COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES AND CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY	)))))	**CASE NO. 2016-00370**

In the Matter of:

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

STIPULATION TESTIMONY OF
KENT W. BLAKE
CHIEF FINANCIAL OFFICER
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Filed: April 24, 2017

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

A. My name is Kent W. Blake. I am the Chief Financial Officer of Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "Companies"), and an employee of LG&E and KU Services Company, which provides services to LG&E and KU. My business address is 220 West Main Street, Louisville, Kentucky 40202.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss generally why the Stipulation and Recommendation ("Stipulation") reached by all parties to these proceedings except BellSouth Telecommunications, LLC d/b/a AT&T Kentucky ("AT&T") and Kentucky Cable Telecommunications Association ("KCTA") produces fair, just, and reasonable rates, terms, and conditions for all of the Companies' customers, and to recommend that the Commission approve the Stipulation. I discuss in detail the Stipulation's provisions concerning Advanced Metering Systems, revenue requirements, limitation of certain cost recovery through LG&E's Gas Line Tracker, use of regulatory accounting for generator outages and other costs, the Companies' lead-lag study commitment, and support for the Companies' low-income customers.

Overview of Procedural Matters and Stipulation Process

Q. Please describe the procedural background and posture of these proceedings.

A. On November 23, 2016, the Companies filed with the Commission their applications in Case No. 2016-00370 (KU) and Case No. 2016-00371 (LG&E) for increases in base rates for their electric and gas operations, as well as for other modifications of their electric and gas rates, terms, and conditions. In addition, the Companies' applications sought certificates of public convenience and necessity (“CPCNs”) for full deployment of Advanced Metering Systems (“AMS”) and a Distribution Automation (“DA”) project.

Numerous parties petitioned the Commission for intervention in one or both proceedings. Ultimately, the Commission granted intervention to the Attorney General of the Commonwealth of Kentucky (“AG”), AT&T, the Community Action Council of Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (“CAC”), Kentucky Cable Telecommunications Association (“KCTA”), Kentucky Industrial Utilities Customers, Inc. (“KIUC”), Kentucky League of Cities (“KLC”), The Kroger Company (“Kroger”), Kentucky School Boards Association (“KSBA”), Lexington-Fayette Urban County Government (“LFUCG”), Sierra Club, Alice Howell, and Carl Vogel, and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively “Wal-Mart”) in Case No. 2016-00370 (KU). The Commission granted intervention to the Association of Community Ministries, Inc. (“ACM”), AG, AT&T, United States Department of Defense and All Other Executive Agencies (“DoD”), KCTA, KIUC, Kroger, KSBA, Louisville/Jefferson County Metro Government (“Louisville Metro”), Metropolitan Housing Coalition (“MHC”), Sierra Club and Amy Waters (Sierra Club and all individual intervenors in both cases are collectively “Sierra Club”), JBS Swift & Co. (“Swift”), and Wal-Mart in Case No. 2016-00371 (LG&E).

All of the parties to these proceedings except AT&T and KCTA have entered into the Stipulation. (All parties who have entered into the Stipulation are collectively “Stipulating Parties.”)

Q. Please generally describe the Stipulation proposed for the Commission's consideration.

A. The Stipulating Parties, AT&T, and KCTA met at the Commission's offices and engaged in arm's-length negotiations on April 12 and 13, 2017, and the Stipulating Parties met at the Commission's offices and engaged in arm's length negotiations on April 17, 2017, to reach the Stipulation.[1] The Stipulation is a total settlement of all issues in these proceedings among the Stipulating Parties, and is a reasonable compromise among the Stipulating Parties with respect to the revenue requirements and specific agreement with respect to other terms, and results in fair, just, and reasonable rates, terms, and conditions for all of the Companies' customers. The Stipulation provides a transparent calculation of the revenue requirements agreed upon and recommended by the Stipulating Parties in the total context of all matters addressed in the Stipulation. Because it is a settlement of issues between the Stipulating Parties, not an agreement about issues on their merits, the Stipulating Parties have agreed that the Stipulation should not constitute a precedent, either before the Commission or elsewhere; rather, it is the product of compromise and negotiation between the Stipulating Parties' positions, all of which may reasonably be litigated in future base rate or other cases.

Withdrawal of Request for Certificates of Public Convenience and Necessity and Cost Recovery for Advanced Metering Systems

Q. Have the Companies agreed to withdraw their requests for certificates of public convenience and necessity ("CPCNs") and cost recovery in these base rate

[1] Some parties attended telephonically. KCTA telephonically attended the session on April 17, but did not participate in negotiations.

proceedings for the Companies' proposed full deployment of Advanced Metering Systems ("AMS")?

A. Yes. In the total context of the Stipulation, the Companies have agreed to withdraw their requests for the Commission to grant CPCNs and to approve cost recovery in these proceedings for the Companies' proposed full deployment of AMS.[2] The Companies presently anticipate they will propose full AMS deployment in future proceedings; indeed, the Stipulation provides that the Companies' withdrawal of their requests for CPCNs and cost recovery for AMS in these proceedings does not preclude the Companies from having full AMS deployment considered in future proceedings. But in the overall context of the Stipulation, the Companies have agreed to withdraw their AMS-related requests in these proceedings. As I further discuss below, withdrawing the Companies' AMS requests affects the revenue requirement increases proposed in the Stipulation.

The Stipulation further provides concerning AMS that the Companies and all interested parties to these proceedings will participate in an AMS Collaborative to discuss the Stipulating Parties' concerns about AMS and to seek to address them. The AMS Collaborative will begin shortly after these proceedings conclude and will include only those parties to these proceedings interested in participating in the collaborative. The Stipulating Parties have agreed to engage in the collaborative in good faith not to exceed 15 months from the date the Commission issues orders in these proceedings.

[2] Stipulation ¶¶ 1.1 and 1.2.

There was testimony in these proceedings supporting and opposing the Companies' proposed full deployment of AMS, so the agreement for the Companies to withdraw their AMS-related requests and engage in the AMS collaborative is supported by record evidence.[3] Therefore, the AMS-related provisions are reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

Revenue Requirements

Q. What revenue requirement does the Stipulation establish for the Companies' electric and gas utility operations?

A. The Stipulation reduces KU's proposed revenue requirement increase by $48.2 million relative to KU's filed position,[4] for a stipulated increase of $54.9 million;[5] it reduces the proposed revenue requirement increase for LG&E's electric operations by $34.7 million relative to LG&E's updated position,[6] for a stipulated increase of $59.4 million;[7] and it reduces the proposed revenue requirement increase for LG&E's gas operations by $5.9 million relative to LG&E's filed position,[8] for a stipulated increase of $7.5 million.[9] These new revenue requirements clearly are the result of arm's-length negotiations and represent significant changes from the positions the

[3] *See, e.g.,* Case Nos. 2016-00370 and 2016-00371, Direct Testimony of John P. Malloy at 15-30; Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Lane Kollen at 6-14; Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Paul Alvarez; Case No. 2016-00370, Direct Testimony of Ronald L. Willhite at 12; Case No. 2016-00371, Direct Testimony of Ronald L. Willhite at 11.
[4] Case No. 2016-00370, Filing Requirements Update, Schedule A (Apr. 14, 2017).
[5] Stipulation ¶ 2.1.
[6] Case No. 2016-00371, Filing Requirements Update, Schedule A – Electric Operations (Apr. 14, 2017).
[7] Stipulation ¶ 2.1.
[8] Case No. 2016-00371, Filing Requirements Update, Schedule A – Gas Operations (Apr. 14, 2017).
[9] Stipulation ¶ 3.1.

Stipulating Parties initially took in these proceedings.[10] Though the Companies certainly filed their base rate applications with the objective of increasing their base rates to recover the calculated revenue deficiencies for their respective utility operations, considering the complexity of the issues and uncertainty in the outcome, they believe that the compromises the Stipulating Parties reached on revenue requirements and all other issues in these proceedings are fair, just, and reasonable, and deserve Commission approval.

<u>Electric Revenue Increases</u>

Q. Please summarize how the Stipulation calculates the proposed electric revenue requirement increases.

A. The Stipulation's proposed electric revenue requirement increases are calculated as shown in the table below. Please note that the calculations begin with the Companies' proposed revenue requirements (adjusted slightly through discovery) and make adjustments as shown to arrive at the final stipulated increases:

Item	KU	LG&E
Proposed electric revenue requirement increases	$103.1 million[11]	$94.1 million[12]
Remove AMS	($6.3 million)	($5.2 million)
9.75% return on equity	($15.3 million)	($10.1 million)
Revised depreciation rates	($14.7 million)	($10.1 million)
KU Refined Coal revenues	($9.1 million)	n/a

[10] *See, e.g.,* Case No. 2016-00370, Direct Testimony of Ralph C. Smith at 9; Case No. 2016-00371, Direct Testimony of Ralph C. Smith at 10 and 12; Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Lane Kollen at 3.
[11] Case No. 2016-00370, Filing Requirements Update, Schedule A (Apr. 14, 2017).
[12] Case No. 2016-00371, Filing Requirements Update, Schedule A – Electric Operations (Apr. 14, 2017).

5-year average uncollectible expense	($0.5 million)	($0.3 million)
8-year average generator outage expense	($1.6 million)	($8.5 million)
CWIP capital slippage	($0.7 million)	($0.4 million)
Stipulated electric revenue requirement increases	$54.9 million	$59.4 million[13]

Q. Please explain the "Remove AMS" entry in the table above.

A. As I testified above, the Companies are withdrawing their AMS-related requests from these proceedings. Consequently, recovery of AMS costs is being removed from the Companies' electric revenue requirement increases. This reduces KU's proposed electric revenue requirement increase by $6.3 million, consisting of $3.2 million of operations and maintenance ("O&M") cost and $3.1 million of carrying cost and depreciation expense.[14] Similarly, this reduces LG&E's proposed electric revenue requirement increase by $5.2 million, consisting of $3.0 million of O&M cost and $2.2 million of carrying cost and depreciation expense.[15]

Q. Please explain the "9.75% return on equity" entry in the table above.

[13] Stipulated LG&E electric revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.
[14] Stipulation ¶ 2.2(A).
[15] Direct Testimony of AG witness Ralph Smith Exhibit RCS-1 for both KU and LG&E. The carrying cost is reflected on Schedule A, Page 2, and the depreciation expense and O&M costs are reflected on Schedule C-3.

A. The Stipulating Parties agreed for the purposes of setting base rates in these proceedings that a return on equity of 9.75% is reasonable for the Companies' electric operations, and the agreed stipulated revenue requirement increases for the Companies' electric operations reflect that return on equity as applied to the Companies' capitalizations and capital structures underlying their originally proposed electric revenue requirement increases as modified through discovery.[16] Use of a 9.75% return on the thirteen-month average jurisdictional adjusted equity capital of $1,938,647,399 for KU and $1,283,043,283 for LG&E reduces the Utilities' proposed electric revenue requirement increases by $15.3 million for KU and $10.1 million for LG&E after taking into account the gross revenue conversion factor.[17]

This return on equity is consistent with the record evidence in these proceedings, evidence provided by certain Stipulating Parties. For example, the Companies presented evidence supporting a range of reasonable returns on equity from 9.63% to 10.83%, with a midpoint of 10.23%.[18] The AG presented evidence supporting a range of 7.9% to 8.9%, with an 8.75% recommendation for electric operations.[19] The KIUC presented evidence supporting a 9.0% return on equity.[20] DOD presented evidence supporting a range of returns on equity from 9.00% to 9.70%, with a recommended return of 9.35%.[21] Walmart's testimony in this

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[16] Stipulation ¶ 2.2(B).
[17] Jurisdictional adjusted equity capital as shown on Schedule J-1.1/J-1.2 per the Supplemental Responses to PSC Data Requests 1-54 filed on February 20, 2017. Gross Revenue Conversion Factor per the Direct Testimony of AG Witness Ralph Smith, Exhibit RCS-1, Schedule A-1 which includes updates for the uncollectible component.
[18] Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Adrien M. McKenzie at 5-6.
[19] Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Dr. J. Randall Woolridge Direct at Summary 1.
[20] Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Richard A. Baudino Direct at 4.
[21] Case No. 2016-00371, Direct Testimony of Christopher C. Walters at 60-61.

proceeding contained observations of awarded returns on equity across the nation based on then available information from SNL Financial and Regulatory Research Associates ("RRA").[22] For all Stipulating Parties, the proposed 9.75% return on equity represents a compromise from their litigation positions but is nonetheless supported by evidence in the record of these proceedings. Therefore, the Companies respectfully submit the Commission should accept it in the overall context of the Stipulation.

