

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC EXAMINATION OF THE APPLICATION</b>	)	
<b>OF THE FUEL ADJUSTMENT CLAUSE OF KENTUCKY</b>	)	<b>CASE NO.</b>
<b>UTILITIES COMPANY FROM MAY 1, 2017 THROUGH</b>	)	<b>2018-00020</b>
<b>OCTOBER 31, 2017</b>	)	

**DIRECT TESTIMONY OF**

**DEREK A. RAHN**  
**MANAGER, REVENUE REQUIREMENT COS**  
**LG&E AND KU SERVICES COMPANY**

**Filed: March 2, 2018**

1 **Q. Please state your name, title, and business address.**

2 A. My name is Derek A. Rahn. I am the Manager, Revenue Requirement COS for  
3 Kentucky Utilities Company (“KU” or “Company”) and Louisville Gas and Electric  
4 Company (“LG&E”) and an employee of LG&E and KU Services Company, which  
5 provides services to LG&E and KU (collectively “Companies”). My business address  
6 is 220 West Main Street, Louisville, Kentucky, 40202. A complete statement of my  
7 education and work experience is attached to this testimony as Appendix A.

8 **Q. Have you previously testified before this Commission?**

9 A. Yes. I have previously testified before this Commission in proceedings concerning the  
10 Companies’ fuel adjustment clauses (“FAC”), environmental cost recovery (“ECR”)   
11 surcharge mechanisms, and the ECR compliance plan proceedings (Case No. 2016-  
12 00026 (KU) and Case No. 2016-00027 (LG&E)).

13 **Q. What is the purpose of this proceeding?**

14 A. The purpose of this proceeding is to review the past operation of FAC during the six-  
15 month billing period ending October 31, 2017 and determine whether the surcharge  
16 amounts collected during the period are just and reasonable.

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to support the Company's request for a change to Page  
19 2 of the Monthly Form A filing, specifically regarding CSR curtailments with a buy-  
20 through option that may be executed under the CSR-1 and CSR-2 tariffs.

21 **Q. Please explain what the CSR is and why the Companies offer it.**

22 A. The CSR provides a credit against a customer’s demand charge in exchange for the  
23 customer agreeing to reduce its demand when the serving utility requests such

1 curtailment. The CSR allows the Company to physically curtail service for up to 100  
2 hours per year when certain operating conditions are met<sup>1</sup>. In accordance with the  
3 CSR-1 and CSR-2 tariffs, the “Company may also request at its sole discretion up to  
4 275 hours of curtailment per year with a buy-through option.” By being able to request  
5 curtailment under CSR, the Companies are able to avoid incurring costs to procure  
6 peaking generating capacity that otherwise would be required to serve the curtailable  
7 demand. As such, the Companies model curtailable demand under CSR as a peaking  
8 capacity resource in their business plans and Integrated Resource Plans.

9 **Q. Please explain the importance of the buy-through option.**

10 A. When a customer elects to buy-through the power that has otherwise been requested  
11 for curtailment by the Company, that power is charged to the CSR customer based on  
12 the Automatic Buy-Through Price as a proxy for the market price of gas used to  
13 generate the power. Retail customers receive the benefit of any extra charges received  
14 by the Company for buy-through curtailments.

15 **Q. How were CSR buy-through curtailments historically captured in the Form A**  
16 **filing?**

17 A. Historically, CSR buy-through curtailments were adjusted from power purchases on  
18 Form A, Page 2 in “(B) Purchases” as “Net energy cost – economy purchases” because  
19 the Company purchased power from the market to serve during the curtailment period.  
20 Under the current CSR tariffs, however, in the event the CSR buy-through is able to be  
21 supplied by the Company’s own generation, an off-system purchase is not necessary.

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<sup>1</sup> Under CSR-1, “(1) all available units have been dispatched or are being dispatched and (2) all off-system sales have been or are being curtailed.” Under CSR-2, “more than 10 of the Companies’ primary combustion turbines (CTs) (those with a capacity greater than 100 MW) are being dispatched, irrespective of whether the Companies are making off-system sales.”

1           Thus, in order to more accurately reflect such transactions, the Company is proposing  
2           to add a new line to Form A, Page 2 to account for the buy-through charges that will  
3           be credited to retail customers in lieu of adjusting power purchases.

