

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR AN ORDER)	
APPROVING THE ESTABLISHMENT OF A)	
REGULATORY ASSET)	CASE NO. 2019-00017
)	
)	

VERIFIED APPLICATION

Louisville Gas and Electric Company (“LG&E” or “the Company”) applies to the Kentucky Public Service Commission (“Commission”) pursuant to KRS 278.220 for an order by March 31, 2019, authorizing LG&E’s establishment of a regulatory asset to account for the Company’s expenses incurred to repair damage and restore service to its customers caused by the ice storm on November 14, 2018 (the “November 2018 Ice Storm”). In support of this Application, LG&E respectfully states:

1. Applicant LG&E’s full name and post office address is: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.
2. LG&E is incorporated in the Commonwealth of Kentucky and attests that it is in good corporate standing. LG&E was incorporated in Kentucky on July 2, 1913.
3. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores and transports natural gas and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt,

Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

4. The Company may be reached by electronic mail at the electronic mail addresses of its counsel and corporate representatives set forth below.

5. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

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6. This Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction, and pursuant to the Commission's plenary authority to regulate utilities under KRS 278.040.

NOVEMBER 2018 ICE STORM

7. On Wednesday, November 14, 2018, a mix of snow, ice, and freezing rain caused widespread power outages throughout the service territory of LG&E and lesser portions of the

service territory of LG&E's sister company, Kentucky Utilities Company ("KU") (collectively "the Companies").

8. The November 2018 Ice Storm caused damage to the Companies' distribution and transmission facilities and left more than 153,000 of the Companies' customers in 77 Kentucky counties without power.¹ Nearly 120,000 of the customer outages were on the LG&E system. KU's more than 33,000 customer outages were primarily isolated between KU's western and central Kentucky service areas. The National Weather Service in Louisville reported that many locations in impacted service areas received between a tenth and quarter of an inch of ice accumulation on trees, shrubs, and other elevated surfaces.² Effects of the icing on the Companies' electric facilities were exacerbated by the number of trees that continued to be heavily covered in leaves.

9. The ice accumulation levels associated with the November 2018 Ice Storm, coupled with the density of leaves remaining on area trees, resulted in extensive, widespread damage across the impacted services areas, taking down nearly 2,600 wires and damaging poles and other electric delivery facilities. The LG&E system was hardest hit, experiencing just under 2,000 downed wires, 17 broken poles, and 34 damaged transformers. Cumulative system damages across the Companies' systems required more than 72 hours to restore service to impacted customers. The extensive number of outages, coupled with the cold weather conditions, jeopardized the general health and welfare of the customers and the communities LG&E and KU serve. All available company personnel and resident contractors were required

¹ Billy Kobin, *The power outages after November's ice storm were historically bad*, COURIER JOURNAL (Dec. 5, 2018), <https://www.courier-journal.com/story/weather/local/winter/2018/12/05/november-ice-storm-louisville-power-outages-among-worst-ever/2131534002/>.

² National Weather Service, *Early Season Freezing Rain Event*, https://www.weather.gov/lmk/NovemberIceStorm_2018.

to restore service. More than 350 supplemental off-system resources were also required and secured from existing business partners and through the Company's established mutual assistance network. At their peak, the Companies' restoration efforts were carried out by nearly 1,000 employees and contractors. Many of the mutual assistance restoration and partner utility crews came from other states, including Arkansas, Georgia, and Tennessee. Thus, the November 2018 Ice Storm constituted a Level IV storm as defined in the Companies' *Electric Distribution and Emergency Preparedness and Response Plan*.³

10. The Companies, as they continually do, fully utilized the best available resources to monitor the November 2018 Ice Storm. The Companies were aware of the threat of the November 2018 Ice Storm and prepared for its potential impact. Furthermore, recent upgrades to the Companies' infrastructure helped to limit interruptions and outages. Particularly, the Companies' limited installation of Distribution Automation ("DA") resulted in the avoidance of 8,100 customer interruptions and 7.4 million customer outage minutes during the November storm.

11. As soon as system outages were experienced during the November 2018 Ice Storm, the Companies initiated efforts to restore power to affected customers. Through the day-and-night efforts of the Companies' personnel and contractors beginning on November 14, power was restored to all impacted LG&E customers by November 18, 2018 and to all impacted KU customers by November 17, 2018. Clean-up efforts, including post-circuit inspections, were conducted during the week of November 19, 2018.

³ *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets*, Case No. 2018-00304, Attachment to Response of KU and LG&E to Commission Staff's Post-Hearing Request for Information Dated November 30, 2018, Item No. 2 (Ky. PSC Dec. 5, 2018).

