

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|----------------------------------------------|---|-------------------|
| APPLICATION OF LOUISVILLE GAS AND |) | |
| ELECTRIC COMPANY FOR AN ADJUSTMENT |) | CASE NO. |
| OF ITS ELECTRIC AND GAS RATES AND FOR |) | 2016-00371 |
| CERTIFICATES OF PUBLIC CONVENIENCE |) | |
| AND NECESSITY |) | |

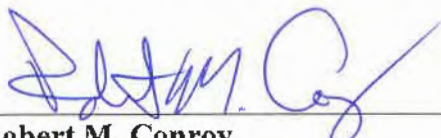
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
JBS SWIFT & CO'S SUPPLEMENTAL REQUESTS FOR INFORMATION
DATED FEBRUARY 7, 2017

FILED: FEBRUARY 20, 2017

VERIFICATION

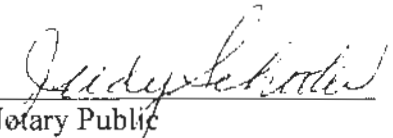
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President – State Regulation and Rates for Louisville Gas and Electric Company and Kentucky Utilities Company, 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 20th day of February _____ 2017.



Notary Public (SEAL)

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

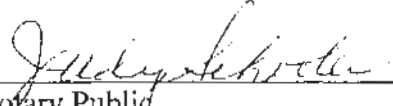
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Director – Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, 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.


Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February 2017.

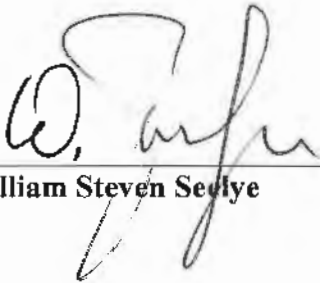
 (SEAL)
Notary Public

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

VERIFICATION

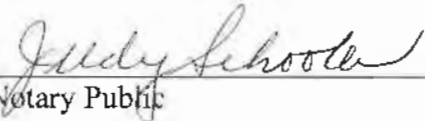
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal of The Prime Group, LLC, 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.



William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2017.

 (SEAL)

Notary Public

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

VERIFICATION

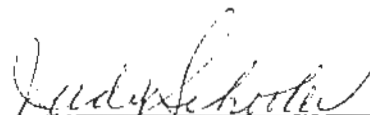
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **David S. Sinclair**, being duly sworn, deposes and says that he is Vice President, Energy Supply and Analysis 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.



David S. Sinclair

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February 2017.



Notary Public (SEAL)

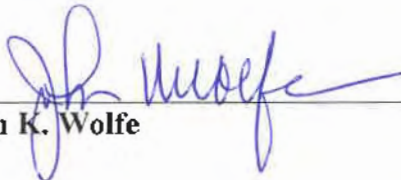
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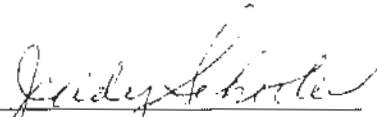
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **John K. Wolfe**, being duly sworn, deposes and says that he is Vice President - Electric Distribution 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.



John K. Wolfe

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February 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. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 1

Responding Witness: David S. Sinclair/Robert M. Conroy

- Q-1. Please explain why LG&E did not propose to eliminate the CSR during Case No. 2014-00372 instead of waiting until the instant case?
- A-1. The Company has not proposed to eliminate Rider CSR in this proceeding. The reasons for the proposed changes to Rider CSR in this proceeding are fully discussed in the testimonies of Messrs. Sinclair, Conroy and Seelye. The reasons for the proposed changes to Rider CSR in Case No. 2014-00372 were fully discussed in the testimonies of Messrs. Sinclair and Conroy in that proceeding.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

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Dated February 7, 2017**

Question No. 2

Responding Witness: Robert M. Conroy

- Q-2. There are at least two other utilities that offer non-firm back-up service for customers that generate their own power on a regular basis. Why is the Company opposed to affording its customers the same opportunity? For example, see the following companies and their respective tariffs:

Ottertail Power (Rate C-10M)

<http://ilsr.org/wp-content/uploads/2015/04/122204otpc-10m.pdf> ; and

Vectren South (Rate BAMP)

https://www.vectren.com/assets/cms/pdfs/south_services_electric_tariff.pdf

- A-2. The Company has not reviewed and is not familiar with the circumstances surrounding the reason for and purpose of the referenced utility offerings. The Company does not oppose customer installed generation. See the response to JBS Swift 1-20.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 3

Responding Witness: Robert M. Conroy

- Q-3. Has LG&E considered offering programs like either Ottertail Power or Vectren South to encourage distributed generation? Please explain your answer.
- A-3. See the response to Question No. 2.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 4

Responding Witness: Robert M. Conroy

- Q-4. Would a program similar to Ottertail or Vectren South benefit LG&E? Please explain your answer.
- A-4. See the response to Question No. 2.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 5

Responding Witness: Robert M. Conroy

- Q-5. For those customers who do not require firm service and who do not require reserved capacity, does LG&E believe that it is fair, just and reasonable to offer only firm service to those customers in order to maximize recovery of excess generation facilities owned by LG&E? Explain your answer in detail.
- A-5. The Company does not agree with the premise of the question. See the response to JBS Swift 1-20 and the response to Question No. 6.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 6

Responding Witness: Robert M. Conroy / William S. Seelye

- Q-6. Regardless of whether a customer desires or requires firm capacity from the Company, will such customer be required to purchase firm capacity from the Company based on the proposed changes in the application? Explain your answer in detail.
- a. If the answer is yes, does the company agree that those customers would have a lower cost of service and thus subsidize other ratepayers? Explain your answer in detail.
- A-6. Yes. See response to JBS Swift 1-20.

