

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

**In the Matter of:**

<b>APPLICATION OF LOUISVILLE GAS AND )</b>	
<b>ELECTRIC COMPANY FOR APPROVAL OF )</b>	
<b>REVISED RATES TO BE RECOVERED )</b>	
<b>THROUGH ITS GAS LINE TRACKER )</b>	<b>CASE NO. 2018-00057</b>
<b>BEGINNING WITH THE FIRST BILLING )</b>	
<b>CYCLE FOR MAY 2018 )</b>	

**APPLICATION**

Louisville Gas and Electric Company (“LG&E” or the “Company”) hereby requests, pursuant to the Commission’s Orders in Case Nos. 2012-00222<sup>1</sup> and 2017-00066<sup>2</sup>, that the Commission issue an order approving its revised rates for its Gas Line Tracker Adjustment Clause (“GLT”) effective for services rendered on and after May 1, 2018. In support of this Application, the Company states as follows:

1. LG&E’s full name is Louisville Gas and Electric Company. LG&E’s post office address is 220 W. Main Street, Louisville, KY 40202. LG&E may be reached by electronic mail at the electronic mail address of its counsel set forth below. LG&E was incorporated in Kentucky on July 2, 1913. LG&E attests that it is in good standing in Kentucky. LG&E is a utility as defined by KRS 278.010(3)(a) and (b) and provides retail gas service to approximately 320,000 customers in seventeen counties in Kentucky.

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<sup>1</sup> *In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge*, Case No. 2012-00222, Order of December 20, 2012.

<sup>2</sup> *In the Matter of: Application of Louisville Gas and Electric Company for Approval of Revised Rates to be Recovered through its Gas Line Tracker Beginning with the First Billing Cycle for May 2017*, Case No. 2017-00066, Order of March 23, 2017.

2. In this filing, LG&E is submitting a tariff filing, a copy of which is attached hereto as Exhibit 1, setting forth revised rates for its GLT Adjustment Clause, consistent with the revisions approved in the Company's most recent rate case, Case No. 2016-00371<sup>3</sup> and the amendment to the Company's rate of return as a result of the Tax Cuts and Jobs Act (“TCJA”).

3. LG&E proposes to change its GLT charges to the rates presented below:

Rate Schedule - Distribution - Charge per Month

RGS, VFD - Residential Gas Service, Volunteer Fire Dept.	\$0.60
CGS, SSGS - Commercial Gas Service, Substitute Gas Sales Service	\$2.99
IGS, AAGS, DGGS - Industrial Gas Service, As-Available Gas Service, Distributed Generation Gas Service	\$37.67

Rate Schedule - Transmission - Charge per Mcf

RGS, VFD - Residential Gas Service, Volunteer Fire Dept.	\$0.0547
CGS, SSGS - Commercial Gas Service, Substitute Gas Sales Service	\$0.0444
IGS, AAGS, DGGS - Industrial Gas Service, As-Available Gas Service, Distributed Generation Gas Service	\$0.0266
FT, LGDS - Firm Transportation, Local Gas Delivery Service	\$0.0031

4. LG&E is incorporating several revisions to the GLT mechanism into the current filing as a result of changes approved in the Company's most recent rate case. In that proceeding the Company requested and was granted a reset of the mechanism's rates by removing the GLT rate base as of June 30, 2017 from the mechanism and including it in the Company's base rates. Costs for existing and new programs incurred after June 30, 2017 continue to be recovered through the GLT mechanism.

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<sup>3</sup> *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, Order of June 22, 2017.

5. In order to simplify the filing process as discussed in the testimony of Christopher M. Garrett in the last rate case proceeding, the Company is combining the forecasted and true-up filings into one annual filing. Both the true-up and the forecast will continue to be based on calendar year amounts. For this and future filings, the annual filing will be submitted at the end of February with new rates effective for services rendered on and after the first billing cycle of May.

