

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

**In the Matter of:**

**KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.**

\_\_\_\_\_ )  
 )  
**KENTUCKY UTILITIES COMPANY** )  
**AND** )  
**LOUISVILLE GAS AND ELECTRIC COMPANY** )

**CASE NO.**  
**2018-00034**

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**COMMISSION STAFF'S POST HEARING REQUEST FOR INFORMATION**  
**DATED MAY 30, 2018**

**FILED: June 11, 2018**

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 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.

*Kent W. Blake*

**Kent W. Blake**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 11<sup>th</sup> day of June 2018.

*Sammy F. Elzy*

Notary Public

(SEAL)

My Commission Expires:

November 9, 2018

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 1**

**Witness: Kent W. Blake**

- Q-1. Refer to KU/LG&E's response to Commission Staff's Third Request for Information, Item 2, Attachment to Question 2(a)(1) - KU Balance Sheet and Capitalization Reconciliation. Provide a detailed list of construction projects included in Line 3 Gross Utility Plant on the spreadsheet titled "KU Balance Sheet" for the 17 month forecasted period. For each construction project, explain how it will be funded, and provide the beginning and ending month of construct, and the amounts included in the monthly gross utility plant forecasts.
- A-1. The attached schedule being provided in Excel format shows a summary of the changes in Gross Utility Plant by month on page 1. The detailed list of projects where balances are changing (including the start date and in-service date) follows. The projects that are being retired are also detailed at the end of the schedule. All projects are funded with a mix of debt and equity that allows the Company to maintain a debt-to-equity ratio consistent with that approved in Case No. 2016-00370. Such a capital structure should allow the Company to maintain strong investment grade debt ratings.

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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 2**

**Witness: Kent W. Blake**

- Q-2. Refer to KU/LG&E's response to Commission Staff's Third Request for Information, Item 2, Attachment to Question 2(b)(1) - LG&E Balance Sheet and Capitalization Reconciliation. Provide a detailed list of construction projects included in Line 3 Gross Utility Plant on the spreadsheet titled "LGE Balance Sheet" for the 17 month forecasted period. For each construction project, explain how it will be funded, and provide the beginning and ending month of construct, and the amounts included in the monthly gross utility plant forecasts.
- A-2. The attached schedule being provided in Excel format shows a summary of the changes in Gross Utility Plant by month on page 1. The detailed list of projects where balances are changing (including the start date and in-service date) follows. The projects that are being retired are also detailed at the end of the schedule. All projects are funded with a mix of debt and equity that allows the Company to maintain a debt-to-equity ratio consistent with that approved in Case No. 2016-00371. Such a capital structure should allow the Company to maintain strong investment grade debt ratings.

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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 3**

**Witness: Kent W. Blake**

- Q-3. Refer to the Direct Testimony of Kent W. Blake filed January 29, 2018 ("Blake Testimony"), Exhibit KWB-4. For KU, file a rate schedule reflecting the revised federal and state income tax rates as filed in Exhibit KWB-3 of the Direct Testimony on Rehearing of Kent W. Blake ("Blake Rehearing Testimony") and the capitalization structures approved in Case No. 2016-00370.<sup>1</sup>
- A-3. See the attached rate schedule in the same format as page 1 of Direct Testimony of Kent W. Blake, Exhibit KWB-4 for the requested TCJA surcredit rates. See the attachment being provided in Excel format for all of the supporting calculations.

The Companies have assumed that the purpose of the request is to isolate the impact of the adjusted composite tax rates relative to the decision in the Commission's March 20, 2018 Order. As a result, in addition to the capital structure and amounts, the attached schedule also uses the authorized return on equity and weighted average cost of debt used in Case No. 2016-00370.

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<sup>1</sup>Case No. 2016-00370, Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates and for Certificates of Public Convenience and Necessity (Ky. PSC June 22, 2017).