Q. Please explain the "Revised depreciation rates" entry in the table above.

A. The stipulated revenue requirement increases reflect the revised depreciation rates shown in Stipulation Exhibits 1 (KU) and 2 (LG&E electric), which reduce the Companies' proposed electric revenue requirement increases by $14.7 million for KU and $10.1 million for LG&E.[23] The depreciation-related revenue reductions shown in the table above and the Stipulation result from decreases in depreciation rates for steam plant, producing depreciation-expense reductions that are a compromise between the Companies' deprecation evidence and the depreciation positions of KIUC and Louisville Metro.[24] But the Stipulation's approach has overall benefits that exceed those proposed even by KIUC and Louisville Metro because, in addition to contributing to reducing the Companies' proposed electric revenue requirement increases in these proceedings, because these revised depreciation rates affect steam plant, they will also reduce projected annual environmental cost recovery ("ECR")

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[22] *See* Case No. 2016-00370, Direct Testimony of Gregory W. Tillman at 14-17; Case No. 2016-00371, Direct Testimony of Gregory W. Tillman at 13-16.

[23] Stipulation ¶ 2.2(C).

[24] Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Lane Kollen at 27-40; Case No. 2016-00371, Direct Testimony of Jeffry Pollock at 8-24 and Exhs. JP-1 – JP-5.

revenue requirements by $19.1 million for KU and $16.8 million for LG&E relative to the Companies' proposed depreciation rates, and will be reflected in the ECR mechanism filings beginning with the July 2017 expense month. Blake Stipulation Testimony Exhibit 1 provides a calculation of these depreciation rate impacts by showing the difference between the Companies' filed depreciation rates and those agreed by the Stipulating Parties multiplied by the average Plant in Service balance for the forecasted test period to which depreciation rate changes from the Companies' filed position would be applied.

Therefore, because the stipulated depreciation rates are a compromise from the Stipulating Parties' litigation positions but are nonetheless supported by evidence in the record of these proceedings, the Companies respectfully submit the Commission should accept them in the overall context of the Stipulation.

Q. Please explain the "KU Refined Coal revenues" entry in the table above.

A. The stipulated revenue requirement increase for KU reflects a $9.1 million revenue-requirement reduction related to KU's contract proceeds associated with a refined coal project at its Ghent Generating Station.[25] In Case No. 2015-00264, KU and LG&E had previously sought and received an Order from the Commission approving the accounting treatment for any fees received by the Companies in connection with such refined coal projects to ensure that the benefits resulting from such projects would inure to the benefit of the Companies' customers. Specifically, that accounting treatment allowed the Companies to record all fees received as a regulatory liability with the determination of how those benefits would ultimately flow to customers to

[25] Stipulation ¶ 2.2(D).

be determined in a base rate case. On March 20, 2017, during the course of this rate case, KU executed various contracts with a subsidiary of Goldman Sachs associated with a refined coal project at its Ghent facility. These contracts provide KU the ability to fully reflect the amortization of all amounts to be received over the life of this contract by adjusting the amortization of this regulatory liability in this proceeding. KU proposed, and the Stipulating Parties agreed, to make this adjustment in this proceeding in order to provide the benefits to KU's customers in the timeliest manner. Blake Stipulation Testimony Exhibit 2 shows the calculation of this adjustment.

Q. Please explain the "5-year average uncollectible expense" entry in the table above.

A. The stipulated electric revenue requirement increases reflect the use of a five-year average (calendar years 2012-2016) for uncollectibles expense, which is an update to the five-year average (2011-2015) that was available at the time the Companies filed their applications in these proceedings. This approach reduces the Companies' proposed electric revenue requirement increases by $0.5 million for KU and $0.3 million for LG&E, reflecting a lower projected uncollectibles expense for the forecasted test year, and is consistent with evidence in the record of these proceedings.[26]

[26] Stipulation ¶ 2.2(E). Additionally, see the Direct Testimony of AG Witness Ralph Smith, Exhibit RCS-1, Schedule C-5 for both LG&E and KU corrected to use Unadjusted Jurisdictional Revenues rather than Adjusted Jurisdictional Revenues.

Q. Please explain the "8-year average generator outage expense" entry in the table above and the related request to approve regulatory accounting for actual generator outage expenses that are less or greater than the eight-year average.

A. The Companies proposed in these proceedings to include in their revenue requirements generator outage expenses at the level projected in the forecasted test year.[27] Because such expense can fluctuate significantly from year to year, but also because each generator's major outages tend to occur on an eight-year average cycle, the Stipulating Parties agreed to use an eight-year average of generator outage expenses in the Companies' stipulated electric revenue requirement increases, where the average uses four historical years' expenses (2013-2016) and four years' forecasted expenses (2017-2020).[28] This approach reduces the Companies' proposed electric revenue requirement increases by $1.6 million for KU and $8.5 million for LG&E, and is consistent with evidence in the record of these proceedings.[29] Blake Stipulation Testimony Exhibit 3 shows the calculation of this amount.

Relatedly, the Stipulating Parties agree to, and ask the Commission to approve, the Companies' use of regulatory asset and liability accounting related to generator outage expenses that are greater or less than this eight-year average of the Companies' generator outage expenses. This regulatory accounting will ensure the Companies may collect, or will be obliged to return to customers, through future base

[27] *See, e.g.*, Direct Testimony of Paul W. Thompson at 16-17.
[28] Stipulation ¶ 2.2(F).
[29] *See, e.g.*, Case No. 2016-00370, KU Response to KIUC DR 1-34; Case No. 2016-00370, Attachment to Filing Requirement 807 KAR 5:001 Section 16(7)(c) I. Page 17 of 219; Case No. 2016-00371, LG&E Response to KIUC DR 1-35 Case No. 2016-00371, Attachment to Filing Requirement 807 KAR 5:001 Section 16(7)(c) I. Page 17 of 246.

rates any amounts that are above or below the eight-year average embedded in the stipulated electric revenue requirement increases in these proceedings.

Q. Please explain the "CWIP capital slippage" entry in the table above.

A. The Stipulating Parties agreed to adjust the Companies' proposed electric revenue requirement increases to reflect differences ("slippage") between past projected and historical capital amounts for construction work in progress ("CWIP").[30] This adjustment reduces the Companies' proposed electric revenue requirement increases by $0.7 million for KU and $0.4 million for LG&E, and is consistent with evidence in the record of these proceedings.[31]

<u>LG&E Gas Revenue Increase</u>

Q. Please summarize how the Stipulation calculates the proposed LG&E gas revenue requirement increase.

A. The Stipulation's proposed LG&E gas revenue requirement increase is calculated as shown in the table below. Please note that the calculations begin with LG&E's proposed gas revenue requirement (adjusted slightly through discovery) and make adjustments as shown to arrive at the final stipulated increase:

Item	LG&E Gas
Proposed gas revenue requirement increase	$13.4 million[32]
Remove AMS	($0.7 million)
9.75% return on equity	($2.9 million)
Revised depreciation rates	($2.1 million)

[30] Stipulation ¶ 2.2(G).
[31] Direct Testimony of AG Witness Ralph Smith, Exhibit RCS-1, Schedule A, Page 2.
[32] Case No. 2016-00371, Filing Requirements Update, Schedule A – Gas Operations (Apr. 14, 2017).

5-year average uncollectible expense	($0.1 million)
Stipulated gas revenue requirement increase	$7.5 million[33]

Q. Please explain the "Remove AMS" entry in the table above.

A. As I testified above, the Companies are withdrawing their AMS-related requests from these proceedings. Consequently, recovery of AMS costs is being removed from LG&E's gas revenue requirement increase.[34] This reduces LG&E's proposed gas revenue requirement increase by $0.7 million, consisting solely of carrying cost.[35]

Q. Please explain the "9.75% return on equity" entry in the table above.

A. The Stipulating Parties agreed for the purpose of setting base rates in these proceedings that a return on equity of 9.75% is reasonable for the Companies' gas operations, and the agreed stipulated LG&E gas revenue requirement increase reflects that return on equity as applied to LG&E's gas capitalization and capital structure underlying its originally proposed gas revenue requirement increase as modified through discovery.[36] Use of a 9.75% return on thirteen-month average jurisdictional adjusted equity capital of $374,312,798 reduces LG&E's proposed gas revenue

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[33] Stipulated gas revenue requirement increase differs from proposed revenue requirement increase less adjustments shown due to rounding.
[34] Stipulation ¶ 3.2(A).
[35] Direct Testimony of AG Witness Ralph Smith, Exhibit RCS-2, Schedule A, Page 2.
[36] Stipulation ¶ 3.2(B).

requirement increase by $2.9 million after taking into account the gross revenue conversion factor.[37]

For the same reasons I gave concerning applying a 9.75% return on equity for electric base-rate purposes, the proposed 9.75% return on equity for gas base rates represents a compromise from the Stipulating Parties' litigation positions but is nonetheless supported by evidence in the record of these proceedings.[38] Therefore, the Companies respectfully submit the Commission should accept it in the overall context of the Stipulation.

Q. Please explain the "Revised depreciation rates" entry in the table above.

A. The stipulated gas revenue requirement increase reflects the depreciation rates shown in Stipulation Exhibit 3, which reduce LG&E's proposed gas revenue requirement increase by $2.1 million.[39] The depreciation-related revenue reductions shown in the table above and the Stipulation result from decreases in depreciation rates for gas distribution plant, producing depreciation-expense reductions that are a compromise between the Companies' depreciation evidence and the depreciation position of Louisville Metro.[40] Blake Stipulation Testimony Exhibit 1 provides a calculation of these depreciation rate impacts by showing the difference between the Companies' filed depreciation rates and those agreed by the Stipulating Parties multiplied by the

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[37] Jurisdictional adjusted equity capital as shown on Schedule J-1.1/J-1.2 per the Supplemental Response to PSC Data Request 1-54 filed on February 20, 2017. Gross Revenue Conversion Factor per the Direct Testimony of AG Witness Ralph Smith, Exhibit RCS-2, Schedule A-1 which includes an update for the uncollectible component.
[38] Please note the AG's evidence concerning the appropriate return on equity for gas operations was a range of 7.9% to 8.9%, with a recommendation of 8.7%. *See* Woolridge LG&E Direct at Summary 1.
[39] *See also* Stipulation ¶ 3.2(C).
[40] Pollock LG&E Direct at 16.

average Plant in Service balance for the forecasted test period to which depreciation rate changes from the Companies' filed position would be applied.

Therefore, because the stipulated depreciation rates are a compromise from the Stipulating Parties' litigation positions but are nonetheless supported by evidence in the record of these proceedings, the Companies respectfully submit the Commission should accept them in the overall context of the Stipulation.

Q. Please explain the "5-year average uncollectible expense" entry in the table above.

A. The stipulated gas revenue requirement increases reflect the use of a five-year average (calendar years 2012-2016) for uncollectibles expense, which is an update to the five-year average (2011-2015) that was available at the time LG&E filed its application in Case No. 2016-00371.[41] This approach reduces LG&E's proposed gas revenue requirement increase by $0.1 million, reflecting a lower projected uncollectibles expense for the forecasted test year, and is consistent with evidence in the record of these proceedings.[42]

<u>Five-Year Limitation of Recovery of Certain Expenses through LG&E's Gas Line Tracker</u>

Q. Please explain the Stipulation provision concerning a five-year limit to Gas Line Tracker ("GLT") cost recovery for LG&E's proposed Transmission Modernization and Steel Service Line Replacement Programs.

[41] Stipulation ¶ 3.2(D).

[42] Direct Testimony of AG witness Ralph Smith Exhibit RCS-2, Schedule C-5 corrected to use unadjusted jurisdictional revenues less GSC revenues; rather than adjusted jurisdictional revenues.