12. Mutual assistance was greatly needed and resulted in power being restored to customers in a quicker fashion than otherwise would have been possible. The Companies' need to summon contractors and mutual assistance was necessitated by the extraordinary number of downed lines. This excessive amount of downed lines required time- and labor-intensive work to repair, and resulted in the need for more equipment such as bucket trucks.

13. Repairing such extraordinary, significant, and widespread damage was costly, particularly for LG&E. The \$6.8 million in incremental expenses for the November 2018 Ice Storm, alone, excluding the July 2018 storm expenses,⁴ approach the annual storm-related operation and maintenance expenses ("O&M") of approximately \$9.3 million (KU \$3.9 and LG&E \$5.4) embedded in the Companies' rates. Importantly, the November 2018 Ice Storm damage amount alone exceeds the amount of storm restoration expenses included in the forecasted test year in the pending rate cases (\$6.3 million (KU \$3.0 and LG&E \$3.3)).⁵ The Companies currently estimate that the incremental November 2018 Ice Storm-related operations and maintenance costs will be approximately \$6.8 million (LG&E \$6.3 million and KU \$0.5 million). A schedule detailing LG&E's November 2018 Ice Storm repair costs charged to operation and maintenance expense is attached as Exhibit 1. These costs are estimates based on actual and estimated costs incurred to date. Consistent with the August 2011 summer storms, KU is not seeking approval for establishment of a regulatory asset for this event.⁶

⁴ The Companies recently received approval to establish regulatory assets for storm-related expenses from the July 2018 Storm. *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets*, Case No. 2018-00304, Order (Ky. PSC Dec. 20, 2018).

⁵ *In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates*, Case No. 2018-00294, Application, Tab 55, Schedule B-5.2, page 4 of 6, Line 13; *In the Matter of Electronic Application of Louisville Gas and Electric Company*, Tab 55, Schedule B-5.2, page 4 of 6, Line 13.

⁶ See Response to Commission Staff's First Request for Information dated September 27, 2018, Question No. 1-3, *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas*

14. Because property and casualty insurance for distribution and transmission storm damage is generally not available in commercial insurance markets, the Companies do not carry such insurance. As a result, the Companies have not received, and will not receive, any insurance proceeds to offset their November 2018 Ice Storm restoration costs.

15. LG&E's incremental November 2018 Ice Storm-related costs totaling approximately \$6.3 million are extraordinary and exceed LG&E's budget of approximately \$5.4 million that is currently embedded in base rates for 2018 and is well in excess of the \$3.3 million of storm restoration expenses included in the forecasted test year in the pending rate case. When coupled with the November 2018 Ice Storm, LG&E's total storm restoration costs (excluding the July 2018 Storm) for calendar year 2018 currently exceed \$12 million.

16. Pursuant to the Companies' procedure regarding regulatory asset treatment of storm damage,⁷ the November 2018 Ice Storm meets the criterion of a Level IV Emergency Event⁸ in the LG&E service territory. Furthermore, the level of expense associated with the November 2018 Ice Storm in the LG&E service territory exceeds the amount of storm restoration expense included in base rates. Thus, LG&E exercised its option to file for approval of regulatory asset treatment.

17. Pursuant to Commission order, LG&E notified the Commission of the establishment of the deferred asset as of December 31, 2018 within the required five day period

and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets, Case No. 2018-00304, (Ky. PSC Dec. 20, 2018).

⁷ *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets*, Case No. 2018-00304, Response of KU and LG&E to Commission Staff's Post-Hearing Request for Information Dated November 30, 2018, Item No. 4 (Ky. PSC Dec. 5, 2018).

⁸ *See id.* "A Level IV emergency is defined as an extreme outage event on the electric distribution system that will require more than seventy two (72) hours to resolve and jeopardizes the general health and welfare of customers and the communities the Company serves. This level of event requires the use of all available company personnel and resident contractors, and necessitates the utilization of off-system resources secured via mutual assistance or from existing business partner relationships."

for storms occurring in the fourth quarter.⁹ The Company's letter providing notice is filed in the record in this proceeding.

18. LG&E asks the Commission to authorize and confirm LG&E's establishment of its regulatory asset to defer for future recovery its actual, incremental November 2018 Ice Storm-related operations and maintenance costs.