KENTUCKY UTILITIES COMPANY  
CASE NO. 2018-00034  
OVERALL FINANCIAL SUMMARY

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	CASE NO. 2016-00370	CASE NO. 2016-00370	REVENUE REQUIREMENT IMPACT	RESIDENTIAL TARIFF	OTHER TARIFFS	
			FINAL ORDER (7/1/2017 - 6/30/2018) (35%)	FINAL ORDER (7/1/2017 - 6/30/2018) (21%)		(39% OF TOTAL REVENUES)	(61% OF TOTAL REVENUES)	
			\$	\$	\$	\$	\$	
1	CAPITALIZATION ALLOCATED TO KENTUCKY JURISDICTION	PAGE 2	3,607,984,536	3,607,984,536	-			
2	REQUIRED RATE OF RETURN ADJUSTED FOR INCOME TAXES	PAGE 2	10.25%	8.79%	-1.46%			
3	REQUIRED ANNUAL OPERATING INCOME BEFORE TAXES (1 x 2)		369,897,726	317,041,856	(52,855,870)			
4	YEARS EQUIVALENT TO 16 MONTHS (16/12)				1.33			
5	TOTAL REDUCTION IN INCOME TAX EXPENSE (3 x 4)				(70,474,494)			
6	AMORTIZATION OF EXCESS ADIT (PROTECTED) - (\$309,333,049 USING ARAM)			(11,459,997)				
7	AMORTIZATION OF EXCESS ADIT (UNPROTECTED) - (SL OVER 15 YEARS)			(850,810)				
8	TOTAL AMORTIZATION OF EXCESS ADIT (6 + 7)			(12,310,807)				
9	GROSS-UP FACTOR USING 25.61% EFFECTIVE TAX RATE			1.34				
10	TOTAL REDUCTION IN DEFERRED INCOME TAX EXPENSE (8 x 9)				(16,548,489)			
11	<b>TOTAL REDUCTION IN REVENUE REQUIREMENTS (5 + 10)</b>				<b>(87,022,983)</b>	<b>(33,938,963)</b>	<b>(53,084,020)</b>	
12	ENERGY BILLING UNITS (TY KWH / 12 MO x 13 MO)				19,857,410,575	6,599,267,393	13,258,143,182	
13	ENERGY CREDIT PER KWH (APRIL 1, 2018 - APRIL 30, 2019) (11 / 12)					<b>(0.00514)</b>	<b>(0.00400)</b>	
	RATE PER MONTH CALCULATIONS:							
14	<b>TOTAL MONTHLY REDUCTION IN REVENUE REQUIREMENTS (11 / 16 MO)</b>				<b>(5,438,936)</b>	<b>(2,121,185)</b>	<b>(3,317,751)</b>	
15	ENERGY BILLING UNITS PER MONTH (TY KWH / 12 MO)				1,527,493,121	507,635,953	1,019,857,168	
16	MONTHLY ENERGY CREDIT PER KWH (14 / 15)				<b>(0.00356)</b>	<b>(0.00418)</b>	<b>(0.00325)</b>	



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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 4**

**Witness: Kent W. Blake**

- Q-4. Refer to the Blake Testimony, Exhibit KWB-5. For LG&E Electric Operations, file a rate schedule reflecting the revised federal and state income tax rates as filed in Exhibit KWB-3 of the Blake Rehearing Testimony and the capitalization structures approved in Case No. 2016-00371.<sup>2</sup>
- A-4. See the attached rate schedule in the same format as page 1 of Direct Testimony of Kent W. Blake, Exhibit KWB-5 for the requested TCJA surcredit rates. See the attachment being provided in Excel format for all of the supporting calculations.

The Companies have assumed that the purpose of the request is to isolate the impact of the adjusted composite tax rates relative to the decision in the Commission's March 20, 2018 Order. As a result, in addition to the capital structure and amounts, the attached schedule also uses the authorized return on equity and weighted average cost of debt used in Case No. 2016-00371.

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<sup>2</sup>Case No. 2016-00371 Electric Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and for Certificates of Public Convenience and Necessity (Ky. PSC June 22, 2017).