A. The Stipulating Parties agree that LG&E will recover costs related to its proposed Transmission Modernization and Steel Service Line Replacement Programs through its GLT cost-recovery mechanism for five years ending June 30, 2022.[43] This GLT-recovery limitation is not intended to preclude any further cost recovery for these programs; rather, absent further action by the Commission concerning recovery of these programs' costs by June 30, 2022, any remaining costs for such programs will be recovered through base rates via a base-rate roll-in effective for service rendered on and after July 1, 2022. This approach is similar to what LG&E has proposed, and the Stipulating Parties have not altered, concerning rolling certain GLT rate base into ordinary gas rate base and having continuing cost recovery through base rates.[44] Also, it is important to note that the five-year GLT cost-recovery limitation for the Transmission Modernization and Steel Service Line Replacement Programs does not preclude LG&E from seeking Commission approval to recover other appropriate costs through the GLT mechanism.

<u>Regulatory Accounting for Over- and Under-Recovery of Regulatory Assets</u>

Q. Please explain the Stipulation provision concerning regulatory accounting for over- and under-recovery of regulatory assets.

A. The Stipulating Parties agreed to, and ask the Commission to approve, the Companies' continued use of regulatory asset accounting for regulatory assets embedded in the Companies' proposed revenue requirement except that shorter-lived regulatory assets should be credited for the amounts collected through base rates even

[43] Stipulation ¶ 4.5.
[44] Case No. 2016-00371, Direct Testimony of Christopher M. Garrett at 39-43.

if such amortization results in changing such a regulatory asset to a regulatory liability, with any remaining balances being addressed in the Companies' next base rate case.[45] This would include the regulatory assets for rate case expenses, 2011 summer storm expenses, and retirement costs related to the Green River Generating Station. This approach will help ensure the Companies recover only actual costs incurred and do not ultimately over-recover such regulatory assets as they are amortized and recovered through base rates.

Lead-Lag Study Commitment

Q. Please explain the Stipulation provision concerning the Companies' commitment to file a lead-lag study in the Companies' next base-rate cases.

A. The Stipulating Parties agree that the Companies will file a lead-lag study in their next base-rate cases.[46] Cash working capital levels affect the Companies' rates, so this is a reasonable commitment.

Support for Low-Income Customers

Q. Please explain the support for low-income customers the Stipulation provides.

A. The Stipulation ensures several kinds of important support for low-income customers. First, the Stipulating Parties agreed that KU will increase its monthly residential Home Energy Assistance ("HEA") from the current $0.25 per month to $0.30 per month, which will remain effective through June 30, 2021, regardless of whether the Companies file one or more base-rate cases during that commitment period.[47] The

[45] Stipulation ¶ 5.1.
[46] Stipulation ¶ 5.3.
[47] Stipulation ¶ 5.6.

benefit of the $0.05 HEA charge increase is estimated to be approximately $250,000 of additional funds to assist low-income customers through the HEA program.

Second, the Stipulating Parties further agreed that LG&E will continue its monthly residential charge (for gas and electric service) for the HEA program at the current level of $0.25 per month, which will remain effective until the effective date of new base rates for LG&E following its next general base rate case, and which will not be reduced through June 30, 2021, regardless of whether the Companies file one or more base-rate cases during that commitment period.[48]

Third, consistent with LG&E's and KU's long-standing commitment to support the communities they serve, the Companies have committed that they will contribute a minimum of $1.45 million of shareholder funds per year for low-income support, which commitment will remain in effect through June 30, 2021, regardless of whether the Companies file one or more base-rate cases during that commitment period.[49] Of that amount, KU will contribute $100,000 for Wintercare and $470,000 for HEA, both of which are administered by CAC. LG&E will contribute $700,000 to ACM for utility assistance and $180,000 for HEA. Finally, the Companies have agreed that CAC and ACM may use up to 10% of the contributions for reasonable administrative expenses, and that none of the Companies' shareholder contributions will be contingent upon receiving matching funds from any other sources

[48] Stipulation ¶¶ 5.6 and 5.7(F).
[49] Stipulation ¶ 5.7.

Evidence of the importance of such low-income support is in the record of these proceedings.[50] The Companies respectfully submit that benefits like these, which cannot be obtained through litigation, support the overall reasonableness, fairness, and justice of the Stipulation.

<u>Conclusion</u>

Q. Have the Stipulating Parties agreed that the Commission should approve the Companies' Applications in these proceedings, as modified by the Stipulation, including all of its exhibits?

A. Yes, the Stipulating Parties have agreed that, except as modified by the Stipulation (including its exhibits), the Commission should approve the Companies' proposed rates, terms, and conditions in these proceedings.

Q. Do you have a recommendation?

A. Yes. LG&E and KU, and the other parties to the Stipulation recommend the Commission approve the Stipulation in its entirety and without modification so that the change in base rates can occur for service rendered on and after July 1, 2017. The timing of the approval is important because it avoids the need to put the rates filed with the applications in effect subject to refund, pending a final order by the Commission.

Q. Does this conclude your testimony?

A. Yes.

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[50] *See, e.g.*, Case No. 2016-00371, Testimony of Marlon Cummings at 28-29.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Chief Financial Officer 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 foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

KW Blake

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of April 2017.

Tammy J Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2018

The attachments are being provided in separate files in Excel format.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES AND CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY	**)**	**CASE NO. 2016-00370**

In the Matter of:

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

STIPULATION TESTIMONY OF
ROBERT M. CONROY
VICE PRESIDENT, STATE REGULATION AND RATES
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Filed: April 24, 2017

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

A. My name is Robert M. Conroy. I am the Vice President of State Regulation and Rates for Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "Companies"), and an employee of LG&E and KU Services Company, which provides services to LG&E and KU. My business address is 220 West Main Street, Louisville, Kentucky 40202.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss certain tariff-related items and other commitments addressed in the Stipulation and Recommendation ("Stipulation") reached by nearly all of the parties to these proceedings. (The parties to the Stipulation are "Stipulating Parties.")

<u>Tariff Matters</u>

Q. Does the Stipulation present revised electric and gas tariffs for the Commission's review and approval?

A. It does. The proposed tariffs are Stipulation Exhibits 7 (KU), 8 (LG&E electric), and 9 (LG&E gas). The tariffs are largely the same as those initially proposed by the Companies, though many of the rates and some of the rate schedules' terms have changed due to the Stipulation and Commission actions taken on the Company's tariff related filings since November 23, 2016. All changes made to the tariffs are in redline compared to the as-filed tariffs contained in Tab 4 of the Filing Requirements for each Company. The Stipulating Parties have reviewed the proposed tariffs and are recommending them for the Commission's approval as fair, just, and reasonable in the context of the total Stipulation. I discuss several tariff-related matters below. The stipulation testimonies of Kent W. Blake and W. Steven Seelye also address certain tariff-related matters resulting from the Stipulation.

Q. Please explain why the Gas Line Tracker tariff rates were also updated as part of the Stipulation.

A. LG&E lowered its proposed Gas Line Tracker tariff rates to reflect the reduction in gas distribution depreciation rates as discussed in the stipulation testimony of Kent W. Blake. Additionally, the rates were updated to include the 2016 true-up amount from Case No. 2017-00066 and to reflect the capital structure utilized in this proceeding. The supporting calculations for the revised rates are provided in Conroy Stipulation Testimony Exhibit 1.

<u>Curtailable Service Riders</u>

Q. Please describe the proposed changes to the Companies' Curtailable Service Riders ("CSRs") resulting from the Stipulation.

A. Under the Companies' current electric tariffs, each of the Companies has a single CSR.[1] The CSR provides the serving utility the right to request from participating customers up to 375 hours of total curtailments (at previously agreed-upon levels), with each curtailment to last no less than half an hour and no more than fourteen hours per calendar day, with no more than two requests for curtailment per calendar day. The serving utility must provide 60 minutes' notice for each curtailment request. During 275 of the possible curtailment hours the serving utility may request curtailment for any reason, and the customer may elect either to curtail as requested

[1] Kentucky Utilities Company, P.S.C. No. 17, Original Sheet Nos. 50 – 50.2; Louisville Gas and Electric Company, P.S.C. Electric No. 10, Original Sheet Nos. 50 – 50.2.

or to "buy through" the curtailment at the Automatic Buy-Through Price established in the CSR rate schedule. Regarding the remaining 100 hours of possible curtailment, no buy-through option is available; physical curtailment is required, and non-compliance results in a Non-Compliance Charge established in the CSR rate schedule. The serving utility may request physical curtailment only when all available units have been dispatched or are being dispatched and all off-system sales have been or are being curtailed.

The Stipulation creates two CSRs for each of the Companies.[2] The first, called CSR-1, is identical to what the Companies proposed for CSR in their applications in these proceedings, i.e., it leaves all the terms and conditions of the existing CSR unchanged but revises the CSR credits to be $3.20 per kVA-month for KU and $3.56 per kVA-month for LG&E for transmission-level customers and to be $3.31 per kVA-month for KU and $3.67 per kVA-month for LG&E for primary-level customers, and revises the gas-price reference for the Automatic Buy-Through Price.[3]

The second, called CSR-2, begins with what the Companies proposed in these proceedings, but has higher CSR credits than the Companies proposed ($6.00 per kVA-month (primary) and $5.90 per kVA-month (transmission)) in exchange for looser constraints on when the Companies may request physical curtailments and shorter notice times for physical curtailment requests. In particular, the Companies may request physical curtailment when more than 10 of their primary combustion

[2] Stipulation ¶ 4.4.

[3] Case No. 2016-00370, Filing Requirement 807 KAR 5:001 Section 16(1)(b)(3), Proposed KU Tariff at Sheet No. 50.1; Case No. 2016-00371, Filing Requirement 807 KAR 5:001 Section 16(1)(b)(3), Proposed LG&E Electric Tariff at Sheet No. 50.1.

turbines (i.e., those with a capacity greater than 100 MW) are being dispatched, irrespective of whether the Companies are making off-system sales. But a customer may avoid physical curtailment under these conditions by buying through at the Automatic Buy-Through Price. For curtailment requests under these conditions, a CSR customer will have 10 minutes to elect to buy through or physically curtail. If the customer elects to physically curtail, the customer will have 30 minutes to carry out the required physical curtailment (i.e., a total of 40 minutes from the time of the curtailment request to the time the customer must implement the curtailment). If a customer does not respond within 10 minutes of notice of a curtailment request, the customer will be assumed to have elected to buy through the requested curtailment, subject to any prior written agreement with the customer.

But if all available units have been dispatched or are being dispatched, the Companies may request a physical curtailment of the CSR-2 customer without a buy-through option. After receiving such a request, a CSR customer will have 40 minutes to carry out the required physical curtailment.

Also, CSR-2 provides that the Companies may request physical curtailment of a customer no more than 20 times per calendar year totaling no more than 100 hours. Any buy-through of a physical curtailment request will not count toward the 100-hour limit or 20-curtailment-request limit, but will count toward the 275 hours of economic curtailments.

Q. How will the Companies determine whether a current CSR customer will participate in CSR-1 or CSR-2?

A. The Companies will initially assign all existing CSR customers to CSR-2. Following the initial assignment, a CSR customer may elect CSR-1 at any time, which election will take effect beginning with the customer's first full billing cycle following the election.

Q. Will customers be permitted to switch between CSR-1 and CSR-2?

A. Yes. After a CSR customer makes its first election or any subsequent election to participate in either CSR-1 or CSR-2, the customer must participate in the chosen rider for at least 24 full billing cycles before a new election can become effective. This restriction will help ensure consistent CSR value to participants and non-participants, and will aid the Companies' generation dispatchers to have greater stability concerning which CSR customers may be called upon to curtail under certain conditions.

Q. Did the Stipulating Parties come to agreement concerning limiting or capping CSR participation?

A. Yes. Consistent with what KU proposed in its application, participation in its CSR riders will be closed to new or increased participation as of July 1, 2017. Additional CSR participation is not permitted under KU's existing CSR because the capacity cap stated in the current tariff has already been reached.

LG&E will permit any customer interested in participating in CSR-1 or CSR-2 to give notice of interest by July 1, 2017; after that date, only those customers already participating in LG&E's CSR may continue their participation at their then-current levels. Customers that have given notice of interest on or before July 1, 2017, may elect to begin participating in CSR-1 or CSR-2 no later than January 1, 2019.

LG&E's existing capacity cap will continue to apply (i.e., 100 MVA in addition to LG&E's contracted curtailable load as of August 1, 2010), and all available CSR capacity will be available for participation on a first come, first served basis to those giving notice of interest by July 1, 2017. The purpose of the notice-and-election approach agreed upon by the Stipulating Parties is to allow LG&E customers who are considering CSR participation a reasonable opportunity to evaluate whether either CSR-1 or CSR-2 would be economically sensible, while also allowing LG&E to cap participation in the riders in a timely way.

