

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 1:

Refer to the Direct Testimony of James T. Selecky ("Selecky Testimony"), page 8, line 15, through the top of page 9, line 2. Provide any documentation which supports the notion of the Base-Intermediate-Peak ("BIP") method supporting investment in expensive generation rather than least-cost generation first.

Responsible Witness: James T. Selecky

Response:

Mr. Selecky was not stating that the use of the Base-Intermediate-Peak method supports investment in expensive generation rather than least-cost generation fleet. Mr. Selecky's position is that the use of an energy allocator for allocating fixed production cost assumes that the cost of the capacity was higher than a peaking unit. However this higher cost capacity was offset by lower energy costs making this unit the economical choice.

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 2:

Refer to the Selecky Testimony, page 10, line 20. Mr. Selecky states that the Loss of Load Probability ("LOLP") methodology represents the probability that Louisville Gas and Electric Company's ("LG&E") system demand will exceed generation during any given hour. Any model contains a margin of error. Explain if Mr. Selecky believes that this probability model increases the margin of error as compared to the BIP model.

Responsible Witness: James T. Selecky

Response:

Mr. Selecky does not understand how the margin of error is defined. Mr. Selecky assumes this has to do with the allocation of costs to the various rate classes. Mr. Selecky has not done an analysis to determine if the margin of error is greater or less with the Loss of Load Probability methodology than with the Base-Intermediate-Peak methodology.

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 3:

Refer to the Selecky Testimony, page 12, lines 9-15. Provide any public utility rate cases where the LOLP model was adopted and used as a guide for rate design.

Responsible Witness: James T. Selecky

Response:

The California utilities use a loss of load expectation ("LOLE") method for allocating generating capacity needs. This is addressed in a 2016 San Diego Electric and Gas ("SDE&G") marginal cost, cost allocation and rate design case. The LOLE method is equivalent to LG&E's LOLP method. SDE&G uses the top 100 hours.

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 4:

Refer to the Selecky Testimony, page 13, lines 8-14. Provide a list of all the on-site generation assets for Ft. Knox. Include their capacity as well as their restoration time after an outage of LG&E's system occurs.

Responsible Witness: James T. Selecky

Response:

Listed below is Ft. Knox's distributed generation that is used to peak shave. This 24 MW of generation is natural gas-fired. In addition to this generation, Ft. Knox has approximately 20 MW of diesel-fired generation that is used as an emergency backup.

Natural Gas-Peaking		
Location	Model Info	kW Rating
12AGen1	GE JGS 616	2650
12AGen2	CAT 3520C	2000
12BGen1	GE JGS 616	2650
12CGen1	GE JGS 616	2650
12CGen2	GE JGS 616	2650
12DGen1	GE JGS 420	1400
12DGen2	CAT 3520C	2000
12DGen3	CAT 3520C	2000
12EGen1	CAT 3520C	2000
12EGen1	CAT 3520C	2000
12EGen2	CAT 3520C	2000
	TOTAL kW	24000

In the event of an LG&E circuit operation, the generators at those Fort Knox substations will trip offline almost instantaneously per LG&E's interconnection requirements. In the past, this has been as few as one generator and as many as

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 4 - Response (CONTINUED):

six. For safety reasons, Fort Knox requires a manual shutdown-reset for those generators; Fort Knox personnel have to physically go to each site, assess the situation and clear the faulted generators.

In the past, the maximum time this has taken Fort Knox to restart the generation is 19 minutes. However, not all five substations with generators have been out of service at the same time so far. If all five substations with generators were out of service at the same time and Fort Knox personnel had to drive separately to all five substations with only one crew, it is estimated that would take 45 minutes to restore the generation. The 60 minute recommendation includes notification time along with time needed to restore the generation at all five substations.

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 5:

Refer to the Direct Testimony of Christopher C. Walters ("Walters Testimony"), page 8, lines 9- 12, and footnote 1. State whether the two-year-old quote referenced is recent enough to reflect current expectations regarding regulators' actions with respect to authorized Returns on Equity ("ROE").

Responsible Witness: Christopher C. Walters

Response:

The quote refers to expectations over "the next few years." Mr. Walters is not aware of Moody's updating or changing its perspective on near-term credit profiles of utilities given lower authorized equity returns. To the extent Moody's has not updated its opinion, investors might view the referenced report as "recent enough" to reflect current expectations.