LOUISVILLE GAS AND ELECTRIC COMPANY  
CASE NO. 2018-00034 - ELECTRIC OPERATIONS  
OVERALL FINANCIAL SUMMARY

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	CASE NO. 2016-00371	CASE NO. 2016-00371	REVENUE REQUIREMENT IMPACT	RESIDENTIAL TARIFF	OTHER TARIFFS	
			FINAL ORDER (7/1/2017 - 6/30/2018) (35%)	FINAL ORDER (7/1/2017 - 6/30/2018) (21%)		(41% OF TOTAL REVENUES)	(59% OF TOTAL REVENUES)	
			\$	\$	\$	\$	\$	
1	CAPITALIZATION ALLOCATED TO ELECTRIC OPERATIONS	PAGE 2	2,388,355,971	2,388,355,971	-			
2	REQUIRED RATE OF RETURN ADJUSTED FOR INCOME TAXES	PAGE 2	10.22%	8.74%	-1.47%			
3	REQUIRED ANNUAL OPERATING INCOME BEFORE TAXES (1 x 2)		243,998,420	208,798,584	(35,199,837)			
4	YEARS EQUIVALENT TO 16 MONTHS (16/12)				1.33			
5	TOTAL REDUCTION IN INCOME TAX EXPENSE (3 x 4)				(46,933,115)			
6	AMORTIZATION OF EXCESS ADIT (PROTECTED) - (\$207,520,098 USING ARAM)			(7,552,799)				
7	AMORTIZATION OF EXCESS ADIT (UNPROTECTED) - (SL OVER 15 YEARS)			(1,618,844)				
8	TOTAL AMORTIZATION OF EXCESS ADIT (6 + 7)			(9,171,643)				
9	GROSS-UP FACTOR USING 25.64% EFFECTIVE TAX RATE			1.34				
10	TOTAL REDUCTION IN DEFERRED INCOME TAX EXPENSE (8 x 9)				(12,334,125)			
11	<b>TOTAL REDUCTION IN REVENUE REQUIREMENTS (5 + 10)</b>				<b>(59,267,241)</b>	<b>(24,299,569)</b>	<b>(34,967,672)</b>	
12	ENERGY BILLING UNITS (TY KWH / 12 MO x 13 MO)				12,919,919,682	4,528,429,567	8,391,490,115	
13	ENERGY CREDIT PER KWH (APRIL 1, 2018 - APRIL 30, 2019) (11 / 12)					<b>(0.00537)</b>	<b>(0.00417)</b>	
	RATE PER MONTH CALCULATIONS:							
14	<b>TOTAL MONTHLY REDUCTION IN REVENUE REQUIREMENTS (11 / 16 MO)</b>				<b>(3,704,203)</b>	<b>(1,518,723)</b>	<b>(2,185,479)</b>	
15	ENERGY BILLING UNITS PER MONTH (TY KWH / 12 MO)				993,839,976	348,340,736	645,499,240	
16	MONTHLY ENERGY CREDIT PER KWH (14 / 15)				<b>(0.00373)</b>	<b>(0.00436)</b>	<b>(0.00339)</b>	

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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 5**

**Witness: Kent W. Blake**

- Q-5. Refer to the KU/LGE's response to Staff's First Request for Information, Item 3, modified Exhibit KWB-6. For LG&E Gas Operations, file a rate schedule reflecting the revised federal and state income tax rates as filed in Exhibit KWB-3 of the Blake Rehearing Testimony and the capitalization structures approved in Case No. 2016-00371 modified to reflect the allocation for the surcredit to residential and nonresidential gas customers.
- A-5. See the attached rate schedule in the same format as page 1 of Direct Testimony of Kent W. Blake, Exhibit KWB-6, modified in response to PSC 3-1, for the requested TCJA surcredit rates. See the attachment being provided in Excel format for all of the supporting calculations.

The Companies have assumed that the purpose of the request is to isolate the impact of the adjusted composite tax rates relative to the decision in the Commission's March 20, 2018 Order. As a result, in addition to the capital structure and amounts, the attached schedule also uses the authorized return on equity and weighted average cost of debt used in Case No. 2016-00371.