Q. Are the Stipulating Parties agreements concerning CSR reasonable in the context of the Stipulation, supported by the record of these proceedings, and worthy of Commission approval?

A. Yes. Notably, both CSR-1 and CSR-2 have reduced CSR credits, which is consistent with the Companies' testimony on the value of curtailable demand given the Companies' likely capacity needs for the foreseeable future.[4] They are also consistent with the testimony of industrial customers and other witnesses concerning the value of CSR credits to their operations, as well as the value of industrial customers to the economic health of the Companies' service territories and Kentucky more broadly.[5] They are also consistent with Gov. Bevin's emphasis on making

[4] *See, e.g.*, Case No. 2016-00370, Rebuttal Testimony of David S. Sinclair; Case No. 2016-00370, Rebuttal Testimony of W. Steve Seelye at 43-53; Case No. 2016-00371, Rebuttal Testimony of David S. Sinclair; Case No. 2016-00371, Rebuttal Testimony of W. Steve Seelye at 46-56.

[5] *See id.*; Case No. 2016-00370, Direct Testimony of Mary Jean Riley; Case No. 2016-00371, Direct Testimony of Michael Simons.

Kentucky a leader in manufacturing.[6] Therefore, the proposed CSR-1 and CSR-2 are reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

<u>Presentation of Residential and General Service Energy Charges</u>

Q. Please explain the Stipulating Parties' agreement concerning the Companies' proposal to split energy charges into infrastructure and variable components on residential and general service rate schedules (Rates RS, RTOD, VFD, AES, and GS).

A. The Stipulating Parties have agreed the Companies will not split the energy rates shown on the rate schedules for Rates RS, RTOD, VFD, AES, and GS into infrastructure and variable components.[7] There was testimony supporting and opposing such a split in the record of these proceedings, so the agreement not to split the charges is supported by record evidence.[8] Therefore, the proposal not to split residential and general service energy charges is reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

<u>Pilot Rates for Schools Subject to KRS 160.325</u>

Q. Please explain the Stipulating Parties' agreement concerning pilot rates for schools subject to KRS 160.325.

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[6] *See, e.g.*, Bowling Green Daily News, "Bevin: Kentucky can lead America in manufacturing," available at http://www.bgdailynews.com/news/bevin-kentucky-can-lead-america-in-manufacturing/article_70c86e92-bda7-11e6-aa32-e33968c4d799.html.

[7] Stipulation ¶ 4.8.

[8] *See, e.g.*, Case No. 2016-00370, Direct Testimony of Robert Conroy at 11-16; Case No. 2016-00371, Direct Testimony of Robert Conroy at 11-16; Case No. 2016-00370, Direct Testimony of Jonathan Wallach at 16-20; Case No. 2016-00371, Direct Testimony of Jonathan Wallach at 16-20.

A. The Stipulating Parties have agreed the Companies will add to their electric tariffs optional pilot tariff provisions for schools subject to KRS 160.325.[9] The pilot rate schedules are School Power Service (Rate SPS) and School Time-of-Day Service (Rate STOD).[10] The pilot rates will not be limited in the number of schools that may participate, but will be limited by the projected revenue impact to the Companies. Each utility's pilot rate provisions will be available to new participants until the total projected revenue impact (reduction) for each of the Companies is $750,000 annually compared to the projected annual revenues for the participating schools under the rates which the schools would otherwise be served. The purpose of these special rates for schools is to assist schools subject to KRS 160.325 comply with the spirit of the statute, as well as to allow the Companies to gather data concerning school's usage patterns.

The Kentucky School Board Association ("KSBA") will be responsible for proposing schools for participation in the pilot rates and the order in which such schools are proposed; the Utilities will calculate and provide to KSBA the projected revenue impact of each proposed school's taking service under pilot rates. Having the KSBA choose pilot participants should allay any potential concern that the Companies might choose participating schools in a biased way.

There was testimony supporting and opposing such rates in the record of these proceedings, so the agreement concerning these pilot rates is supported by record

[9] Stipulation ¶ 4.11.
[10] *See* Stipulation Exhs. 7 (KU) and 8 (LG&E).

evidence.[11] Therefore, the proposed pilot rates are reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

<u>Tariff Changes Not Related to the Stipulation</u>

Q. Do the proposed tariffs attached to the Stipulation reflect certain changes not arising from the Stipulation process?

A. Yes. Mr. Seelye is addressing changes to some of LG&E's gas tariff sheets to permit customers with gas-fired onsite electric generators used for purposes other than backup generation to purchase gas from other suppliers while having that gas delivered to such customers via LG&E's gas distribution system.

In addition, a number of other changes are reflected in the electric and gas tariff sheets attached to the Stipulation that are not explicitly addressed in the Stipulation's text because they are typo corrections or result from other proceedings and tariff filings that have occurred since the Companies filed their proposed tariffs in these proceedings in November 2016. In particular, LG&E's gas tariff reflects changes to the Rate FT gas cost true-up and related dates, as well as a change to the daily demand charge; changes to the Rate TS-2 gas cost true-up and related dates, as well as a change to the pipeline supplier's demand component; updated gas supply cost rates; updates to demand-side management ("DSM") rates resulting from changes to the DSM balancing adjustment component; and the deletion of a duplicate

[11] *See, e.g.,* Case No. 2016-00370, Testimony of Ronald L. Willhite at 5-7 and RLW Exhs. 2 – 4; Case No. 2016-00371, Testimony of Ronald L. Willhite at 5-7 and RLW Exhs. 2 – 4; Case No. 2016-00370, Rebuttal Testimony of W. Steven Seelye at 62-69; Case No. 2016-00371, Rebuttal Testimony of W. Steven Seelye at 65-72.

section from Rate LGDS inadvertently included in the proposed gas tariff filed in Case No. 2016-00371.[12]

Regarding the Companies' electric tariffs, the Stipulation text does not address an extension of a DSM rebate date; updates to DSM rates resulting from changes to the DSM balancing adjustment component; a new line-extension rate; and various small typo corrections.[13]

<u>Other Commitments</u>

Q. In addition to the implementation of pilot rates for schools, have the Companies made any other commitment in the Stipulation that will provide benefits to Kentucky schools subject to KRS 160.325?

A. Yes, namely a commitment to apply to the Commission to extend funding for the School Energy Management Program ("SEMP").[14] In Case No. 2013-00067, the Commission approved the SEMP to help fund energy management programs for schools for a two-year period. In Case Nos. 2014-00371 and 2014-00372, the Commission approved an extension of SEMP through June 30, 2016, and a commitment by the Companies to file an application with the Commission to extend SEMP through June 30, 2018. The Companies filed the promised application in Case No. 2015-00398, which application the Commission approved.[15]

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[12] *See* Stipulation Exh. 9.

[13] *See* Stipulation Exhs. 7 (KU) and 8 (LG&E). The particular typo corrections are: removal of the word "Rider" from the full names of Riders IL and TS in the General Index (both Companies' Sheet No. 1); removal of "Rate (continued)" and moving of "Overhead Service (continued)" to the top (KU Sheet No. 35.1); removal of "Rider for" from rider name (both Companies' Sheet Nos. 65 and 65.1); and removal of "Electric" from the name and removal of "where" from paragraph no. 3 (both Companies' Sheet No. 66).

[14] Stipulation ¶ 5.2.

[15] *In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Review and Modification of the School Energy Management Program*, Case No. 2015-00398, Order (Mar. 31, 2016).

Consistent with KSBA's testimony concerning SEMP in these proceedings, the Stipulation includes a commitment by the Companies to file with the Commission an application proposing a two-year extension of SEMP for July 1, 2018, through June 30, 2020.[16] The total annual level of funding to be proposed is $725,000; prior to filing the application, and the Companies will consult with KSBA to determine an appropriate allocation of the total annual funds between KU and LG&E. The Companies committed in the Stipulation to file the SEMP application no later than December 31, 2017, to ensure there is reasonable time for the Commission to consider and act upon the application before the expiration of the Companies' current SEMP commitment on June 30, 2018.

As noted above, there is testimony in the record of these proceedings supporting extension of the Companies' SEMP commitment, so the agreement for the Companies to seek Commission approval to extend the Companies' SEMP commitment is supported by record evidence.[17] Therefore, the Companies' SEMP-related application commitment is reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

Q. Please describe the commitment in the Stipulation concerning a collaborative study regarding electric bus infrastructure and rates.

A. The Stipulation contains a commitment by the Companies to fund a study concerning economical deployment of electric bus infrastructure in the Louisville and Lexington

[16] Case No. 2016-00370, Testimony of Ronald L. Willhite at 9-12; Case No. 2016-00371, Testimony of Ronald L. Willhite at 8-11.
[17] *Id.*

areas, as well as possible cost-based rate structures related to charging stations and other infrastructure needed for electric buses.[18] The Companies have committed to work collaboratively with Louisville/Jefferson County Metro Government ("Louisville Metro"), Lexington-Fayette Urban County Government ("LFUCG"), and any other interested parties to these proceedings to develop the parameters for the study, including reasonable cost and timing, and to review the study's results with representatives of Louisville Metro and LFUCG. The collaborative will include only those parties to these proceedings interested in participating in the collaborative.

There was testimony in the record of these proceedings supporting and opposing special rates and a study for electric vehicles used for public transit, so the agreement concerning this collaborative study is supported by record evidence.[19] Therefore, the proposed study concerning electric bus infrastructure and rates is reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

Q. Please describe the commitment in the Stipulation concerning a collaborative study regarding LED lighting.

A. The Stipulation contains a commitment by the Companies to engage in good faith with Louisville Metro, LFUCG, and any other interested parties to these proceedings in a collaborative to discuss issues related to LED lighting to determine what LED street lighting equipment and rate structures might be offered by the Companies.[20]

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[18] Stipulation ¶ 5.4.

[19] Case No. 2016-00371, Direct Testimony of Geoff Hobin; Case No. 2016-00371, Rebuttal Testimony of Robert M. Conroy at 26-28.

[20] Stipulation ¶ 5.5.

The collaborative will include only those parties to these proceedings interested in participating in the collaborative. The Companies will continue to offer the LED options as proposed in the application and modified by the stipulated rates.

LED lighting has been the subject of considerable amounts of testimony and discovery in these proceedings, so the agreement concerning this collaborative effort is supported by record evidence.[21] Therefore, the proposed LED lighting collaborative is reasonable in the context of the Stipulation, supported by the record in these proceedings, and worthy of the Commission's review and approval.

Q. Does this conclude your testimony?

A. Yes.

[21] *See, e.g.*, Case No. 2016-00370, Direct Testimony of Robert M. Conroy at 21; Case No. 2016-00370, Direct Testimony of W. Steven Seelye at 56-67 and Exh. WSS-5; Case No. 2016-00371, Direct Testimony of Robert M. Conroy at 22; Case No. 2016-00371, Direct Testimony of W. Steven Seelye at 56-67 and Exh. WSS-5; Case No. 2016-00370, Direct Testimony of Douglas B. Jester at 19-26; Case No. 2016-00370, KU Response to LFUCG 2-4.

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 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 foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Robert M. Conroy

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of April 2017.

Judy Schooler (SEAL)
Notary Public

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

The attachment is being provided in a separate file in Excel format.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES	**)**	
COMPANY FOR AN ADJUSTMENT OF ITS	**)**	**CASE NO. 2016-00370**
ELECTRIC RATES AND FOR	**)**	
CERTIFICATES OF PUBLIC	**)**	
CONVENIENCE AND NECESSITY	**)**	

In the Matter of:

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

STIPULATION TESTIMONY OF
WILLIAM STEVEN SEELYE
MANAGING PARTNER
THE PRIME GROUP, LLC

Filed: April 24, 2017

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is William Steven Seelye. My business address is 6001 Claymont Village Drive, Suite 8, Crestwood, Kentucky 40014.

