

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY'S 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'S
TO
JBS SWIFT & COMPANY'S INITIAL REQUESTS
DATED JANUARY 11, 2017

FILED: JANUARY 25, 2017

VERIFICATION

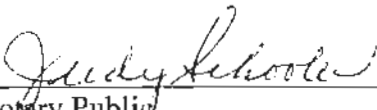
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 Kentucky Utilities 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 25th day of January 2017.



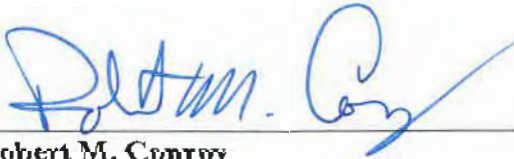
Notary Public (SEAL)

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

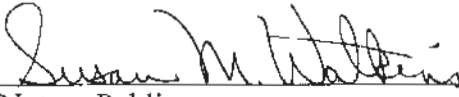
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **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 23rd day of January 2017.

 (SEAL)
Notary Public

My Commission Expires:

SUSAN M. WATKINS
Notary Public, State at Large, KY
My Commission Expires Mar. 19, 2017
Notary ID # 485723

VERIFICATION

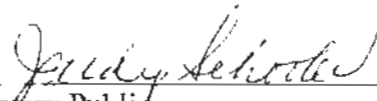
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 20th day of January 2017.

 (SEAL)

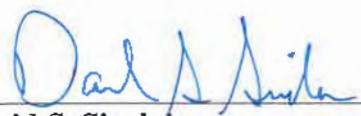
Notary Public

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

VERIFICATION

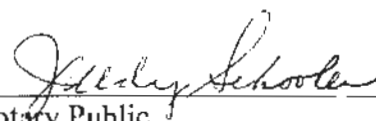
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 25th day of January 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, **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 January 2017.

 _____ (SEAL)
Notary Public

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'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 1

Responding Witness: David S. Sinclair

- Q-1. Reference the Sinclair pre-filed testimony at page 27, lines 12-17, in Case No. 2014-00372¹, where the following question was asked: "Why are the Companies [LG&E and KU] proposing to eliminate the 'system reliability events' limitation on when they can ask for a curtailment?" In part, the witness answered: "From a system planning point of view, the ability to curtail load for a limited number of hours under the CSR is supposed to substitute for a peaking generation asset like a CT. In fact, the demand credit the CSR customer receives is very similar to the annualized fixed cost of a CT unit." How is this different than the fixed carrying cost proposed in the current case?
- A-1. There is no fundamental difference because both are based on the cost of a CT. The current demand credit for CSR customers is based on the carrying cost of a new CT. As explained in Mr. Sinclair's testimony, the proposed demand credit is based on the carrying cost of the Companies' existing primary CTs.

¹ Case No. 2014-00372, *In the Matter of Application of Louisville Gas and Electric Company for An Adjustment of Its Electric and Gas Rates*, is LG&E's prior rate case filed on or about November 26, 2014.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
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Question No. 2

Responding Witness: David S. Sinclair

- Q-2. Reference the Sinclair pre-filed testimony at pages 28-29, in Case No. 2014-00372, where the following question was asked: "Given the proposed changes, why are the Companies [LG&E and KU] not proposing to change the amount of the CSR credit?" The witness answered as follows: "The Generation Planning department analyzed the value of being able to interrupt load compared to the cost on new generating capacity and determined that the current capacity credit contained within CSR10 and CSR30 fall within the range of reasonableness. Therefore, no change to the monetary value of the credit is being proposed." Why has this opinion changed?
- A-2. See the testimony of Mr. Sinclair, page 26, line 16 through page 27, line 3.