LOUISVILLE GAS AND ELECTRIC COMPANY  
CASE NO. 2018-00034 - GAS OPERATIONS  
OVERALL FINANCIAL SUMMARY

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	CASE NO. 2016-00371	CASE NO. 2016-00371	REVENUE REQUIREMENT IMPACT	RESIDENTIAL TARIFF (65.4% OF TOTAL REVENUES)	NON-RESIDENTIAL TARIFFS (34.6% OF TOTAL REVENUES)	
			FINAL ORDER (7/1/2017 - 6/30/2018) (35%)	FINAL ORDER (7/1/2017 - 6/30/2018) (21%)				
			\$	\$	\$	\$	\$	
1	CAPITALIZATION ALLOCATED TO GAS OPERATIONS	PAGE 2	695,552,077	695,552,077	-			
2	REQUIRED RATE OF RETURN ADJUSTED FOR INCOME TAXES	PAGE 2	10.22%	8.74%	-1.47%			
3	REQUIRED ANNUAL OPERATING INCOME BEFORE TAXES (1 x 2)		71,058,758	60,807,639	(10,251,118)			
4	YEARS EQUIVALENT TO 16 MONTHS (16/12)				1.33			
5	TOTAL REDUCTION IN INCOME TAX EXPENSE (3 x 4)				(13,668,158)			
6	AMORTIZATION OF EXCESS ADIT (PROTECTED) - (\$75,168,977 USING ARAM)			(1,950,880)				
7	AMORTIZATION OF EXCESS ADIT (UNPROTECTED) - (SL OVER 15 YEARS)			(223,585)				
8	TOTAL AMORTIZATION OF EXCESS ADIT (6 + 7)			(2,174,466)				
9	GROSS-UP FACTOR USING 25.64% EFFECTIVE TAX RATE			1.34				
10	TOTAL REDUCTION IN DEFERRED INCOME TAX EXPENSE (8 x 9)				(2,924,245)			
11	<b>TOTAL REDUCTION IN REVENUE REQUIREMENTS (5 + 10)</b>				<b>(16,592,403)</b>	<b>(10,851,431.27)</b>	<b>(5,740,971)</b>	
12	GAS BILLING UNITS (TY CCF / 12 MO x 13 MO)				481,601,824	211,426,821	270,175,003	
13	GAS CREDIT PER CCF (APRIL 1, 2018 - APRIL 30, 2019) (11 / 12)				<b>(0.03445)</b>	<b>(0.05132)</b>	<b>(0.02125)</b>	
	RATE PER MONTH CALCULATIONS:							
14	<b>TOTAL MONTHLY REDUCTION IN REVENUE REQUIREMENTS (11 / 16 MO)</b>				<b>(1,037,025)</b>	<b>(678,214)</b>	<b>(358,811)</b>	
15	GAS BILLING UNITS PER MONTH (TY CCF / 12 MO)				37,046,294	16,263,602	20,782,693	
16	MONTHLY GAS CREDIT PER CCF (14 / 15)				<b>(0.02799)</b>	<b>(0.04170)</b>	<b>(0.01726)</b>	

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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 6**

**Witness: Kent W. Blake**

- Q-6. Refer to the response to the Attorney General's Initial Request for Information, Item 1.
- a. Explain if the pension contribution of \$46 million was accounted for in the forecasted test year for Case Nos. 2016-00370.
  - b. Explain if the pension contribution of \$54 million was accounted for in the forecasted test year for Case Nos. 2016-00371.
  - c. Explain how often such pension contributions occur and if the contributions are of similar amounts.
  - d. Refer to Attachment AG-1 (a).
    - (1) Explain how the capitalization increase associated with pensions is allocated among the components of the capitalization structure.
    - (2) Provide an updated capitalization structure reflecting the change associated with the January 2018 pension contribution for KU.
    - (3) Provide an updated capitalization structure reflecting the change associated with the January 2018 pension contribution for LG&E.
  - e. Provide any anticipated contribution amounts through May 1, 2019.
- A-6.
- a. The forecasted test year in Case No. 2016-00370 included a projected pension contribution in January 2018 of \$11.9 million. This increased the 13-month average capitalization by \$4.9 million after being jurisdictionalized. As noted in response to AG 1-1, the actual \$46 million contribution made in January 2018, resulted in an "Other Capitalization" increase relative to that used in Case No. 2016-00370 of \$33.8 million in the calculation of the TCJA surcredit per the *Offer and Acceptance of Satisfaction*.