Louisville Gas and Electric Company
Docket No. 2016-00371

United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information

RFI No. 6:

Refer to the Walters Testimony, pages 22-28, which discuss LG&E's capital structure and provide comparisons of LG&E's level of common equity to those approved for the electric and gas utility industry. Provide a comparison of LG&E's 4.12 percent embedded cost of long-term debt to those approved for the electric and gas utility industry from 2010 to 2016.

Responsible Witness: Christopher C. Walters

Response:

Mr. Walters is unable to make the comparison requested because the data is not available to his knowledge. It would also not be a clean comparison due to each state's treatment of the test year (historical, forecasted, or hybrid) and it would also depend heavily on debt maturity and refinancing profiles. However, it is Mr. Walters' experience that utilities typically have an embedded cost of debt between 4.0% and 6.0%.

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 7:

Refer to the Walters Testimony, page 34. Explain why growth rate estimates from Value Line were not used in the DCF analysis.

Responsible Witness: Christopher C. Walters

Response:

Mr. Walters has always relied on the same three sources of growth rates for electric and gas utility DCF studies: SNL, Reuters, and Zack's. These sources tend to provide growth rate estimates from multiple sell-side analysts, and are often referred to as consensus. Consensus estimates are less susceptible to bias or error than are estimates from single analysts.

Unlike typical sources for growth rate estimates (like SNL, Thomson Reuters, Zack's, etc.), Value Line reports provide a lot of information/projections to investors. Mr. Walters is of the belief that investors would rely on all relevant available information rather than a single estimate. Value Line reports provide all the necessary information to perform an alternative analysis to develop what is known as a sustainable growth rate. This calculated growth rate can then be used in a DCF analysis to produce a more robust estimate when taken into consideration with other DCF studies.

Please refer to pages 37-38 of Mr. Walters' testimony for further explanation on the methodology, as well as Exhibits CCW-6 through CCW-8 where Mr. Walters develops the sustainable growth rate and performs a constant growth DCF analysis using said growth rate.

**Louisville Gas and Electric Company
Docket No. 2016-00371**

**United States Department of Defense and all other Federal Executive Agencies'
Responses to Commission Staff's First Request For Information**

RFI No. 8:

Refer to the Walters Testimony. Provide all exhibits electronically in Excel spreadsheet format, with all formulas intact and unprotected.

Responsible Witness: Christopher C. Walters

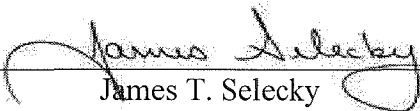
Response:

Please see Attachment 8-Public and 8-Confidential.

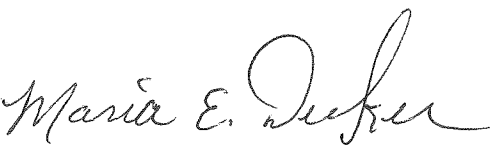
VERIFICATION

STATE OF MISSOURI)
)
) SS:
COUNTY OF ST. LOUIS)

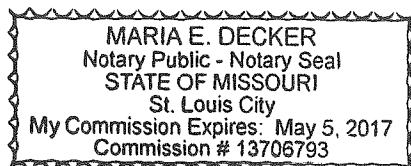
The undersigned, **James T. Selecky**, being duly sworn, deposes and says that he is a Principal of Brubaker & Associates, Inc., and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


James T. Selecky

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 30th day of March 2017.


Notary Public

My commission Expires: May 5, 2017



VERIFICATION

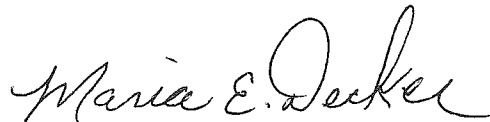
STATE OF MISSOURI)
) SS:
COUNTY OF ST. LOUIS)

The undersigned, **Christopher C. Walters**, being duly sworn, deposes and says that he is a Consultant of Brubaker & Associates, Inc., and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Christopher C. Walters

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 30th day of March 2017.



Notary Public

My commission Expires: May 5, 2017

