maximum and base loads in mcf per hour.

- A-14. LG&E does not model its gas system using local load areas or zones due to the operation and configuration of its gas system and the availability of on-system gas storage. LG&E does not model maximum and base loads for historical days.

The table below provides estimated city gate station capacities based on equipment design limits. Data is not indicative of normal operating conditions or contractual limitations. This information is being provided pursuant to a Petition for Confidential Protection.

CONFIDENTIAL INFORMATION REDACTED

STATION	CAPACITY Mcf per hour
Bardstown Rd	
Bedford	
Calvary	
Crestwood	
Doe Run	
Elder Park	
Ellingsworth	
English Station	
LaGrange	
Monroe	
Penile	
Preston	

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Question No. 15

Responding Witness: Lonnie E. Bellar

- Q-15. Refer to Mr. Bellar's testimony, page 5, lines 16 – 20 and explain if this statement means that it is Mr. Bellar's assertion that the interconnectivity of the distribution system and rights of way in many different communities provides benefits that allow gas customers in other communities to be served? If no such interconnectivity existed in the many different communities referenced by Mr. Bellar, what changes would LG&E have to make to its distribution system to provide service so that gas did not flow across county boundaries?
- A-15. LG&E's gas transmission and distribution system are not designed to serve individual communities as isolated entities.

LG&E has not performed a detailed analysis to determine the impact on its system if no such interconnectivity existed in the many different communities which LG&E serves. However, based on LG&E's experience operating its system, modifying system operation to prohibit gas flow across the Jefferson County boundary lines would require at a minimum:

- Installation of an indeterminate number of miles of transmission and distribution pipeline and other facilities within Jefferson, Oldham and Bullitt counties. The primary purpose of construction would be to allow Jefferson County to operate independently from supplies originating in or passing through other counties.
- Discontinuance of LG&E's gas storage system and facilities located in Meade, Hart, Green, LaRue, and Metcalf counties in Kentucky, as well as Harrison county, Indiana. Without storage gas supplies, LG&E would likely be required to secure additional interstate pipeline capacity from Texas Gas Transmission, LLC and possibly build additional or expand existing city-gate stations within Jefferson County.