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CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 3

Responding Witness: Robert M. Conroy

- Q-3. Can LG&E please provide a side-by-side analysis of the CSR capacity credit determined in Case 2014-00372 and Case 2016-00371? If yes, please provide an explanation of differences in the analysis. If no, please explain why not.
- A-3. LG&E has not performed the requested analysis, therefore it is not provided here. See the testimonies of Messrs. Sinclair and Conroy for details supporting LG&E's filed position in Case No. 2014-00372. See the testimonies of Messrs. Sinclair and Seelye for details supporting LG&E's filed position in the current proceeding.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 4

Responding Witness: David S. Sinclair

- Q-4. Please explain how the Company's capacity has changed between Case 2014-00372 and the filing of this case?
- A-4. Between Case 2014-00372 and the filing of this case, the Companies' total summer net capacity has decreased from 8,332 MW in summer 2015 to 8,175 MW in summer 2017. This decrease is primarily due to the retirement of Green River Units 3 and 4 (161 MW, collectively) and is offset by the addition of Brown Solar (8 MW expected at summer peak).

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

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Question No. 5

Responding Witness: David S. Sinclair

- Q-5. What specific generating units, along with their capacity ratings, have been added since the filing of Case 2014-00372?
- A-5. See the response to Question No. 4.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

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**Response to JBS Swift & Company's Initial Requests
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Question No. 6

Responding Witness: William S. Seelye / David S. Sinclair

- Q-6. Reference the Seelye testimony in the instant matter at page 54, lines 20-21, whereat the witness states: "As mentioned earlier, LG&E has no need for additional generation capacity during the next decade or so." What is the basis for this claim?
- A-6. This is based on the most recent IRP filing submitted by KU in Virginia. The generation system is planned jointly by LG&E and KU.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
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Question No. 7

Responding Witness: David S. Sinclair

- Q-7. In lieu of the CSR, what resource could LG&E utilize which is under its control to dispatch if all existing generating units were fully utilized and off-system sales were reduced to 0 as indicated in the Curtailable Service Rider?
- A-7. In lieu of the Curtailable Service Rider ("CSR"), LG&E would purchase power from the market, if available. Contingency reserves would also be utilized as necessary. Beyond those steps, if a capacity deficiency developed, LG&E would follow North American Electric Reliability Council (NERC) procedures, including requesting the initiation of an Energy Emergency Alert (EEA). The first level of an EEA occurs after an entity has curtailed all non-firm wholesale energy sales and has all available resources in use and is concerned about sustaining its required operating reserves. During the second EEA level, an entity is no longer able to provide its customers' expected energy requirements and is not maintaining the required levels of operating reserves. An Energy Emergency Alert level 3 occurs when firm load interruption is imminent or in progress.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

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Question No. 8

Responding Witness: David S. Sinclair

- Q-8. Reference the Seelye testimony in the instant matter at pages 54-55 whereat the witness states "the current generation mix was planned to take into account CSR capacity and its use in avoiding turbine capacity..." Why does LG&E propose to allow the current customers to continue receiving credits instead of keeping the planned capacity of 100 MW available?
- A-8. The Companies considered LG&E's current CSR customers when establishing the generation mix, not the maximum amount of CSR capacity allowed by the tariff (100 MVA). It would be unreasonable to plan the generation mix based on CSR capacity that did not exist. See the response to Question No. 2.

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**Response to JBS Swift & Company's Initial Requests
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Question No. 9

Responding Witness: David S. Sinclair

- Q-9. Was the current generation mix planned to incorporate only the existing customer capacity under the CSR program? Please explain your answer.
- A-9. See the response to KIUC 1-55(b).

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
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Question No. 10

Responding Witness: David S. Sinclair

Q-10. Was the CSR tariff capacity of 100 MW used to determine the current generation mix? Please explain your answer.

A-10. No. See the response to Question No. 8.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
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Question No. 11

Responding Witness: David S. Sinclair

Q-11. Can LG&E provide a historical analysis showing the CSR volumes included in the determination of the current generation mix? If yes, please do so for the past ten (10) years. If not, please explain why not.

A-11. Yes. The table below shows forecasted curtailable capacity for both LG&E and KU in MW by year, up to the current year, from the previous ten business plans.