- b. The forecasted test year in Case No. 2016-00371 included a projected pension contribution in January 2018 of \$16.6 million. This increased the 13-month average capitalization by \$7.7 million. As noted in response to AG 1-1, the actual \$54 million contribution made in January 2018, resulted in an “Other Capitalization” increase relative to that used in Case No. 2016-00371 of \$43.1 million in the calculation of the TCJA surcredit per the *Offer and Acceptance of Satisfaction*.
- c. Pension contributions are generally made on an annual basis. KU has made a pension contribution every year in the past 10 years. Amounts have ranged from a high of \$59.4 million in 2013 to a low of \$2.2 million in 2014. The average contribution during the 10 years has been \$23.3 million. LG&E has made a pension contribution each year in the last 10 except for 2017. The average contribution during the 10 year period has been \$24.9 million with the highest contribution being \$64 million in 2011 and zero in 2017 being the lowest.
- d.
  - (1) The pension contribution is funded in the same manner as all capitalization, with a mix of debt and equity. The capital structure is re-balanced each quarter via dividends and equity contributions to ensure that the Companies maintain strong investment grade debt ratings.
  - (2) See the attachment being provided in Excel format for the impact that use of the actual January 2018 pension contribution would have had on capitalization in Case No. 2016-00370.
  - (3) See the attachment being provided in Excel format for the impact that use of the actual January 2018 pension contribution would have had on capitalization in Case No. 2016-00371.
- e. The capitalization numbers provided in the response to KPSC 3-2(a)(1) include a forecasted contribution of \$2.4 million in January 2019 for KU, and the response to KPSC 3-2(b)(1) includes a forecasted contribution of \$3.5 million in January 2019 for LG&E.

The attachments for responses to Question No. 6(d)(2) and 6(d)(3) are being provided in a separate file in Excel format.

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 7**

**Witness: Kent W. Blake**

- Q-7. Refer to the Blake Testimony, Exhibit KWB-4. For KU, file a rate schedule reflecting the revised federal and state income tax rates as filed in Exhibit KWB-3 of the Blake Rehearing Testimony, the capitalization structure from Item 6d(2). above, and the current cost of long-term debt of 4.24 percent<sup>3</sup> and short-term debt of 2.35 percent.<sup>4</sup>
- A-7. See the attached rate schedule in the same format as page 1 of Direct Testimony of Kent W. Blake, Exhibit KWB-4 for the requested TCJA surcredit rates. See the attachment being provided in Excel format for all of the supporting calculations. Relative to the *Offer and Acceptance of Satisfaction*, this calculation fails to recognize the increase in capitalization directly caused by TCJA and other increases in capitalization for KU for the seventeen-month average ending April 30, 2019 relative to the thirteen-month average ending June 30, 2018 used in Case No. 2016-00370. It also incorporates a short-term interest rate that will result in less than full recovery of KU's reasonably projected interest expense on short-term debt (rate of 2.63%) for the 16-month period under review in that it does not recognize the projected increases in the federal funds rate during that period.

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<sup>3</sup>Blake Rehearing Testimony, Exhibit KWB-4, page 2 of 9.

<sup>4</sup>Id., page 3 of 9.