Q. Have you previously submitted testimony in these proceedings?

A. Yes. I submitted direct testimony on November 23, 2016 and rebuttal testimony on April 10, 2017.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the following issues as they relate to the Stipulation and Recommendation ("Stipulation") entered into by nearly all the parties to these proceedings ("Stipulating Parties"): (i) allocation of the revenue increase; (ii) the residential Basic Service Charges that are proposed in the Stipulation; (iii) revisions to proposed Substitute Gas Sales Service Rate SGSS; (iv) an agreement to perform a customer impact study of the 100% demand ratchet that is being proposed in the Stipulation for the Basic Demand Charge in Rates TODS, TODP, RTS, and FLS; (v) a 60-minute grace period for determining demands during system faults under Rate TODP; (vi) a proposed Outdoor Sports Lighting Service pilot rate; (vii) modifications to Distributed Generation Gas Service Rate DGGS that would allow transportation service under Rate DGGS; and (viii) allocation of the increase to individual lighting types in Rates LS and RLS.

II. REVENUE ALLOCATION

Q. Please summarize the percentage increase.

A. For KU the following revenue increases were agreed to by the parties:[1]

Group	Rate Schedules	Stipulated Revenue Increase (Decrease)
I	RS, RTOD	$ 21,724,219
II	GS, AES, PS, TODS	$ 19,011,295
III	TODP, RTS, FLS	$ 13,168,514
IV	LE	$ -
V	LS, RLS	$ 365,390
VI	TE	$ 4,423
VII	Public Schools	$ (747,836)
Total All Classes		$ 53,526,005

TABLE 1[2]

The following revenue increases were agreed to by the parties for LG&E:[3]

[1] Stipulation Exh. 1.
[2] The increases shown in Table 1 do not include the effect of reducing the CSR credits.
[3] Stipulation Exh. 1.

Group	Rate Schedules	Stipulated Revenue Increase (Decrease)
I	RS, RTOD	$ 29,569,462
II	GS, PS	$ 17,236,488
III	TODP, RTS	$ 10,938,324
IV	LE	$ -
V	LS, RLS	$ 403,883
VI	TE	$ 13,305
VII	Public Schools	$ (750,070)
VIII	TODS	$ 1,471,326
IX	Special Contract	$ 204,339
Total All Classes		$ 59,087,057

TABLE 2[4]

Q. How were these increases determined?

A. In developing the percentage increases, the rate classes were placed into the following groups. Each group was then assigned the same percentage increase, while considering the class rates of return from the Company's cost of service studies, as well as rates of return from the intervenors' cost of service studies.

Group I:	Residential Service – Rate RS
	Residential Time-of-Day Service – RTOD
Group II:	General Service – Rate GS
	Power Service – Rate PS
	Time of Day Secondary – Rate TODS (KU only)
	All Electric Schools – Rate AES (KU only)
Group III:	Time of Day Primary Service – Rate TODP
	Retail Transmission Service – Rate RTS

[4] The increases shown in Table 2 do not include the effect of reducing the CSR credits.

	Fluctuating Load Service – Rate FLS (KU only)
Group IV:	Lighting Energy – Rate LE
Group V:	Lighting Service – Rates LS & RLS
Group VI:	Traffic Energy Service – Rate TE
Group VII:	Public Schools – Rates SPS & STOD
Group VIII:	Time of Day Secondary – Rate TODS (LG&E only)
Group IX:	Special Contract (LG&E only)

The groups reflect similar types of customers. For example, the rates applicable to small and medium size commercial and industrial customers are included in Group II while the large commercial and manufacturing customers are included in Group III or in Group VIII for LG&E.

Q. What are the percentage increases for each group?

A. The stipulated percentage revenue increases by group for KU are shown below:[5]

Kentucky Utilities Company		
Group	Rate Schedules	Stipulated Percentage Increase (Decrease)
I	RS, RTOD	3.49%
II	GS, AES, PS, TODS	3.40%
III	TODP, RTS, FLS	3.43%
IV	LE	0.00%
V	LS, RLS	1.20%
VI	TE	2.55%
VII	Public Schools	-3.78%
Total All Classes		3.43%

TABLE 3

[5] Stipulation Exh. 1.

The stipulated percentage revenue increases for LG&E are shown below:[6]

Louisville Gas and Electric Company		
Group	Rate Schedules	Stipulated Percentage Increase (Decrease)
I	RS, RTOD	6.70%
II	GS, PS	5.05%
III	TODP, RTS	5.38%
IV	LE	0.00%
V	LS, RLS	1.73%
VI	TE	4.37%
VII	Public Schools	-5.70%
VIII	TODS	1.89%
IX	Special Contract	5.81%
Total All Classes		5.41%

TABLE 4

Q. Were the percentage increases assigned generally in accordance with the cost of service studies in the record in these proceedings?

A. Yes. Although the Stipulating Parties had different litigation positions concerning revenue allocations and cost of service, the Stipulating Parties ultimately agreed to revenue allocations shown above and in the Stipulation after considerable negotiations.[7] The starting point for determining the revenue increase by rate class was the revenue allocation proposed by KU and LG&E, as presented in my direct

1.
[7] *See e.g.*, Case Nos. 2016-00370 and 2016-00371, Direct and Supplemental Testimonies of AG witness Glenn A. Watkins, KIUC witness Stephen J. Baron and Kroger witness Neal Townsend and Direct Testimony of Walmart witness Gregory W. Tillman.

testimony filed in these proceedings. Starting from the proposed revenue increases as filed by the Companies, the proposed revenue increase by rate class was initially reduced by the reduction in total revenue pro-rated based on the relationship of current class revenue to total revenues for each Company, excluding CSR revenue credits and Lighting Energy (Rate LE) revenues. The reason the CSR revenue credits are excluded is that the CSR credits were determined outside of the revenue allocation process. Rate LE revenues were excluded because the Company did not propose an increase to Rate LE because of the high rates of return.

From this starting point, other proposals included in the Stipulation, such as the new rates specific to schools that are subject to KRS 160.325 and lower percentage increases to lighting rates, were factored into the determination of the increases. The revenue reduction from the new rates provided to public schools in the Stipulation and the lower revenue increase to Rate LS and RLS resulted in higher increases to most of the other rate classes. The approach used to develop the proposed increases is summarized in Stipulation Exhibit WSS-1.[8]

Ultimately, the stipulated increases generally reflect the rates of return from the Companies', the AG's, and the KIUC's cost of service studies, with the classes with the highest rates of return generally receiving a lower increase, and with the classes with lowest rates of return generally receiving a higher increase.[9] Exceptions to this

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[8] The revenue increases shown in Exhibit 4 and 5 of the Stipulation differ slightly from Stipulation Exhibit WSS-1 because of rounding of the unit charges in the various rate schedules.

[9] *See e.g.,* Case Nos. 2016-00370 and 2016-00371, Direct and Supplemental testimonies of AG witness Glenn A. Watkins, KIUC witness Stephen J. Baron, and Kroger witness Neal Townsend and Direct Testimony of

were the new rates stipulated for public schools and the lower relative rates stipulated for the leased lighting (Rates LS and RLS). Stipulation Exhibit WSS-2 compares the class rates of return from the cost of service studies filed in the case to the percentage revenue increases for each group.

Q. What were the stipulated increases for LG&E's gas rates?

A. In the Stipulation, the parties agreed to increase Rates RGS, IGS and FT by 2.44%.[10] The parties stipulated that the rates for the other rate schedules would be as filed, except for those calculated from unit costs based on Rates IGS (*viz*., Rates CGS and DGGS), in which case the rate schedules would be adjusted accordingly based on the lower revenue requirement agreed to for Rate IGS.

III. RESIDENTIAL BASIC SERVICE CHARGES

Q. What Basic Service Charges were agreed to in the Stipulation?

A. For KU and LG&E's electric operations, the parties agreed to phase in two $0.75 increases to residential Basic Service Charges over a two-year period.[11] Effective with service rendered July 1, 2017, the stipulated Basic Service Charges for KU and LG&E's residential electric service schedules would be $11.50 per month, and effective with service rendered July 1, 2018 the Basic Service Charges would increase to $12.25 per month. The Companies' current residential Basic Service Charges are

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Walmart witness Gregory W. Tillman and DOD witness James T. Selecky.

[10] Stipulation Exh. 6.
[11] Stipulation ¶ 4.3.

$10.75; therefore, the charges as of July 1, 2017, will represent a $0.75 increase, and the charges as of July 1, 2018, will represent an additional $0.75 increase, for a total increase of $1.50. For LG&E's gas operations the parties agreed to a Basic Service Charge for residential rates of $16.35. This represents a $2.85 increase in the Basic Service Charge.

Q. What are the charges for the phased-in residential electric rates?

A. For KU, effective with service rendered July 1, 2017, the Basic Service Charges for Rates RS and VFD will be $11.50 per month with an energy charge of $0.09163 per kWh; and effective with service rendered July 1, 2018, the Basic Service Charges for Rates RS and VFD will be $12.25 per month with an Energy Charge of $0.09100 per kWh.[12] For KU, effective with service rendered July 1, 2017, the Basic Service Charges for RTOD-Energy will be $11.50 per month with an Off-Peak Energy Charge of $0.06015 per kWh and a Peak Energy Charge of $0.27646; and effective July 1, 2018, the Basic Service Charge for RTOD-Energy will be $12.25 per month with an Off-Peak Energy Charge of $0.05944 per kWh and a Peak Energy Charge of $0.27646. For KU, effective with service rendered July 1, 2017, the Basic Service Charges for RTOD-Demand will be $11.50 per month with an Energy Charge of $0.04579 per kWh, Peak Demand Charge of $7.87 per kW and a Base Demand Charge of $3.44 per kW; and effective July 1, 2018, the Basic Service Charge for RTOD-Demand will be $12.25 per month with an Energy Charge of $0.04525 per kWh, Peak Demand Charge

[12] *See* Stipulation Exhibit WSS-3, pages 1-2.

of $7.87 per kW and a Base Demand Charge of $3.44 per kW.[13]

For LG&E, effective with service rendered July 1, 2017, the Basic Service Charges for Rates RS and VFD will be $11.50 per month with an energy charge of $0.09268 per kWh; and effective with service rendered July 1, 2018, the Basic Service Charges for Rates RS and VFD will be $12.25 per month with an Energy Charge of $0.09190 per kWh.[14] For LG&E, effective with service rendered July 1, 2017, the Basic Service Charges for RTOD-Energy will be $11.50 per month with an Off-Peak Energy Charge of $0.06780 per kWh and a Peak Energy Charge of $0.23263; and effective July 1, 2018, the Basic Service Charge for RTOD-Energy will be $12.25 per month with an Off-Peak Energy Charge of $0.06692 per kWh and a Peak Energy Charge of $0.23263. For LG&E, effective with service rendered July 1, 2017, the Basic Service Charges for RTOD-Demand will be $11.50 per month with an Energy Charge of $0.04579 per kWh, an Energy Charge of $0.05051 per kWh, Peak Demand Charge of $7.68 per kW and a Base Demand Charge of $3.51 per kW; and effective July 1, 2018, the Basic Service Charge for RTOD-Demand will be $12.25 per month with an Energy Charge of $0.04985 per kWh, Peak Demand Charge of $7.68 per kW and a Base Demand Charge of $3.51 per kW.[15]

Q. How do the stipulated charges compare to cost of service?

A. The Companies' electric cost of service studies indicated that KU's residential

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[13] *See* Stipulation Exhibit WSS-3, pages 3-4.
[14] *See* Stipulation Exhibit WSS-4, pages 1-2.
[15] *See* Stipulation Exhibit WSS-4, pages 3-4.

customer cost is $23.93 per month and that LG&E's residential customer cost is $22.04 per month.[16] LG&E's gas cost of service study indicated that residential customer cost is $24.05 per month.[17] Therefore, the $1.50 increase in the electric Basic Service Charges and the $2.85 increase in the gas Basic Service Charge for LG&E that were agreed to in the Stipulation certainly represent a movement in the direction of cost of service.

Q. How do the stipulated charges compare to the charges proposed by the intervenor witnesses?

A. Both the AG's witness and Sierra Club's witness proposed to leave the Basic Service Charges at their current levels.[18] Therefore, the stipulated charges represent an increase from their filed positions.