Hourly Integrated Curtailable Capacity

Year	2008 Plan	2009 Plan	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan
2008	121									
2009	121	93								
2010	121	93	93							
2011	121	93	93	93						
2012	121	93	93	93	93					
2013	121	93	93	93	98	119				
2014	121	93	93	93	100	122	122			
2015	121	93	93	93	102	125	125	133		
2016	121	93	93	93	102	125	125	133	136	
2017	121	93	93	93	102	125	125	133	136	130

LOUISVILLE GAS AND ELECTRIC COMPANY'S

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**Response to JBS Swift & Company's Initial Requests
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Question No. 12

Responding Witness: William S. Seelye

- Q-12. Why does LG&E propose to offer credits to customers based on the depreciated cost of existing CT units instead of the cost of a new units when the Curtailable Service Rider specifically states that the CSR will be utilized only when existing units are fully utilized? Explain your answer in detail.
- A-12. Considering that the Company does not have a need for additional generation capacity during the test year of the rate case, the actual cost of existing large-frame CT units provides a more reasonable basis for the capacity credit.

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Question No. 13

Responding Witness: David S. Sinclair

Q-13. Reference the Thompson testimony at page 12, lines 13 through 17, whereat the witness states that LG&E "purchases power from the Ohio Valley Electric Corporation ("OVEC") through a long-existing Inter-Company Power Agreement. LG&E also has in place a capacity and tolling agreement with Bluegrass Generation Company, LLC ("Bluegrass") which gives LG&E the right to an additional 165 MW of generating capacity through April 2019."

- a. For the past five (5) years, provide the number of days LG&E purchased power from any of the listed entities.
- b. State the calendar date(s) for each day(s) the Company purchased the power.
- c. For each day the Company purchased power, state the number of hours for which the purchase was made.

A-13.

- a. The following table shows the number of days the Companies received power through their respective agreements with OVEC and Bluegrass.

	Number of Days	
Year	OVEC	Bluegrass
2012	366	N/A
2013	365	N/A
2014	365	N/A
2015	365	50
2016	362	33

- b. LG&E received power from OVEC every day in years 2012 through 2015. In 2016, LG&E received power from OVEC every day with the exception of October 29 through November 1. The following table lists the days on which LG&E received power from Bluegrass and the corresponding number of hours per day in the last 5 years.

	2015		2016	
	Date	Number of Hours	Date	Number of Hours
1	5/4/2015	13	1/18/2016	8
2	5/5/2015	9	1/19/2016	8
3	5/6/2015	11	1/22/2016	8
4	5/7/2015	15	1/24/2016	9
5	5/8/2015	11	4/18/2016	7
6	5/11/2015	3	6/1/2016	5
7	5/15/2015	11	6/14/2016	7
8	5/18/2015	1	6/16/2016	6
9	6/7/2015	12	6/21/2016	7
10	6/11/2015	12	6/24/2016	4
11	6/12/2015	10	7/6/2016	2
12	6/13/2015	7	7/10/2016	3
13	6/14/2015	15	7/17/2016	3
14	6/15/2015	12	7/19/2016	6
15	7/13/2015	9	7/20/2016	6
16	7/14/2015	10	7/21/2016	8
17	7/17/2015	9	7/25/2016	8
18	7/18/2015	10	8/12/2016	7
19	7/19/2015	9	8/18/2016	7
20	7/20/2015	10	8/25/2016	8
21	7/21/2015	9	8/26/2016	8
22	7/22/2015	10	8/30/2016	9
23	7/23/2015	10	9/20/2016	7
24	7/25/2015	10	9/21/2016	8
25	7/26/2015	10	9/22/2016	9
26	7/27/2015	11	9/23/2016	9
27	7/28/2015	12	10/5/2016	9
28	7/29/2015	13	10/6/2016	6
29	8/4/2015	10	10/7/2016	7
30	8/14/2015	12	10/18/2016	8
31	8/31/2015	12	10/30/2016	9
32	9/1/2015	12	11/1/2016	8
33	9/2/2015	12	11/2/2016	8
34	9/8/2015	11	--	--
35	10/6/2015	10	--	--
36	10/7/2015	12	--	--
37	10/8/2015	12	--	--

