

**Commonwealth of Kentucky
Before the Public Service Commission**

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY FOR AN)
ADJUSTMENT OF ITS ELECTRIC AND GAS)
RATES AND FOR CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY)

Case No.
2016-00371

Direct Testimony of

Louisville Chief Financial Officer Daniel Frockt

On Behalf of

Louisville/ Jefferson County metro Government

Direct Testimony of Louisville Chief Financial Officer, Daniel Frockt

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A My name is Daniel Frockt and my address is 611 W. Jefferson Street Louisville,
3 Kentucky 40202.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am the Louisville/Jefferson County Metro Government Chief Financial Officer and
6 have been so since August, 2015.

7 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND RELEVANT**
8 **EXPERIENCE.**

9 A I have a BA in English from the University of Pennsylvania, a M.Ed. from the
10 University of Washington, and an MBA from the University of Texas. My relevant
11 experience is 10 years as the Louisville/Jefferson County Metro Government Budget
12 Director along with interim CFO status for 8 months prior to being appointed the CFO in
13 August, 2015.

14 **Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

15 A I am testifying on behalf of the Louisville/Jefferson Metro Government (Louisville
16 Metro). Louisville Metro is located in the largest and most densely populated city within
17 the LG&E service territory.

18 **Q WHAT IS YOUR FAMILIARITY WITH LOUISVILLE METRO'S BUDGET?**

19 A I have been either the Budget Director or CFO for Louisville Metro throughout 12 of the
20 first 14 city budgets since the city merged in 2003.

1 **Q WHEN LG&E RAISES ITS RATES, WHAT IS THE IMPACT TO LOUISVILLE**
2 **METRO AND THE BUDGET PROCESS.**

3 A The cost increase will be factored into the overall budget process, leaving less funding for
4 other city services.

5 **Q WHEN LG&E RAISES ITS RATES, WHERE DOES THE CITY FIND THE**
6 **ADDITIONAL REVENUE NECESSARY TO COVER THE INCREASED**
7 **EXPENSE?**

8 A The city's primary General Fund revenue sources are relatively statutorily capped
9 (occupational license fees and property taxes make up approximately 80% of available
10 revenue)—therefore increases would likely come from reduction of expenses in other
11 areas throughout the budget.

12 **Q HOW ARE UTILITY EXPENSES FACTORED INTO THE LOUISVILLE**
13 **METRO BUDGETING PROCESS?**

14 A Generally speaking, the Budget Office will review information from the US Energy
15 Information Agency as it relates to unleaded, diesel, electric, and natural gas commodity
16 prices for the upcoming fiscal year (July 1 to June 30) usually around January or
17 February prior to the budget adoption in June by the Metro Council. Those increases
18 along with other global expenses such as health care, pension, collective bargaining
19 contracts, worker's comp, etc. are then estimated along with revenue sources prior to
20 budget discussions with each individual department within the government.

1 **Q HOW FAR IN ADVANCE DOES LOUISVILLE METRO BUDGET ITS UTILITY**
2 **EXPENSES?**

3 A In prior years the Mayor has introduced an operating budget that has included estimated
4 utility expenses before the end of May—this year the budget introduction will be before
5 the end of April. The proposed budget covers operating expenses for the subsequent
6 fiscal year period from July 1 to June 30.

7 **Q ARE THE CURRENTLY PROPOSED RATES BUDGETING INTO THIS YEARS**
8 **UTILITY EXPENSES?**

9 A They are not.

10 **Q WHAT ARE THE SOURCES OF FUNDING FOR THE UTILITY EXPENSES?**

11 A Utility expenses are funded primarily with the General Fund (local tax dollars); however,
12 there are departments that receive federal and state grant funds to address some of their
13 operating needs (such as Public Health, the Air Pollution Control District, and the
14 Housing Division of Louisville Forward). Additionally, there are dedicated federal
15 funding sources that pass through our budget for direct assistance to residents such as the
16 federal LIHEAP (Low Income Home Energy Assistance Program) program.

17 **Q WHEN UTILITY RATES ARE INCREASED, HOW DOES THE CITY RAISE**
18 **THE FUNDS NECESSARY TO COVER ANY FINANCIAL SHORTFALLS?**

19 A There is not a dedicated source of revenue, so any increase would likely result in the
20 decrease of funding available for other city services.

1 **Q WHAT TYPES OF LOUISVILLE METRO BUILDINGS ARE SERVICED BY**
2 **LG&E?**

3 A All Louisville Metro buildings are serviced by LG&E. Most of these buildings are
4 serviced under commercial tariffs for both electric and gas, though some buildings are
5 serviced under residential tariffs. The increase to these tariffs would cost Louisville
6 Metro an additional estimated \$515,000 per year.

7 **Q HOW MANY STREET LIGHTS IN THE CITY OF LOUISVILLE ARE SERVED**
8 **BY LG&E?**

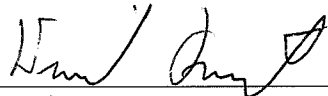
9 A LG&E charges Louisville metro for 23,645 street lights. I do not have independent
10 verification that all of those lights are actually located within the jurisdictional limits of
11 Louisville metro.

12 **Q WHAT WOULD BE THE IMPACT TO LOUISVILLE'S LIHEAP COSTS?**

13 A While it is somewhat difficult to compute, we estimate an additional cost to Louisville
14 Metro of \$261 per year, per LIHEAP meter.

Verification

The undersigned, Daniel Frockt, being duly sworn, deposes and says that he is the Chief Financial Officer for the Louisville/Jefferson County metro Government, 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.

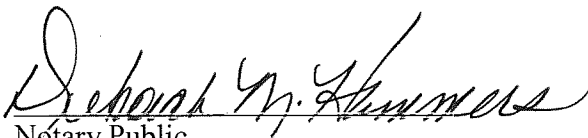


(name)

STATE OF KENTUCKY)
)
COUNTY OF Jefferson)

SUBSCRIBED AND SWORN to before me by (name) in the aforesaid state and county on the 3 day of March 2017.

My commission expires 9/6/2020



Notary Public