IV. SUBSTITUTE GAS SALES SERVICE RATE SGSS

Q. Please describe LG&E's proposed Substitute Gas Sales Service (Rate SGSS).

A. Rate SGSS is intended to provide substitute gas sales service for any customer who desires to receive firm sales service from LG&E in addition to gas received from other sources with which the customer is physically connected. Rate SGSS would apply to customers who normally purchase gas supply directly from a pipeline, from another local distribution company, or from a local producer, but desire to rely on LG&E as an

[16] See Direct Testimony of William Steven Seelye for KU at pp. 9-23 and for LG&E at pp. 10-24.
[17] See Direct Testimony of William Steven Seelye for LG&E at pp. 62-63.
[18] Direct Testimony of AG witness Glenn A. Watkins and Sierra Club witness Jonathan Wallach.

alternative or substitute supplier of natural gas. In its role as a substitute supplier, LG&E would maintain sufficient storage and distribution delivery capacity on its system to provide firm service to a customer under Rate SGSS, just as it would any other commercial or industrial sales customer. Rate SGSS is structured as a three-part rate consisting of (i) a Basic Service Charge, which is a fixed customer charge to be billed monthly; (ii) a Distribution Charge, which will be applied to monthly volumetric deliveries; and (iii) a Demand Charge, which will be applied to the customer's Monthly Billing Demand. The Company's proposed tariff defined the Monthly Billing Demand as follows:

> The Monthly Billing Demand shall be the greater of (1) the MDQ, or (2) the highest daily volume of gas delivered during the current month or the previous eleven (11) monthly billing periods. The term "day" or "daily" shall mean the period of time corresponding to the gas day as observed by the Pipeline Transporter as adjusted for local time.[19]

As discussed in my direct and rebuttal testimony, a demand charge helps ensure that other customers are not subsidizing those customers who take substitution or backup service from LG&E.

Q. What changes to the proposed Rate SGSS rate schedule were agreed to by the parties in the Stipulation?

A. The rate schedule that LG&E originally proposed provided that the maximum monthly billing demand would be based on the maximum monthly demands during the current

[19] LGE Filing Requirements (Tabs 1-45) – Part 1, P.S.C. Gas No. 11, Original Sheet No. 21.1, Rate SGSS.

and the 11 preceding months. Similarly, if the Company and the customer could not agree on an MDQ, the MDQ would be determined based on the maximum monthly demands during a 12-month period. Therefore, the Company was proposing that both the billing demand and the MDQ would be based on 100% ratchets. In the Stipulation, the parties agreed to lower the ratchet percentages for Rate SGSS to 70%.[20] The stipulated tariff defines the Monthly Billing Demand for Rate SGSS as follows:

> The Monthly Billing Demand shall be the greater of (1) the MDQ, (2) the highest daily volume of gas delivered during the current month, or (3) 70% of the highest daily volume of gas delivered during the previous eleven (11) monthly billing periods. The term "day" or "daily" shall mean the period of time corresponding to the gas day as observed by the Pipeline Transporter as adjusted for local time.[21]

The stipulated tariff also defines the MDQ for Rate SGSS as follows:

> Company shall provide firm natural gas sales service to Customer at a single Point of Delivery up to the Maximum Daily Quantity ("MDQ"). The MDQ for any Customer taking service under this rate schedule when it first becomes effective will be 70% of the highest daily volume projected by Company for the Customer in the forecasted test year used by Company in Case No. 2016-00371. For all other Customers taking service under this rate schedule, Customer and Company may mutually agree to establish the level of the MDQ; provided, however, that in the event that Customer and Company cannot agree upon the MDQ, then the level of the MDQ shall be equal to 70% of the highest daily volume used by Customer during the twelve (12) months prior to the date that Customer began receiving natural gas from another supplier with which Customer is physically connected; in the event that such daily gas usage is not available, then the MDQ shall be equal to 70% of the Customer's average daily use for the highest month's gas use in the twelve (12) months prior to the date that Customer began receiving natural gas

[20] Stipulation ¶ 4.6.
[21] Stipulation Exhibit 9, Original Sheet No. 21.1 of the stipulated gas tariff.

> from another supplier with which Customer is physically connected; in no case shall the MDQ be greater than 5,000 Mcf/day.[22]

Q. Is lowering the demand ratchet for Rate SGSS to 70% reasonable?

A. Yes, I believe that it is, particularly since Rate SGSS is a new rate schedule, which will include both a delivery charge billed on a volumetric basis and a demand charge billed on the basis of a customer's maximum daily demands. Initially, it is anticipated that only one customer will take service under Rate SGSS when the rates are approved in this proceeding. The customer taking service under the rate would be moving from a rate schedule (Rate CGS) that does not include a demand charge to Rate SGSS that will include a demand charge. Setting the billing demand and MDQ ratchets at 70% represents a reasonable first step for a new rate that includes a demand charge for customers requiring substitute gas service.

V. TODS 100% DEMAND RATCHET STUDY

Q. Please explain the stipulated change to the Base Demand Charge ratchet for Rates TODS, TODP, RTS and FLS.

A. The Stipulating Parties agreed that the Base Demand Charge ratchet for Rates TODS, TODP, RTS and FLS would be 100%. As a part of the Stipulation, the Companies committed to perform a study of the impact on customers taking service under Rate TODS from increasing the Base Demand Charge ratchet from 75% to 100% and submit

[22] *Id*.

the results of the study in the Company's next general rate case.[23]

Q. Why is it appropriate to limit the study to Rate TODS?

A. While the ratchet provision will affect Rates TODS, TODP, RTS and FLS, most customers taking service under Rates TODP, RTS and FLS are large manufacturing customers with relatively high load factors and steady monthly demands. In contrast to Rates TODP, RTS, and FLS, the customers taking service under Rate TODS are predominantly large commercial customers, such as large retail stores and large office buildings. Customers taking service under Rate TODS are more likely to have monthly demands that move up or down depending on the season; therefore, customers taking service under Rate TODS are more likely to be affected by the ratchet provision than customers taking service under Rates TODP, RTS and FLS. Certainly, a 100% ratchet provision will reflect costs more accurately than a 75% ratchet, but it is reasonable to perform a study evaluating the impact of the change in the ratchet provision on customers taking service under Rate TODS.

VI. 60-MINUTE EXEMPTION FROM SETTING BILLING DEMANDS FOLLOWING A UTILITY SYSTEM FAULT

Q. Please explain the 60-minute exemption set forth in Section 4.10 of the Stipulation.

A. In this proceeding, the Company proposed to provide service to customers that owned

[23] Stipulation ¶ 4.9.

electric generation equipment but required back-up or supplemental service to take service under the Company's standard rate schedules. Specifically, customers with large generators would likely take service under Rate TODP. LG&E is currently providing service under Rate TODP to a customer that owns a number of electric generators that serve as the customer's primary power source. The customer apparently has the ability to provide most, if not all, of its power requirements, but desires that the Company continue to provide back-up service to the customer's facilities. In the event of a system outage on LG&E's system, the customer's generators could be taken offline or otherwise realize a forced outage, causing the customer's demand to spike until the customer can bring its generators back online, which generally cannot occur instantaneously after a fault. Therefore, in the Stipulation the parties agreed that for customers taking service under Rate TODP who own their own generation, for 60 minutes immediately following a Company-system fault, but not a Company energy spike or a fault on the customer's system, the Companies will not use any demand measurements or data for a Rate TODP customer to set the monthly billing demand.[24] This 60-minute exemption or grace period will allow customers who have significant on-site generation (1-MW or more) to reset and bring back online their own generation before the Companies will measure the demand to be used as a billing demand.

[24] Stipulation ¶ 4.10.

VII. SPORTS FIELD LIGHTING RATE PILOT

Q. Please describe the Sports Field Lighting pilot described in the Stipulation.

A. The parties agreed to implement a new Outdoor Sports Field Lighting (Rate OSL) service schedule as a pilot.[25] As a pilot, the rate schedule would be limited to a maximum of 20 customers for each Company on a first-come, first-served basis. The rate is designed to allow customers with sport field lights currently taking service under Rate PS to take advantage of a time-differentiate demand charge. Specifically, the rate would consist of a Basic Service Charge, an Energy Charge and a time-differentiated Demand Charge consisting of a Peak Demand Charge and a Base Demand Charge. The Peak Demand Charge would apply only to demands that are measured during the Companies' Peak Demand Period, which would correspond to the hours between 1 p.m. to 7 p.m. during the summer peak months of May through September and to the hours between 6 a.m. and 12 p.m. during the winter months of October through April. These relatively narrow time-of-day windows will allow sports lighting customers to avoid a significant portion of their demand charges by operating outside of the peak window. Because sports field lights typically operate outside of the Company's peak periods, significant savings should be achievable under the stipulated rate schedule. For KU, the peak demand charge that could be avoided by not operating during the peak period is $16.15 per kW for secondary voltage customers and $16.32 per kW for primary voltage customers. For LG&E, the peak demand charge that could be avoided

[25] Stipulation ¶ 4.7.

by not operating during the peak period is $14.37 per kW for secondary voltage customers and $13.07 per kW for primary voltage customers. The rate schedule will also include a much smaller Base Demand Charge designed to recover distribution and transmission delivery costs that would be applied to the customer's maximum demand regardless of when the demand occurs. Because Rate PS does not have a time-differentiated demand charge, sports lighting customers taking service under Rate PS would not be able to avoid any of their demand charges by operating outside of the summer and winter peak periods.

Q. Have you prepared an exhibit showing how the demand charges were calculated?

A. Yes. Stipulation Exhibit WSS-5 shows the calculation of the stipulated demand charges for the stipulated Rate OSL.

VIII. DISTRIBUTED GENERATION GAS SERVICE RATE DGGS

Q. Please provide a brief description of Rate DGGS.

A. Rate DGGS provides gas sales service to electric generators. The rate schedule is structured as a demand/commodity rate.

Q. What changes were agreed to by the parties regarding Rate DGGS?

A. Rate DGGS is currently a sales-only service schedule. The Stipulating Parties agreed to allow transportation service under the rate schedule. Specifically, customers taking service under Rate DGGS would also be eligible to take transportation service under

Gas Transportation Service/Firm Balancing Service Rider TS-2 and under Pooling Service Rider PS-TS-2. Rate DGGS, Rider TS-2 and Rider PS-TS-2 have been modified in Stipulation Exhibit 9 (stipulated LG&E gas tariff) to allow DGGS customers to take transportation service under the rate schedule.

IX. STREET LIGHTING RATES (RATES LS and RLS)

Q. Please describe how the stipulated charges for Rates LS and RLS were determined.

A. In these proceedings, the Companies originally proposed to allocate the increase to the individual types of lights based on the current carrying cost (marginal cost) of each type of light. KU capped the maximum increase for any type of light at 20%, and LG&E capped the maximum increase for any type of light at 30%. In the Companies' original proposals, lights that are currently priced above marginal cost were assigned a zero increase. Lights that were currently priced below marginal cost and not subject to a cap were allocated an increase based on the light's marginal cost in a manner that would yield the total revenue requirement for the rate class as a whole. This process is described in greater detail in my Direct Testimony filed in these proceedings.

KU and LG&E proposed revenue increases for Rates LS and RLS of 6.14% and 8.21%, respectively. In the Stipulation, the Parties agreed to an increase for Rates LS and RLS of 1.20% for KU and an increase of 1.73% for LG&E.[26] Because of the lower

[26] See Stipulation Exhs. 4, 5, 7, and 8.

increases, it was necessary to lower the caps applied to individual lighting types. In the stipulation, the parties agree to group lights into three categories: (1) Category 1—lights for which the Companies proposed no increase; (2) Category 2 – lights for which the Companies proposed increases greater than zero but less than a level near the caps (15% for KU and 20% for LG&E); and (3) Category 3 – lights for which the Companies capped the increase or proposed increases near the caps (again, 15% for KU and 20% for LG&E). In the stipulation, Category 1 was assigned no increase; Category 2 was assigned an increase of 0.64% for KU and an increase of 2.55% of LG&E; Category 3 was assigned an increase of 4.0% for KU and 4.5% for LG&E. The increases for Category 2 were developed to yield the 1.20% overall increase for the KU and the 1.73% overall increase for the LG&E.

Q. Does this conclude your stipulation testimony?

A. Yes.

VERIFICATION

STATE OF NORTH CAROLINA)
) **SS:**
COUNTY OF TRANSYLVANIA)

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 foregoing testimony and exhibits, 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 21 day of April 2017.