	2015		2016	
	Date	Number of Hours	Date	Number of Hours
38	10/19/2015	20	--	--
39	10/20/2015	18	--	--
40	10/21/2015	19	--	--
41	10/22/2015	18	--	--
42	10/23/2015	18	--	--
43	10/24/2015	1	--	--
44	10/27/2015	13	--	--
45	10/28/2015	2	--	--
46	11/19/2015	15	--	--
47	11/23/2015	9	--	--
48	11/24/2015	8	--	--
49	12/7/2015	9	--	--
50	12/30/2015	1	--	--

- c. LG&E received power from OVEC in all 24 hours of each day on which power was received in the last 5 years, with the exception of 4 days, listed in the table below. For the Bluegrass data, see the response to part b.

Days with Less than 24 Hours of OVEC Imports	Number of Hours with OVEC Imports
5/29/2012	23
10/14/2013	23
10/28/2016	3
11/2/2016	19

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 14

Responding Witness: Lonnie E. Bellar

Q-14. Reference the Thompson testimony at PWT-2, "Transmission System Improvement Plan (2017-2021)" and in particular at page 21 at paragraph 4.2.1 where the following language appears: "Equipment failure was the cause of about 27% of all transmission outages from 2012-2016."

- a. Has the company performed any analyses or possess information which would compare this percentage of equipment failure to other electric utility companies? If yes, please provide the analyses or reports.
- b. If the answer to the question above is yes, how does this 27% equipment failure rate attributable to system failure compare to other electric utility companies? Provide any documentation which the Company has in its possession to demonstrate the comparison.

A-14.

- a. No, the Company has not performed any analyses and does not possess information which would compare this percentage of equipment failure to other electric utility companies.
- b. See the response to part a.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 15

Responding Witness: William S. Seelye

Q-15. Reference the Conroy Testimony at page 6, lines 14 – 17, where the witness discusses the Loss-of-Load Probability (“LOLP”) cost of service study used by the Company in the case. “A utility’s LOLP is the probability that a utility system’s total demand will exceed its generation capacity over a given time period...”

- a. In light of the witnesses’ testimony, should the Company alter or amend its curtailable service rider if the Company expects its systems’ total demand will not be met with its available capacity?
- b. If yes, please explain why?
- c. If yes, please state why customers under the proposed rider CSR will be compensated at a lesser amount if they continue to assist the Company by curtailing their load?

A-15.

- a.-c. The operation of the curtailable rider is not determined by LOLP. LOLP indicates the *probability* that there will be unserved demand with native resources. Such probabilities for any hour are less than 1%. LOLP does not represent an expectation that the Company will actually be unable to serve its demand. The Company expects to serve its load each and every hour of the year. If the Company were not able to serve its load with native resources, because of forced outages of native resources, then the Company would seek to purchase adequate demand and energy in the power market to serve the load.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 16

Responding Witness: John K. Wolfe

- Q-16. Reference the application in general as well as the Company's records.
- a. State the number of days JBS experienced a disruption of electric service from LG&E.
 - b. For each day, state the number of hours the disruption of service lasted.
 - c. For each day JBS experienced a disruption of electric service from LG&E, state the cause.
- A-16. Responses are for the JBS facility located 1200 Story Avenue for January 1, 2014 through December 31, 2016.
- a. JBS experienced 7 disruptions for the timeframe stated above.
 - b. The following table depicts JBS disruptions and hours affected for the timeframe stated above.

Date	Outage Duration (Hours)
6/6/2016	0.34
5/27/2016	0.59
11/16/2015	0.31
10/19/2015	< 0.01
10/17/2015	0.10
7/5/2014	< 0.01
4/6/2014	< 0.01
3/29/2014	4.30

- c. The following table provides the cause of JBS disruptions for the timeframe stated above.