Under the proposed rate schedules filed in this proceeding, a customer with non-fluctuating loads with an average demand exceeding 250 kVA that desires standby or backup service would be served under one of the following standard rate schedules: (a) Time-of-Day Secondary Rate TODS, (b) Time-of-Day Primary Rate TODP, or (c) Retail Transmission Service Rate RTS.

The Company provides curtailable/interruptible/non-firm service to customers under its Curtailable Service Rider (CSR). As discussed in Messrs. Sinclair, Conroy and Seelye's direct testimonies, and further explained in the response to JBS Swift 1-20, LG&E currently does not have a need for additional curtailable/interruptible/non-firm load. Therefore, the Company is restricting its Curtailable Service Rider to customers taking service under Rider CSR prior to January 1, 2017.

Also, as explained in its response to JBS Swift 1-20, the Company has operational concerns with offering standby or backup service to customers on a curtailable/interruptible/non-firm basis.

- a. The Company does not agree that such customers would have a lower cost of service. Because the Company currently does not have a need for additional curtailable/interruptible/non-firm load, it is not less costly to serve such customers than customers receiving firm service.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 7

Responding Witness: Robert M. Conroy

- Q-7. In the Company's response to JBS' Initial Requests for Information No. 22, Mr. Conroy posits that "These kinds of customers are appropriately served under Rate Distributed Generation Gas Service." How does LG&E substantiate this statement? Please explain your answer in detail.
- A-7. The reference to "[t]hese kinds of customers" refers to "customers using gas to generate electricity for use other than as standby electricity, irrespective of the size of the Customer's MDQ".

Because of the potentially significant gas loads that generation customers can impose on a gas distribution system, LG&E has limited the availability of Rate FT for gas-fired electric generation loads and has created a rate specifically applicable to potential generation customers. That rate is Rate DGGS. Rate DGGS is a sales service that allows customers using gas to generate electricity to use gas supplied by LG&E. Rate DGGS was approved by the Commission in Case No. 2008-00252 effective February 6, 2009. Rate DGGS provides many benefits to LG&E's gas customers. Specifically, Rate DGGS helps maintain and support the reliability of LG&E's gas system for all customers. It also helps prevent cost subsidies among gas customers. Rate DGGS includes costs that reflect LG&E's ability to call upon its on-system storage and its more flexible pipeline services under Texas Gas's Rate NNS in order to provide service to eligible customers. Customers served under Rate FT do not contribute to the costs incurred by LG&E to operate its storage or secure pipeline capacity used to provide hourly balancing. Without storage or its Rate NNS pipeline capacity, LG&E would be unable to provide hourly load balancing and maintain reliable service to all gas customers.

See also the response to PSC 3-9(c).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 8

Responding Witness: Robert M. Conroy

- Q-8. How do the service characteristics of a generator that is primarily operational but occasionally out of service differ from an industrial boiler that is primarily operational but occasionally out of service? Explain your answer in detail.
- a. Why should the generator owner be denied access to third-party supply while the boiler operator has access to third-party supply? Explain your answer in detail.
- A-8. See the response to Question Nos. 7 and 9.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 9

Responding Witness: Robert M. Conroy

- Q-9. Does LG&E believe that it is more difficult for a supplier to anticipate and schedule gas service to a generator that is used as the primary power supply source for its operation?
- A-9. Based on LG&E's experience, it is difficult for customers to anticipate and schedule gas for any end-use application. Customers, taken individually or as a class, rarely are able to project completely accurately to LG&E either daily or hourly volumes that match their actual use.

See the response to PSC 3-9(c).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 10

Responding Witness: Robert M. Conroy

- Q-10. In the Company's response to JBS' Initial Requests for Information No. 22, Mr. Conroy states that "these kinds of unforeseen imbalances (particularly from a "random forced outage") are potentially detrimental to the overall reliable operation of LG&E's gas system." Is it not true that LG&E's transportation services tariffs and rules for third party supply have mechanisms to deal with these types of imbalances? Explain your answer in detail.
- a. Why can't the occasional imbalance from a generator outage be treated the same way? Explain your answer in detail.
- A-10. The tariff mechanisms found in Rate FT function to resolve daily and monthly imbalances. There are no mechanisms in Rate FT that address hourly imbalances.