(SEAL)
Notary Public

My Commission Expires:

04/19/2020

MEREDITH A. BYRD
NOTARY
MY COMMISSION EXPIRES 4/19/2020
PUBLIC
TRANSYLVANIA COUNTY, NC

Stipulation Exhibit WSS-1

KU and LG&E Stipulation Allocation Increase

Kentucky Utilities Company

Stipulated Allocation of Revenue Increase

	As Filed Increase	Test Year Revenue	Test Year Revenue (Exc CSR & LE)	Percentage of Total	Allocation of Rev Requirement Reduction	Allocation of CSR Change	Revenue Increase per Formula	Stipulated Revenue Increase (Decrease)	Percentage Increase (Decrease)
Residential Service Rate RS	$ 36,998,263	$ 622,779,411	$ 622,779,411	39.02%	$ 18,806,049	$ 2,860,270	$21,052,484	$21,747,644	3.49%
Residential Service Rate RTOD	$ 1,800	$ 30,441	$ 30,441	0.00%	$ 919	$ 140	$ 1,021	$ 1,063.02	3.49%
General Service Rate	$ 12,094,454	$ 239,171,377	$ 239,171,377	14.98%	$ 7,222,250	$ 1,098,454	$ 5,970,658	$ 8,126,623	3.40%
All Electric School Rate	$ 777,151	$ 14,562,100	$ 14,562,100	0.91%	$ 439,731	$ 66,880	$ 404,300	$ 494,795	3.40%
Power Service Secondary	$ 9,478,306	$ 179,716,190	$ 179,716,190	11.26%	$ 5,426,884	$ 825,391	$ 4,876,814	$ 6,106,440	3.40%
Power Service Primary	$ 705,852	$ 14,972,312	$ 14,972,312	0.94%	$ 452,118	$ 68,764	$ 322,498	$ 508,733	3.40%
Time of Day Secondary Service	$ 6,865,948	$ 111,361,703	$ 111,361,703	6.98%	$ 3,362,786	$ 511,456	$ 4,014,619	$ 3,783,875	3.40%
Schools		$ 19,776,940						$ (750,000)	-3.79%
Time of Day Primary Service	$ 17,335,551	$ 262,428,533	$ 262,428,533	16.44%	$ 7,924,546	$ 1,205,269	$10,616,274	$ 9,001,299	3.43%
Retail Transmission Service	$ 6,022,822	$ 89,717,941	$ 89,717,941	5.62%	$ 2,709,210	$ 412,052	$ 3,725,664	$ 3,077,325	3.43%
Fluctuating Load Service	$ 2,235,014	$ 30,814,610	$ 30,814,610	1.93%	$ 930,508	$ 141,524	$ 1,446,030	$ 1,056,941	3.43%
Curtailable Service Rider	$ 8,688,375	$ (17,395,776)		0.00%		$ -	$ 1,357,806	$ 1,357,806	-7.81%
Lighting Energy	$ -	$ 35,467						$ -	
Traffic Lighting Energy	$ 8,175	$ 173,457	$ 173,457	0.01%	$ 5,238	$ 797	$ 3,734	$ 4,429	2.55%
Total Lighting Service	$ 1,866,484	$ 30,389,694	$ 30,389,694	1.90%	$ 917,677	$ 139,572	$ 1,088,380	$ 363,307	1.20%
TOTAL ULTIMATE CUSTOMERS	$ 103,078,195	$ 1,598,534,402	$ 1,596,117,770	100%	$ 48,197,915	$ 7,330,569	$54,880,280	$54,880,280	3.43%
Rent from Electric Property	$ 19,720						$ 19,720	$ 19,720	
Total	$ 103,097,915				$ 48,197,915		$54,900,000	$54,900,000	

Stipulation Exhibit WSS-1

Louisville Gas and Electric Company
Stipulated Allocation of Revenue Increase

	As Filed Increase	Total Test Year Revenue	Test Year Revenue (Exc CSR & LE)	Percentage of Total	Allocation of Rev Requirement Reduction	Allocation of CSR Change	Revenue Increase per Formula	Stipulated Revenue (Increase)	Percentage Increase (Decrease)
Residential Service - RS	$ 42,126,429	$ 441,462,416	$ 441,462,416	40.50%	$ 13,859,450	$ 640,806	$ 28,907,785	$ 29,565,417	6.70%
Residential Time-of-Day Rate - RTOD	$ 5,306	$ 55,652	55652	0.01%	$ 1,747	$ 81	$ 3,640	$ 3,727	6.70%
General Service Rate	$ 12,180,705	$ 170,461,520	$ 170,461,520	15.64%	$ 5,351,538	$ 247,434	$ 7,076,601	$ 8,605,720	5.05%
Power Service Rate									
Power Service Rate PS - Secondary	$ 11,631,167	$ 158,516,773	$ 158,516,773	14.54%	$ 4,976,540	$ 230,095	$ 6,884,723	$ 8,002,692	5.05%
Power Service Rate PS - Primary	$ 1,034,517	$ 12,536,325	$ 12,536,325	1.15%	$ 393,570	$ 18,197	$ 659,144	$ 632,894	5.05%
Total Power Service									
Schools		$ 13,154,205						$ (750,000)	-5.70%
Time of Day Secondary Service TODS	$ 5,698,088	$ 77,663,825	77,663,825	7.13%	$ 2,438,210	$ 112,733	$ 3,372,612	$ 1,471,565	1.89%
Time of Day Primary Service TODP	$ 10,989,872	$ 133,125,211	133125211	12.21%	$ 4,179,387	$ 193,238	$ 7,003,724	$ 7,202,074	5.41%
Retail Transmission Service -- RTS	$ 5,824,465	$ 68,895,503	68895503	6.32%	$ 2,162,933	$ 100,005	$ 3,761,537	$ 3,727,247	5.41%
Fluctuating Load Service Rate FLS	$ -		0	0.00%	$ -	$ -	$ -	$ -	
Curtailable Service Riders	$ 1,920,271	$ (3,955,200)		0.00%	$ -	$ -	$ 338,179	$ 338,179	-8.55%
Special Contract -- Customer #2	$ 288,490	$ 3,519,981	$ 3,519,981	0.32%	$ 110,508	$ 5,109	$ 183,092	$ 204,260	5.80%
Lighting Energy -- LE	$ -	$ 244,537							
Traffic Lighting Energy -- TE	$ 20,580	$ 304,220	$ 304,220	0.03%	$ 9,551	$ 442	$ 11,471	$ 13,300	4.37%
All Outdoor Lighting -- LS & RLS	$ 1,920,228	$ 23,389,325	23389325	2.15%	$ 734,294	$ 33,951	$ 1,219,885	$ 405,317	1.73%
TOTAL ULTIMATE CONSUMERS	$ 93,640,118	$ 1,099,374,293	$ 1,089,930,751	100.00%	$ 34,217,727	$ 1,582,092	$ 59,422,391	$ 59,422,392	5.41%
Other Operating Revenues:									
Other Rent from Elec Property	$ (22,391)						$ (22,391)	$ (22,391)	
Total	$ 93,617,727						$ 59,400,000	$ 59,400,000	

Stipulation Exhibit WSS-2

Rate of Return Comparison with Intervenors

Kentucky Utilities Company

Group	Rate Schedules	Class Rates of Return from Cost of Service Studies Filed in Proceeding: Company – BIP Version	Company – LOLP Version	AG – POD Dem/Cust	AG – POD 100% Dem	AG – BIP Dem/Cust	AG – BIP 100% Demand	KSBA – LOLP	KIUC – Avg 5 CP	Stipulated Percentage Increase (Decrease)
I	RS, RTOD	3.83%	3.96%	4.70%	5.34%	4.62%	5.25%	3.97%	3.82%	3.49%
II	GS, AES, PS, TODS	8.43%	8.44%	8.11%	7.32%	8.21%	7.40%	8.42%	8.13%	3.40%
III	TODP, RTS, FLS	3.84%	4.26%	2.81%	2.55%	2.76%	2.49%	4.26%	5.98%	3.43%
IV	LE	9.18%	17.14%	3.88%	2.82%	4.23%	8.58%	17.16%	46.34%	0.00%
V	LS, RLS	8.40%	9.22%	7.40%	8.42%	7.52%	7.89%	9.22%	10.09%	1.20%
VI	TE	8.68%	9.88%	6.53%	7.70%	6.68%	3.05%	9.88%	9.86%	2.55%
VII	Public Schools							7.58%		-3.78%
Total All Classes		5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	5.56%	3.43%

Louisville Gas and Electric Company

Group	Rate Schedules	Class Rates of Return from Cost of Service Studies Filed in Proceeding: Company – BIP Version	Company – LOLP Version	AG – POD Dem/Cust	AG – POD 100% Dem	AG – BIP Dem/Cust	AG – BIP 100% Demand	KSBA – LOLP	KIUC – Avg 5 CP	Stipulated Percentage Increase (Decrease)
I	RS, RTOD	2.62%	1.74%	3.11%	4.04%	2.78%	3.64%	1.74%	1.97%	6.70%
II	GS, PS	7.61%	8.79%	7.41%	6.32%	7.48%	6.38%	8.77%	8.04%	5.05%
III	TODP, RTS	4.11%	6.39%	3.29%	2.73%	3.26%	2.68%	6.39%	6.48%	5.38%
IV	LE	6.85%	15.12%	2.78%	1.89%	2.66%	1.70%	15.13%	28.68%	0.00%
V	LS, RLS	5.27%	5.90%	4.65%	5.14%	4.66%	5.16%	5.90%	6.34%	1.73%
VI	TE	7.27%	9.91%	5.61%	6.30%	5.69%	6.41%	9.92%	9.29%	4.37%
VII	Public Schools							10.57%		-5.70%
VIII	TODS	12.03%	12.79%	9.46%	7.81%	13.46%	10.96%	12.80%	12.06%	1.89%
IX	Special Contract	2.45%	4.01%	1.09%	0.22%	1.39%	0.46%	4.01%	3.60%	5.81%
Total All Classes		4.92%	4.92%	4.92%	4.92%	4.92%	4.92%	4.92%	4.92%	5.41%

Note: The Public Schools were only shown separately in the cost of service study submitted by KSBA.

Stipulation Exhibit WSS-3

KU and Phase-in Rates

Kentucky Utilities Company
Residential Rates Effective July 1, 2017

	Customer Months	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulated Rates
RESIDENTIAL RATE RS, inclusive of Volunteer Fire Department customers						
Basic Service Charges	5,167,560		$ 10.75	$ 55,551,268	$ 11.50	$ 59,426,938
Energy Charge		6,091,291,833	$ 0.09	$ 540,297,586		
Infrastructure Charge		6,091,291,833			$ 0.05655	$ 344,462,553
Variable Energy Charge		6,091,291,833			$ 0.03508	$ 213,682,517
Total Energy Charge					$ 0.09163	
Total Calculated at Base Rates				**$ 595,848,854**		**$ 617,572,008**
Correction Factor				1.000000000		1.000000000
Total After Application of Correction Factor				**$ 595,848,854**		**$ 617,572,008**
Adjustment to Reflect Removal of Base ECR Revenues				$ (41,332,783)		$ (41,332,783)
Total Base Revenues Net of ECR				**$ 554,516,071**		**$ 576,239,225**
FAC Mechanism Revenues				$ (18,415,019)		$ (18,415,019)
DSM Mechanism Revenues				$ 18,248,592		$ 18,248,592
ECR Mechanism Revenues				$ 27,174,298		$ 27,174,298
OSS Mechanism Revenues				$ (77,314)		$ (77,314)
ECR Base Revenues				$ 41,332,783		$ 41,332,783
Total Base Revenues Inclusive of ECR				**$ 622,779,411**		**$ 644,502,565**
Proposed Increase						$ 21,723,154
Percentage Increase						3.49%

Kentucky Utilities Company

Residential Rates Effective July 1, 2018

	Customer Months	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulated Rates
RESIDENTIAL RATE RS, inclusive of Volunteer Fire Department customers						
Basic Service Charges	5,167,560		$ 10.75	$ 55,551,268	$ 12.25	$ 63,302,607
Energy Charge		6,091,291,833	$ 0.09	$ 540,297,586		
Infrastructure Charge		6,091,291,833			$ 0.05592	$ 340,625,039
Variable Energy Charge		6,091,291,833			$ 0.03508	$ 213,682,517
Total Energy Charge					$ 0.09100	
Total Calculated at Base Rates				**$ 595,848,854**		**$ 617,610,163**
Correction Factor				1.000000000		1.000000000
Total After Application of Correction Factor				**$ 595,848,854**		**$ 617,610,163**
Adjustment to Reflect Removal of Base ECR Revenues				$ (41,332,783)		$ (41,332,783)
Total Base Revenues Net of ECR				**$ 554,516,071**		**$ 576,277,380**
FAC Mechanism Revenues				$ (18,415,019)		$ (18,415,019)
DSM Mechanism Revenues				$ 18,248,592		$ 18,248,592
ECR Mechanism Revenues				$ 27,174,298		$ 27,174,298
OSS Mechanism Revenues				$ (77,314)		$ (77,314)
ECR Base Revenues				$ 41,332,783		$ 41,332,783
Total Base Revenues Inclusive of ECR				**$ 622,779,411**		**$ 644,540,720**
Proposed Increase						$ 21,761,309
Percentage Increase						3.49%