KENTUCKY UTILITIES COMPANY  
CASE NO. 2018-00034  
OVERALL FINANCIAL SUMMARY

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	CASE NO. 2016-00370	UPDATED	REVENUE REQUIREMENT IMPACT	RESIDENTIAL TARIFF (39% OF TOTAL REVENUES)	OTHER TARIFFS (61% OF TOTAL REVENUES)	
			FINAL ORDER (7/1/2017 - 6/30/2018) (35%)	FINAL ORDER (7/1/2017 - 6/30/2018) (21%)				
			\$	\$	\$	\$	\$	
1	CAPITALIZATION ALLOCATED TO KENTUCKY JURISDICTION	PAGE 2	3,607,984,536	3,622,048,694	14,064,158			
2	REQUIRED RATE OF RETURN ADJUSTED FOR INCOME TAXES	PAGE 2	10.25%	8.88%	-1.37%			
3	REQUIRED ANNUAL OPERATING INCOME BEFORE TAXES (1 x 2)		369,897,726	321,702,318	(48,195,408)			
4	YEARS EQUIVALENT TO 16 MONTHS (16/12)				1.33			
5	TOTAL REDUCTION IN INCOME TAX EXPENSE (3 x 4)				(64,260,544)			
6	AMORTIZATION OF EXCESS ADIT (PROTECTED) - (\$309,333,049 USING ARAM)			(11,459,997)				
7	AMORTIZATION OF EXCESS ADIT (UNPROTECTED) - (SL OVER 15 YEARS)			(850,810)				
8	TOTAL AMORTIZATION OF EXCESS ADIT (6 + 7)			(12,310,807)				
9	GROSS-UP FACTOR USING 25.61% EFFECTIVE TAX RATE			1.34				
10	TOTAL REDUCTION IN DEFERRED INCOME TAX EXPENSE (8 x 9)				(16,548,489)			
11	<b>TOTAL REDUCTION IN REVENUE REQUIREMENTS (5 + 10)</b>				<b>(80,809,033)</b>	<b>(31,515,523)</b>	<b>(49,293,510)</b>	
12	ENERGY BILLING UNITS (TY KWH / 12 MO x 13 MO)				19,857,410,575	6,599,267,393	13,258,143,182	
13	ENERGY CREDIT PER KWH (APRIL 1, 2018 - APRIL 30, 2019) (11 / 12)					<b>(0.00478)</b>	<b>(0.00372)</b>	
	RATE PER MONTH CALCULATIONS:							
14	<b>TOTAL MONTHLY REDUCTION IN REVENUE REQUIREMENTS (11 / 16 MO)</b>				<b>(5,050,565)</b>	<b>(1,969,720)</b>	<b>(3,080,844)</b>	
15	ENERGY BILLING UNITS PER MONTH (TY KWH / 12 MO)				1,527,493,121	507,635,953	1,019,857,168	
16	MONTHLY ENERGY CREDIT PER KWH (14 / 15)				<b>(0.00331)</b>	<b>(0.00388)</b>	<b>(0.00302)</b>	

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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 8**

**Witness: Kent W. Blake**

- Q-8. Refer to the Blake Testimony, Exhibit KWB-6. For LG&E Electric, file a rate schedule reflecting the revised federal and state income tax rates as filed in Exhibit KWB-3 of the Blake Rehearing Testimony, the capitalization structure from Item 6d(3). above, and the current cost of long-term debt of 4.12 percent<sup>5</sup> and short-term debt of 2.35 percent.<sup>6</sup>
- A-8. See the attached rate schedule in the same format as page 1 of Direct Testimony of Kent W. Blake, Exhibit KWB-5 for the requested TCJA surcredit rates. See the attachment being provided in Excel format for all of the supporting calculations. Relative to the *Offer and Acceptance of Satisfaction*, this calculation fails to recognize the increase in capitalization directly caused by TCJA and other decreases in capitalization for LG&E for the seventeen-month average ending April 30, 2019 relative to the thirteen-month average ending June 30, 2018 used in Case No. 2016-00371. It also incorporates a short-term interest rate that will result in less than full recovery of LG&E's reasonably projected interest expense on short-term debt (rate of 2.59%) for the 16-month period under review in that it does not recognize the projected increases in the federal funds rate during that period.

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<sup>5</sup>Id., page 7 of 9.

<sup>6</sup> Id., page 8 of 9.