Date	Cause
6/6/2016	Capacitor Bank
5/27/2016	Capacitor Bank
11/16/2015	Line / Switch Fault
10/19/2015	Circuit Relay
10/17/2015	Substation Transformer
7/5/2014	Circuit Relay
4/6/2014	Circuit Relay
3/29/2014	JBS Equipment Issue

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 17

Responding Witness: William S. Seelye

Q-17. Reference the Seelye testimony in general, and in particular at page 3, where the witness discusses customers installing behind-the-meter energy electric generation, and at pp. 3-4 where the witness states: "LG&E is therefore taking some initial steps toward implementing rate changes that will provide appropriate and equitable cost recovery in a changing utility industry."

- a. Confirm that these initial steps are being advanced in the proposed rates in the Company's filing.
- b. If the Company is proposing to take steps "that will provide appropriate and equitable cost recovery," does the witness believe it is therefore equitable for the customers to actually begin installing "behind-the-meter" electric generation if they will be paying for it in the rates advanced in this case?

A-17.

- a. Yes. However, many of the initial steps are being proposed for informational purposes. For example, the Company is proposing that the energy charge for Rate RS and other two-part rates be broken down into a variable cost component (Variable Energy Charge) and a fixed cost component (Infrastructure Energy Charge).
- b. The Company is not proposing that the customers pay for the cost of distributed generation through rates. The rates proposed by LG&E are designed to reflect more accurately the actual cost of providing service.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 18

Responding Witness: William S. Seelye

- Q-18. Reference the Seelye testimony in general where he discusses the Loss-of-Load-Probability ("LOLP") cost of service study and in particular at page 86 where the witness states that: "In the second version of the [cost of service] study, a Loss-of-Load-Probability ("LOLP") was utilized."
- a. Please provide references or citations to all cases of which the witness is aware in which a utility company has proposed the LOLP approach to a Public Utility Commission to allocate generation plant to retail customers.
 - b. Please provide references or citations to all cases of which the witness is aware in which the LOLP approach to allocate generation plant to retail customers by a utility company has been approved by a Public Utility Commission.
- A-18. a.-b. See the response to PSC 2-86.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 19

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

Q-19. Does LG&E offer an interruptible standby service?

A-19. No. LG&E does not offer an interruptible standby service. LG&E currently has a Supplemental or Standby Service ("SS") Rider available to customers whose premises or equipment are regularly supplied with electric energy from generating facilities other than those of the Company, but the rider does not contain provisions for interruptible service. The Company is proposing to eliminate the SS Rider in this case.

LG&E also has a CSR available for customers to contract with the Company to curtail, or interrupt, service upon notification by the Company. LG&E is proposing to close the CSR to new contracts for curtailable demand, even for customers already participating in this rider, as of the effective date of the final order in this case.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 20

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

Q-20. How would LG&E be harmed by offering an interruptible standby service?

A-20. Under the Company's proposal, a standby customer does not typically pay the full cost of service related to production capacity, but only the cost of transmission and distribution service. Therefore, it would be inappropriate to offer a CSR credit as an offset to the cost of production capacity the customer does not pay.

As discussed in the testimony of Mr. Seelye, it is important for a utility to implement rates that allow the utility to recover the appropriate amount of fixed costs associated with serving customers who have installed distributed generation facilities but want to rely on the utility to provide generation, transmission and distribution service when the distributed generation facilities are not operating. LG&E has proposed changes in this case to allow it to offer a rate design that provides reasonable cost recovery while not discriminating against customers who install distributed generation and that isn't excessively harsh or onerous to customers who install distributed generation but want backup service.

As stated in Mr. Conroy's testimony, LG&E does not currently have a need for additional load participating in curtailable, or interruptible, service to ensure it can maintain an adequate reserve margin, nor does it currently anticipate needing additional capacity (in the form of curtailable load or otherwise) through the end of the forecasted test period. Therefore, the Company has proposed to close the CSR to new participation.

There are also operational problems with providing interruptible standby service. For a customer with distributed generation, a forced outage at their facilities would be unpredictable and outside of the customer's control. Therefore, if the Company had previously requested that the customer interrupt its load, a forced outage of the customer's generator would place an unexpected, unpredictable and unmanageable load on the Company's system, thus jeopardizing the reliability of the system.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 21

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

Q-21. How would LG&E address customers who desire standby generation capacity on an as-available basis?