6. In addition, in the rate case proceeding, the Company requested and the Commission approved the inclusion of two new projects in the GLT mechanism, the Gas Service Line Replacement Program and the Transmission Pipeline Modernization Program (“TPMP”). These programs will replace at-risk materials that have been in the ground for decades and represent a continuation of the Company's efforts to improve safety and reliability as well as modernizing the system. These programs were included in the GLT rates that went into effect July 1, 2017 along with new base rates. In developing the 2018 calendar year forecast for the current filing, the Company has modified its estimated cost for the TPMP. Originally, the program was estimated to cost \$59,500,000 over the life of the project. As a result of detailed engineering and design work the Company has now completed for the project, the current estimate for the program is \$82,109,000. The increase is driven by projected increases in construction contract labor needed for the installation of more pipeline by horizontal directional drilling than originally anticipated, as well as the presence of more rock than expected for those drills. LG&E will also replace the existing 20-inch and 16-inch pipeline with 24-inch pipeline which allows for more system flexibility but also contributes to higher costs. Finally, increases in costs are expected as a result of modernizing a valve nest to facilitate inspection and further increases in material costs.

7. The final revision to the GLT mechanism from the rate case was the addition of a new rate for the TPMP. The Company proposed and the Commission approved the TPMP should be recovered from customers including Firm Transportation and Local Gas Delivery Service customers on a per Mcf basis. Distribution projects will continue to be recovered via a per customer charge.

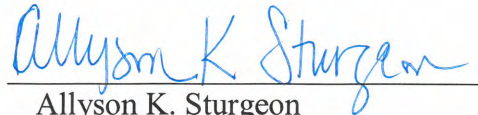
8. The current filing incorporates the changes associated with the TCJA discussed in Case No. 2018-00034 still pending before the Commission. The Company adjusted the gross-up factor used in the rate of return calculation to reflect the new lower federal corporate income tax rate of 21% effective January 1, 2018. Additionally, the Company's Accumulated Deferred Income Tax balance reflects the inclusion of \$1,463,851 of excess deferred taxes recorded as a regulatory liability. Per normalization rules, the Company is required to refund excess deferred taxes to customers over the remaining regulatory life of the asset that gave rise to the deferred taxes using the Average Rate Assumption Method ("ARAM"). Under this method, the amortization of excess deferred taxes occurs when the amount of tax depreciation is less than the amount of regulatory book depreciation with respect to the asset. Utilizing the ARAM, no amortization of excess deferred taxes within the GLT mechanism will occur during 2018 as tax depreciation exceeds book depreciation.

9. LG&E's summary of its revised GLT billing factors to become effective with LG&E's first billing cycle in May 2018 (which begins May 1, 2018) is attached as Exhibit 2. The calculations and supporting documentation for the True-Up factors are attached as Exhibit 3. The calculations and supporting documentation for the 2018 Forecasted factors is attached as Exhibit 4.

**WHEREFORE,** Louisville Gas and Electric Company respectfully requests the Commission to enter an order approving the revised rates for its GLT mechanism effective for services rendered on and after May 1, 2018.

Dated: February 28, 2018

Sincerely,



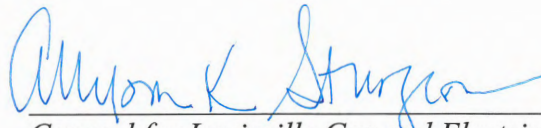
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*Counsel for Louisville Gas and Electric Company*

**CERTIFICATE OF COMPLIANCE**

In accordance with 807 KAR 5:001 Section 8(7), this is to certify that Louisville Gas and Electric Company's February 28, 2018 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing was transmitted to the Commission on February 28, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; that an original and six copies of the filing will be hand-delivered to the Commission on or before March 2, 2018; and that on February 28, 2018, electronic mail notification of the electronic filing will be provided to the Office of the Attorney General, Office for Rate Intervention, 700 Capitol Avenue, Suite 20, Frankfort, KY 40601.

A handwritten signature in blue ink, reading "Allison K. Sturgeon". The signature is written in a cursive style and is positioned above a horizontal line.

*Counsel for Louisville Gas and Electric Company*