LOUISVILLE GAS AND ELECTRIC COMPANY  
CASE NO. 2018-00034 - ELECTRIC OPERATIONS  
OVERALL FINANCIAL SUMMARY

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	CASE NO. 2016-00371	UPDATED	REVENUE REQUIREMENT IMPACT	RESIDENTIAL	OTHER TARIFFS	
			FINAL ORDER (7/1/2017 - 6/30/2018) (35%)	CASE NO. 2016-00371		TARIFF (41% OF TOTAL REVENUES)	(59% OF TOTAL REVENUES)	
			\$	\$	\$	\$	\$	
1	CAPITALIZATION ALLOCATED TO ELECTRIC OPERATIONS	PAGE 2	2,388,355,971	2,402,636,729	14,280,758			
2	REQUIRED RATE OF RETURN ADJUSTED FOR INCOME TAXES	PAGE 2	10.22%	8.81%	-1.41%			
3	REQUIRED ANNUAL OPERATING INCOME BEFORE TAXES (1 x 2)		243,998,420	211,616,465	(32,381,955)			
4	YEARS EQUIVALENT TO 16 MONTHS (16/12)				1.33			
5	TOTAL REDUCTION IN INCOME TAX EXPENSE (3 x 4)				(43,175,940)			
6	AMORTIZATION OF EXCESS ADIT (PROTECTED) - (\$207,520,098 USING ARAM)			(7,552,799)				
7	AMORTIZATION OF EXCESS ADIT (UNPROTECTED) - (SL OVER 15 YEARS)			(1,618,844)				
8	TOTAL AMORTIZATION OF EXCESS ADIT (6 + 7)			(9,171,643)				
9	GROSS-UP FACTOR USING 25.64% EFFECTIVE TAX RATE			1.34				
10	TOTAL REDUCTION IN DEFERRED INCOME TAX EXPENSE (8 x 9)				(12,334,125)			
11	<b>TOTAL REDUCTION IN REVENUE REQUIREMENTS (5 + 10)</b>				<b>(55,510,065)</b>	<b>(22,759,127)</b>	<b>(32,750,939)</b>	
12	ENERGY BILLING UNITS (TY KWH / 12 MO x 13 MO)				12,919,919,682	4,528,429,567	8,391,490,115	
13	ENERGY CREDIT PER KWH (APRIL 1, 2018 - APRIL 30, 2019) (11 / 12)					<b>(0.00503)</b>	<b>(0.00390)</b>	
	RATE PER MONTH CALCULATIONS:							
14	<b>TOTAL MONTHLY REDUCTION IN REVENUE REQUIREMENTS (11 / 16 MO)</b>				<b>(3,469,379)</b>	<b>(1,422,445)</b>	<b>(2,046,934)</b>	
15	ENERGY BILLING UNITS PER MONTH (TY KWH / 12 MO)				993,839,976	348,340,736	645,499,240	
16	MONTHLY ENERGY CREDIT PER KWH (14 / 15)				<b>(0.00349)</b>	<b>(0.00408)</b>	<b>(0.00317)</b>	

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



**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 9**

**Witness: Kent W. Blake**

- Q-9. Refer to the KU/LGE's response to Staff's First Request for Information, Item 3, modified Exhibit KWB-6. For LG&E Gas, file a rate schedule modified to reflect the allocation for the surcredit to residential and nonresidential gas customers and reflecting the revised federal and state income tax rates as filed in Exhibit KWB-3 of the Blake Rehearing Testimony, the capitalization structure from Item 6d(3). above, and the current cost of long-term debt of 4.12 percent<sup>7</sup> and short-term debt of 2.35 percent.<sup>8</sup>
- A-9. See the attached rate schedule in the same format as page 1 of Direct Testimony of Kent W. Blake, Exhibit KWB-6, modified in response to PSC 3-1, for the requested TCJA surcredit rates. See the attachment being provided in Excel format for all of the supporting calculations. Relative to the *Offer and Acceptance of Satisfaction*, this calculation fails to recognize the increase in capitalization directly caused by TCJA and other decreases in capitalization for LG&E for the seventeen-month average ending April 30, 2019 relative to the thirteen-month average ending June 30, 2018 used in Case No. 2016-00371. It also incorporates a short-term interest rate that will result in less than full recovery of LG&E's reasonably projected interest expense on short-term debt (rate of 2.59%) for the 16-month period under review in that it does not recognize the projected increases in the federal funds rate during that period.