Kentucky Utilities Company
Residential Rates Effective July 1, 2017

	Customer Months	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulated Rates
RESIDENTIAL RATE RTOD, Residential Time-of-Day Demand and Residential Time-of-Day Energy						
Basic Service Charges	290		$ 10.75	$ 3,118	$ 11.50	$ 3,335
Energy Used (RTOD-Demand Only)		-	$ 0.04370	$ -	$ 0.04579	$ -
Energy Used, Off-Peak (RTOD-Energy Only)		308,532	$ 0.05740	$ 17,710	$ 0.06015	$ 18,557
Energy Used, Peak (RTOD-Energy Only)		31,075	$ 0.27646	$ 8,591	$ 0.27646	$ 8,591
Peak Demand	-		$ 13.05	$ -	$ 7.87	$ -
Off-Peak Demand	-		$ 3.70	$ -		
Base Demand					$ 3.44	$ -
Total Calculated at Base Rates				**$ 29,418**		**$ 30,483**
Correction Factor				1.000000000		1.000000000
Total After Application of Correction Factor				**$ 29,418**		**$ 30,483**
Adjustment to Reflect Removal of Base ECR Revenues				$ (2,299)		$ (2,299)
Total Base Revenues Net of ECR				**$ 27,119**		**$ 28,184**
FAC Mechanism Revenues				$ (1,031)		$ (1,031)
DSM Mechanism Revenues				$ 822		$ 822
ECR Mechanism Revenues				$ 1,237		$ 1,237
OSS Mechanism Revenues				$ (4)		$ (4)
ECR Base Revenues				$ 2,299		$ 2,299
Total Base Revenues Inclusive of ECR				**$ 30,441**		**$ 31,506**
Proposed Increase						**$ 1,065**
Percentage Increase						3.50%

Kentucky Utilities Company
Residential Rates Effective July 1, 2018

	Customer Months	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulated Rates
RESIDENTIAL RATE RTOD, Residential Time-of-Day Demand and Residential Time-of-Day Energy						
Basic Service Charges	290		$ 10.75	$ 3,118	$ 12.25	$ 3,553
Energy Used (RTOD-Demand Only)		-	$ 0.04370	$ -	$ 0.04525	$ -
Energy Used, Off-Peak (RTOD-Energy Only)		308,532	$ 0.05740	$ 17,710	$ 0.05944	$ 18,338
Energy Used, Peak (RTOD-Energy Only)		31,075	$ 0.27646	$ 8,591	$ 0.27646	$ 8,591
Peak Demand	-		$ 13.05	$ -	$ 7.87	$ -
Off-Peak Demand	-		$ 3.70	$ -		
Base Demand					$ 3.44	$ -
Total Calculated at Base Rates				**$ 29,418**		**$ 30,482**
Correction Factor				1.000000000		1.000000000
Total After Application of Correction Factor				**$ 29,418**		**$ 30,482**
Adjustment to Reflect Removal of Base ECR Revenues				$ (2,299)		$ (2,299)
Total Base Revenues Net of ECR				**$ 27,119**		**$ 28,183**
FAC Mechanism Revenues				$ (1,031)		$ (1,031)
DSM Mechanism Revenues				$ 822		$ 822
ECR Mechanism Revenues				$ 1,237		$ 1,237
OSS Mechanism Revenues				$ (4)		$ (4)
ECR Base Revenues				$ 2,299		$ 2,299
Total Base Revenues Inclusive of ECR				**$ 30,441**		**$ 31,505**
Proposed Increase						**$ 1,064**
Percentage Increase						3.50%

Stipulation Exhibit WSS-4

LG&E Phase-In Rates

Louisville Gas & Electric
Residential Rates Effective July 1, 2017

	Customer Months	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulation Rates
RESIDENTIAL RATE RS, inclusive of Volunteer Fire Department						
Basic Service Charges	4,368,714		$ 10.75	$ 46,963,672	$ 11.50	$ 50,240,207
Energy Charge		4,179,523,067	$ 0.08639	$ 361,068,998		
Infrastructure Energy Charge		4,179,523,067			$ 0.05587	$ 233,509,954
Variable Energy Charge		4,179,523,067			$ 0.03681	$ 153,848,244
Total Energy Charge					$ 0.09268	
Total Calculated at Base Rates				**$ 408,032,670**		**$ 437,598,405**
Correction Factor				1.000000000		1.000000000
Total After Application of Correction Factor				**$ 408,032,670**		**$ 437,598,405**
Adjustment to Reflect Removal of Base ECR Revenues				$ (28,880,504)		$ (28,880,504)
Total Net Base Revenues				**$ 379,152,166**		**$ 408,717,901**
FAC Mechanism Revenue				$ (15,239,054)		$ (15,239,054)
DSM Mechanism Revenue				$ 13,769,784		$ 13,769,784
ECR Mechanism Revenue				$ 35,275,380		$ 35,275,380
OSS Mechanism Revenue				$ (376,364)		$ (376,364)
ECR Base Revenue				$ 28,880,504		$ 28,880,504
Total Base Revenues Inclusive of ECR				**$ 441,462,416**		**$ 471,028,151**
Proposed Increase						**$ 29,565,735**
Percentage Increase						6.70%

Louisville Gas & Electric
Residential Rates Effective July 1, 2018

	Customer Months	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulation Rates
RESIDENTIAL RATE RS, inclusive of Volunteer Fire Department						
Basic Service Charges	4,368,714		$ 10.75	$ 46,963,672	$ 12.25	$ 53,516,742
Energy Charge		4,179,523,067	$ 0.08639	$ 361,068,998		
Infrastructure Energy Charge		4,179,523,067			$ 0.05509	$ 230,249,926
Variable Energy Charge		4,179,523,067			$ 0.03681	$ 153,848,244
Total Energy Charge					$ 0.09190	
Total Calculated at Base Rates				**$ 408,032,670**		**$ 437,614,912**
Correction Factor				1.000000000		1.000000000
Total After Application of Correction Factor				**$ 408,032,670**		**$ 437,614,912**
Adjustment to Reflect Removal of Base ECR Revenues				$ (28,880,504)		$ (28,880,504)
Total Net Base Revenues				**$ 379,152,166**		**$ 408,734,408**
FAC Mechanism Revenue				$ (15,239,054)		$ (15,239,054)
DSM Mechanism Revenue				$ 13,769,784		$ 13,769,784
ECR Mechanism Revenue				$ 35,275,380		$ 35,275,380
OSS Mechanism Revenue				$ (376,364)		$ (376,364)
ECR Base Revenue				$ 28,880,504		$ 28,880,504
Total Base Revenues Inclusive of ECR				**$ 441,462,416**		**$ 471,044,658**
Proposed Increase						**$ 29,582,242**
Percentage Increase						6.70%

Louisville Gas & Electric
Residential Rates Effective July 1, 2017

	Customer Months	Demand, kW	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulated Rates
RESIDENTIAL RATE RTOD, Residential Time-of-Day Demand and Residential Time-of-Day Energy							
Basic Service Charges	596			$ 10.75	$ 6,407	$ 11.50	$ 6,854
Energy Used (RTOD-Demand Only)			-	$ 0.04565	$ -	$ 0.05051	$ -
Energy Used, Off-Peak (RTOD-Energy Only)			503,093	$ 0.06128	$ 30,830	$ 0.06780	$ 34,110
Energy Used, Peak (RTOD-Energy Only)			62,671	$ 0.23263	$ 14,579	$ 0.23263	$ 14,579
Peak Demand		-		$ 12.38	$ -	$ 7.68	$ -
Off-Peak Demand		-		$ 3.25	$ -		
Base Demand						$ 3.51	$ -
Total Calculated at Base Rates					**$ 51,816**		**$ 55,543**
Correction Factor					1.000000000		1.000000000
Total After Application of Correction Factor					**$ 51,816**		**$ 55,543**
Adjustment to Reflect Removal of Base ECR Revenues					$ (3,909)		$ (3,909)
Total Base Revenues Net of ECR					**$ 47,907**		**$ 51,634**
FAC Mechanism Revenues					$ (2,074)		$ (2,074)
DSM Mechanism Revenues					$ 1,674		$ 1,674
ECR Mechanism Revenues					$ 4,288		$ 4,288
OSS Mechanism Revenues					$ (52)		$ (52)
ECR Base Revenues					$ 3,909		$ 3,909
Total Base Revenues Inclusive of ECR					**$ 55,652**		**$ 59,379**
Proposed Increase							**$ 3,727**
Percentage Increase							6.70%

Louisville Gas & Electric
Residential Rates Effective July 1, 2018

	Customer Months	Demand, kW	Total kWh	Present Rates Unit Charges	Calculated Revenue at Present Rates	Stipulated Rates	Calculated Revenue at Stipulated Rates
RESIDENTIAL RATE RTOD, Residential Time-of-Day Demand and Residential Time-of-Day Energy							
Basic Service Charges	596			$ 10.75	$ 6,407	$ 12.25	$ 7,301
Energy Used (RTOD-Demand Only)			-	$ 0.04565	$ -	$ 0.04985	$ -
Energy Used, Off-Peak (RTOD-Energy Only)			503,093	$ 0.06128	$ 30,830	$ 0.06692	$ 33,667
Energy Used, Peak (RTOD-Energy Only)			62,671	$ 0.23263	$ 14,579	$ 0.23263	$ 14,579
Peak Demand		-		$ 12.38	$ -	$ 7.68	$ -
Off-Peak Demand		-		$ 3.25	$ -		
Base Demand						$ 3.51	$ -
Total Calculated at Base Rates					**$ 51,816**		**$ 55,547**
Correction Factor					1.000000000		1.000000000
Total After Application of Correction Factor					**$ 51,816**		**$ 55,547**
Adjustment to Reflect Removal of Base ECR Revenues					$ (3,909)		$ (3,909)
Total Base Revenues Net of ECR					**$ 47,907**		**$ 51,638**
FAC Mechanism Revenues					$ (2,074)		$ (2,074)
DSM Mechanism Revenues					$ 1,674		$ 1,674
ECR Mechanism Revenues					$ 4,288		$ 4,288
OSS Mechanism Revenues					$ (52)		$ (52)
ECR Base Revenues					$ 3,909		$ 3,909
Total Base Revenues Inclusive of ECR					**$ 55,652**		**$ 59,383**
Proposed Increase							**$ 3,731**
Percentage Increase							6.70%

Stipulation Exhibit WSS-5

LG&E and KU Outdoor Sports Lighting Settlement Rates

Kentucky Utilities - Outdoor Sports Lighting Rates			
PS Secondary			
Summer	20.17	5	$ 100.85
Winter	17.95	7	$ 125.65
Total			$ 226.50
Average Demand			$ 18.88
Less: Base (from TODS)			$ 2.73
Peak Demand			$ 16.15
PS Primary			
Summer	20.35	5	$ 101.75
Winter	18.16	7	$ 127.12
Total			$ 228.87
Average Demand			$ 19.07
Less: Base (from TODP)			$ 2.75
Peak Demand			$ 16.32

Louisville Gas & Electric - Outdoor Sports Lighting Rates			
PS Secondary			
Summer	20.21	5	$ 101.05
Winter	17.56	7	$ 122.92
Total			$ 223.97
Average Demand			$ 18.66
Less: Base (from TODS)			$ 4.29
Peak Demand			$ 14.37
PS Primary			
Summer	17.55	5	$ 87.75
Winter	15.03	7	$ 105.21
Total			$ 192.96
Average Demand			$ 16.08
Less: Base (from TODP)			$ 3.01
Peak Demand			$ 13.07