4   **Q.   Does this change impact the FAC Form A monthly calculation?**

5   A.   No. This change will more accurately demonstrate that the CSR buy-through credit is  
6           a reduction to total recoverable fuel costs for the expense month, regardless of whether  
7           the power provided during a curtailment was internally generated or purchased.

8   **Q.   Are you sponsoring any exhibits?**

9   A.   Yes. Provided in Exhibit DAR-1 is the proposed Form A, Page 2 to be implemented  
10           effective upon the Commission's issuance of an Order regarding this case to better  
11           illustrate the inclusion of credits to recoverable fuel costs related to CSR buy-through  
12           curtailments in the Monthly Form A filing.

13   **Q.   Does this conclude your testimony?**

14   A.   Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Derek A. Rahn**, being duly sworn, deposes and says that he is Manager - Revenue Requirement COS for 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.



**Derek A. Rahn**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1<sup>st</sup> day of March 2018.

 (SEAL)

Notary Public

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

## APPENDIX A

### **Derek A. Rahn**

Manager, Revenue Requirement COS  
LG&E and KU Services Company  
220 West Main Street  
Louisville, Kentucky 40202  
(502) 627-4127

### Previous Positions

Manager, Transmission Policy & Tariffs	Sept. 2010 – Oct. 2015
Group Leader, Transmission Operations Engineering	Dec. 2008 – Sept. 2010
Supervisor, Operations (Ghent Power Station)	Dec. 2007 – Dec. 2008
Electrical Engineer II (Ghent Power Station)	Jul. 2005 – Dec. 2007
Project Engineer (TubeMaster, Inc)	Dec 2003 – Jul. 2005

### Education

Masters of Business Administration,  
Bellarmine University, July 2010.  
Bachelor of Science in Electrical Engineering,  
University of Kentucky, December 2003.

### Training:

Managing People & Processes (2014), IUS Leadership Program (2007-2008),  
Professional Development Program (2007-2008), Global Leadership Summit  
(2013, 2015, & 2017), Mentoring Program (2008, 2014 - 2017), Advanced  
Operator (2008), Project Management (2006), and Basic Shaft Alignment (2006).

### Civic Activities

Power of One Committee Member (2007 – 2018)  
Saratoga Springs Neighborhood Association Board (2017- 2018)

**KENTUCKY UTILITIES COMPANY  
FUEL COST SCHEDULE**

Expense Month: \_\_\_\_\_

<b>(A) <u>Company Generation</u></b>			
Coal Burned	(+)	\$	- (1)
Oil Burned	(+)		- (1)
Gas Burned	(+)		- (1)
Fuel (assigned cost during Forced Outage)	(+)		-
Fuel (substitute cost for Forced Outage)	(-)		-
<b>SUB-TOTAL</b>		<b>\$</b>	<b>-</b>
<b>(B) <u>Purchases</u></b>			
Net energy cost - economy purchases	(+)	\$	-
Identifiable fuel cost - other purchases	(+)		-
Identifiable fuel cost (substitute for Forced Outage)	(-)		-
Less Purchases above Highest Cost Units	(-)		-
Internal Economy	(+)		-
Internal Replacement	(+)		-
<b>SUB-TOTAL</b>		<b>\$</b>	<b>-</b>
<b>(C) <u>Inter-System Sales</u></b>			
Including Interchange-out	(+)	\$	-
Internal Economy	(+)		-
Internal Replacement	(+)		-
Dollars Assigned to Inter-System Sales Losses	(+)		-
<b>SUB-TOTAL</b>		<b>\$</b>	<b>-</b>
<b>(D) <u>Over or (Under) Recovery</u></b>			
From Page 5, Line 13		\$	-
<b>(E) <u>CSR Customers Buy-Through Adjustment</u></b>		<b>\$</b>	<b>-</b>
 <b>TOTAL FUEL RECOVERY (A+B-C-D-E) =</b>		<b>\$</b>	<b>-</b>

Note: (1) Reflects exclusion of IMEA/IMPA portion of Trimble County Unit 2 fuel cost with recognition of 0.5% transmission losses per Commission's Order in Case No. 2012-00552.

Coal burned = \$ -  
 Oil burned = \$ -  
 Gas burned = \$ -