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<sup>7</sup>Id., page 7 of 9.

<sup>8</sup>Id., page 8 of 9.

LOUISVILLE GAS AND ELECTRIC COMPANY  
CASE NO. 2018-00034 - GAS OPERATIONS  
OVERALL FINANCIAL SUMMARY

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	CASE NO. 2016-00371	UPDATED	REVENUE REQUIREMENT IMPACT	RESIDENTIAL TARIFF (65.4% OF TOTAL REVENUES)	NON-RESIDENTIAL TARIFFS (34.6% OF TOTAL REVENUES)
			FINAL ORDER (7/1/2017 - 6/30/2018) (35%)	CASE NO. 2016-00371 FINAL ORDER (7/1/2017 - 6/30/2018) (21%)			
			\$	\$	\$	\$	\$
1	CAPITALIZATION ALLOCATED TO GAS OPERATIONS	PAGE 2	695,552,077	698,543,643	2,991,567		
2	REQUIRED RATE OF RETURN ADJUSTED FOR INCOME TAXES	PAGE 2	10.22%	8.81%	-1.41%		
3	REQUIRED ANNUAL OPERATING INCOME BEFORE TAXES (1 x 2)		71,058,758	61,525,463	(9,533,295)		
4	YEARS EQUIVALENT TO 16 MONTHS (16/12)				1.33		
5	TOTAL REDUCTION IN INCOME TAX EXPENSE (3 x 4)				(12,711,060)		
6	AMORTIZATION OF EXCESS ADIT (PROTECTED) - (\$75,168,977 USING ARAM)			(1,950,880)			
7	AMORTIZATION OF EXCESS ADIT (UNPROTECTED) - (SL OVER 15 YEARS)			(223,585)			
8	TOTAL AMORTIZATION OF EXCESS ADIT (6 + 7)			(2,174,466)			
9	GROSS-UP FACTOR USING 25.64% EFFECTIVE TAX RATE			1.34			
10	TOTAL REDUCTION IN DEFERRED INCOME TAX EXPENSE (8 x 9)				(2,924,245)		
11	<b>TOTAL REDUCTION IN REVENUE REQUIREMENTS (5 + 10)</b>				<b>(15,635,305)</b>	<b>(10,225,489.27)</b>	<b>(5,409,815)</b>
12	GAS BILLING UNITS (TY CCF / 12 MO x 13 MO)				481,601,824	211,426,821	270,175,003
13	GAS CREDIT PER CCF (APRIL 1, 2018 - APRIL 30, 2019) (11 / 12)				<b>(0.03247)</b>	<b>(0.04836)</b>	<b>(0.02002)</b>
RATE PER MONTH CALCULATIONS:							
14	<b>TOTAL MONTHLY REDUCTION IN REVENUE REQUIREMENTS (11 / 16 MO)</b>				<b>(977,207)</b>	<b>(639,093)</b>	<b>(338,113)</b>
15	GAS BILLING UNITS PER MONTH (TY CCF / 12 MO)				37,046,294	16,263,602	20,782,693
16	MONTHLY GAS CREDIT PER CCF (14 / 15)				<b>(0.02638)</b>	<b>(0.03930)</b>	<b>(0.01627)</b>

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

**KENTUCKY UTILITIES COMPANY  
AND  
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post Hearing Request for Information  
Dated May 30, 2018**

**Case No. 2018-00034**

**Question No. 10**

**Witness: Kent W. Blake**

- Q-10. Provide all responses in Excel spreadsheet format with all formulas unprotected and rows and column accessible.
- A-10. Such schedules have been provided in Excel spreadsheet format as requested as part of each response.