See also the response to Question Nos. 7 and 11, and PSC 3-9(c).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 11

Responding Witness: Robert M. Conroy

- Q-11. Please identify other natural gas utilities that prevent high load factor generators from utilizing third-party supply.
- A-11. LG&E is not aware of any other gas utility that either allows a customer to utilize, or prevents a customer from utilizing, third party gas supplies based on load factor. Gas utility service offerings are typically based upon the customer's level of gas consumption, connected load, or type of end-use.

LG&E's Rate DGGS applies to generators that satisfy the requirements of the "Availability of Service" provisions of Rate DGGS. LG&E has not been provided with adequate details about JBS Swift's proposed gas-fired generation installation in order to determine whether or not LG&E's Rate DGGS is applicable. Significant details, such as hourly connected load; delivery pressure; minimum, maximum, and average gas load requirements; expected consumption; and delivery point are relevant in determining whether or not the Rate DGGS is applicable or if service is feasible using LG&E's existing infrastructure.

As outlined in the response to PSC 3-9, serving gas-fired generation loads under Rate FT creates problems associated with reliability and cost subsidy issues. LG&E would not be agreeable to modifying Rate FT to permit the generation of electricity under that rate schedule.

If Rate DGGS is not applicable to the customer's circumstances, LG&E would be willing to discuss terms and conditions under a non-standard service (special contract) to provide separately metered gas transportation service for generation facilities owned and operated by the customer.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 12

Responding Witness: David S. Sinclair

- Q-12. Reference the Company's response to JBS's Request for Information No. 6. where the Company was asked for the basis that it has no need for "additional generation capacity during the next decade or so." The Company responded by stating that "[t]his is based on the most recent IRP filing submitted by KU in Virginia." Provide a copy of the IRP filing.
- a. Why did the Company refer to this document instead of its most recent IRP filed in Kentucky in Case No. 2014-00131?
- A-12. The filing is available on the Commonwealth of Virginia State Corporation Commission's website, under Case No. PUE-2016-00053, at the following web address: <http://www.scc.virginia.gov/docketsearch#caseDocs/135943>.
- a. The Company referred to the 2016 Virginia IRP because the figures for generating resource capacities and load forecasts were more current than the Companies' IRP filed in Kentucky in Case No. 2014-00131.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 13

Responding Witness: William S. Seelye

- Q-13. Reference the Company's response to JBS's Request for Information No. 18 whereat the Company was asked to provide a case in any state jurisdiction where the Loss-of-Load- Probability (LOLP) COSS had been approved. The Company responded by referencing its response to PSC 2-86 whereat the Company stated it "is unaware of the [Kentucky] Commission ever having approved an LOLP COSS in another proceeding." Moreover, the Company responded it "is unaware of an LOLP being approved in another state jurisdiction." Reference also the Company's response to JBS's Request for Information No. 15 whereat Company states that the "Company expects to serve its load each and every hour of the year." See also the Company's response to the Attorney General's Initial Request for Information No. 295 whereat the Company states that its generation reserve margin for the forecasted test period is 21.6 percent. In light of these questions and answers, why should the Commission consider the Company's LOLP COSS?
- A-13. The Commission should consider the LOLP COSS because LOLP is a key measurement used by the Companies to plan their generation resources. Furthermore, LOLP has been used by the Companies for decades to plan their generation resources. Therefore, allocation of production fixed costs on the basis of LOLP weighted loads more accurately reflects how fixed generation assets were planned.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 14

Responding Witness: William S. Seelye

- Q-14. Reference the Company's response to JBS's Request for Information No. 15. In discussing the "probability that there will be unserved demand with native resources," the Company states that such "probabilities for any hour are less than 1%." State the exact numeric percentage(s) used in the Company's LOLP modeling.
- A-14. The exact numerical LOLP percentages used in the LOLP cost of service study were provided in the Excel file provided as an attachment to the Company's response to PSC 2-109 in the file labeled 2016 PSC DR2 LGE Attach to Q109.xlsx. See also the attachment to AG 1-294(a).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 15

Responding Witness: John K. Wolfe

Q-15. From what distribution circuit is JBS served?

A-15. JBS Swift is served by LG&E's Clifton substation, circuits 1407 and 1232.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 16

Responding Witness: Christopher M. Garrett

- Q-16. Reference the Company's response to the AG's Initial Requests for Information No. 13. What is the industry average for line loss for each of the past years?
- A-16. The Company does not have the requested information.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2016-00371

**Response to JBS Swift & Co's Supplemental Requests for Information
Dated February 7, 2017**

Question No. 17

Responding Witness: Robert M. Conroy / William S. Seelye

- Q-17. Reference the Company's response to the AG's Initial Requests for Information No. 282 at exhibit WP-1, "US Regulated Utilities, Regulation Will Keep Cash Flow Stable As Major Tax Break Ends," prepared by Moody's Investors Service, at page 4 of 13. At the top of the page the following statement is made: "As demand for electricity wanes, rate structures that are tied more closely to volumetric charges than to fixed charges will threaten the gross profits of most electric and gas utility companies." Does LG&E agree with this statement? If not, please explain why not.
- A-17. Yes, the statement is a factual statement when fixed costs are recovered through variable charges.