A-21. The Company is not proposing to offer a standby generation service on an as-available or interruptible basis. See the response to Question No. 20.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

Response to JBS Swift & Company's Initial Requests

Dated January 11, 2017

Question No. 22

Responding Witness: Robert M. Conroy

Q-22. Reference the Availability section of the Firm Transportation Service gas tariff FT which states "Additionally, customers using gas to generate electricity for use other than as standby electricity, irrespective of the size of the Customer's MDQ, are not eligible for service under this rate schedule." Does LG&E intend that customers who have a natural gas generating facility that is operated 24 hours per day, seven days per week but with a random forced outage rate are not eligible for service under Rate FT? If so, please explain your answer.

A-22. Yes, customers who have a natural gas generating facility that is operated 24 hours per day, seven days per week, but with a random forced outage rate, are not eligible for service under Rate FT. As cited in the question, Rate FT states that "customers using gas to generate electricity for use other than as standby electricity, irrespective of the size of the Customer's MDQ, are not eligible for service under this rate schedule." These kinds of customers are appropriately served under Rate Distributed Generation Gas Service ("DGGS").

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 allows customers generating electricity to be clearly identified and their potential maximum gas usage quantified. This identification ensures that adequate metering and pipeline infrastructure are in place to serve these kinds of gas customers. It also helps to ensure that adequate gas supplies and balancing services are available to serve these customers who may start to use gas at any time (and without notice) in response to an emergency situation requiring the customer's standby generation or discontinue the use of gas at any time (and without notice) in the event of a "random forced outage."

Rate DGGS helps ensure that gas will be available to meet the hourly and daily variations in the customer's demand for gas used to generate electricity. Gas transportation services require gas supplies to be nominated a day in advance -- which may not align with the customer's need for electricity. The example presented in the question (a 100% load factor gas customer -- but with "a random

forced outage rate”) translates into an over-delivery of gas from the customer when the customer’s generating facility is forced out of service. This means that gas from the customer is continuing to be delivered to LG&E when there is no demand for that same gas from the customer for whom it is being delivered. 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.

Additionally, the rate structure under Rate DGGs ensures that generation customers (who may use gas infrequently or intermittently or who may be subject to random forced outages) pay for the capacity on LG&E’s gas system that is reserved to serve them. Rate DGGs has a demand charge based on the level of gas capacity required to operate the generating facility. The demand charge recovers the fixed costs of ensuring that adequate infrastructure is available to meet the needs of the customer. Rate DGGs also includes a volumetric charge to recover the variable costs of serving the customer. Without these two components, non-generating customers (that is, all other customers) would subsidize the costs associated with holding capacity available to meet the gas needs of generating customers. If a volumetric-only rate (such as Rate FT or Rate Industrial Gas Service) were used to recover costs to serve generation customers, these costs may not be fully recovered from generation customers causing costs to shift to non-generation customers.

LOUISVILLE GAS AND ELECTRIC COMPANY'S

CASE NO. 2016-00371

**Response to JBS Swift & Company's Initial Requests
Dated January 11, 2017**

Question No. 23

Responding Witness: Robert M. Conroy

Q-23. In reference to the same, is a customer who otherwise meets the requirements of the Firm Transportation Service, but regularly generates electricity for its own use eligible for Firm Transportation Service?

A-23. No. Rate DGGS states, "Natural gas purchased for electric generation facilities with a total connected load of 2,000 or more cubic feet per hour, or purchased to generate electricity for further distribution, for sale in the open market, or for any purpose other than to provide Customer with standby electrical supplies during emergency situations shall be subject to this tariff." This further comports with the statement in Rate FT that "customers using gas to generate electricity for use other than as standby electricity, irrespective of the size of the Customer's MDQ, are not eligible for service under this rate schedule."

See also the response to Question No. 22.