19. The measures LG&E took to restore service, and the costs related thereto, were reasonable and prudent, and should therefore be recoverable as a necessary cost of providing electric service to LG&E customers. If approved, LG&E will continue to hold its deferred costs in a regulatory asset account pending the Commission's consideration and decision of the recovery and amortization of the regulatory asset in the ongoing LG&E rate case.¹⁰

20. The Commission has approved regulatory asset treatment for the Companies in the past for extraordinary storm damages which could not have reasonably been anticipated or included in the Companies' planning. Most recently, the Commission approved KU's and LG&E's request to establish regulatory assets for the actual, incremental costs incurred to repair and restore service resulting from the July 20, 2018 storm.¹¹ Citing a 2008 East Kentucky Power

⁹ *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With the Two 2015 Major Storm Events*, Case No. 2016-00180, Order at 5 (Ky. PSC Dec. 12, 2016) (The Commission will "allow jurisdictional utilities to record expenses for Major Event storms occurring in the fourth quarter of the fiscal year as a deferred asset for accounting purposes only, subject to the utility's providing the Commission with notice of such within five days of the establishment of the deferred asset, and also subject to the utility's filing of an application within 90 days of the occurrence of the Major Event storm seeking Commission approval for such authority.").

¹⁰ *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates*, Case No. 2018-00295.

¹¹ *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets*, Case No. 2018-00304, Order at 14-15 (Ky. PSC Dec. 20, 2018).

Cooperative case,¹² the Commission found that the repair and restoration expenses associated with the July 20, 2018 Storm were “extraordinary and nonrecurring and could not have been reasonably anticipated or included in KU/LG&E’s planning.”¹³ In addition, the Commission also approved regulatory asset treatment for the Companies’ costs associated with an August 2011 storm,¹⁴ the 2009 winter storm that impacted much of Kentucky,¹⁵ the remnants of Hurricane Ike in 2008,¹⁶ the ice storm in 2003,¹⁷ and a tornado in 1974.¹⁸

21. LG&E’s establishment of a regulatory asset precluded LG&E from having to record the Company’s extraordinary storm operations and maintenance costs as expenses on its income statement for the fourth quarter in 2018.

¹² *Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting From Generation Forced Outages*, Case No. 2008-00436, Final Order at 3-4 (Ky. PSC Dec. 23, 2008).

¹³ *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Liabilities and Regulatory Assets*, Case No. 2018-00304, Order at 14 (Ky. PSC Dec. 20, 2018).

¹⁴ *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2011-00380, Order at 5 (Ky. PSC Dec. 27, 2011). The Commission approved LG&E’s request to establish a regulatory asset in the amount of \$8.1 million.

¹⁵ *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2009-00175, Order at 5 (Ky. PSC Sept. 30, 2009); *In the Matter of: Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2009-00174, Order at 5 (Ky. PSC Sept. 30, 2009). The Commission authorized LG&E to create a regulatory asset for its incremental actual costs incurred, not exceeding \$45.2 million, while KU was likewise authorized to create a regulatory asset not exceeding \$61.9 million.

¹⁶ *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00456, Order at 8 (Ky. PSC Dec. 22, 2008); *In the Matter of: Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00457, Order at 8 (Ky. PSC Dec. 22, 2008). The Commission approved regulatory asset treatment for the actual incremental operating and maintenance expenses in the amount of \$24.1 million for LG&E and \$2.56 million for KU on terms identical to those involved with the 2009 winter storm.

¹⁷ *In the Matter of: An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order at 39–41 (Ky. PSC June 30, 2004). The Commission allowed KU to defer and amortize over five years the portion of its incremental 2003 ice storm damage expenses that it had not already recovered through insurance payments and KU’s Earnings Sharing Mechanism.

¹⁸ *General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company*, Case No. 6220, Order (Ky. PSC Feb. 28, 1975).

22. The journal entry accounts LG&E utilized to reflect regulatory asset treatment of its November 2018 Ice Storm-related operations and maintenance expenses are shown on Exhibit 2.

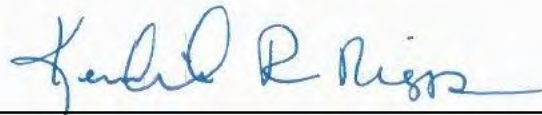
WHEREFORE, Louisville Gas and Electric Company respectfully requests the Commission enter an order no later than March 31, 2019:

1. Authorizing LG&E's establishment of a regulatory asset on December 31, 2018 to account for the Company's expenses incurred to repair damage and restore service to its customers caused by the ice storm on November 14, 2018; and

2. All other appropriate relief.

Dated: January 11, 2019

Respectfully submitted,



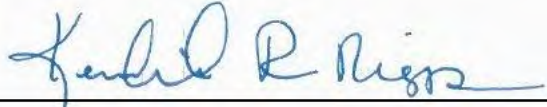
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Counsel for Louisville Gas and Electric Company

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001 Section 8(7), this is to certify that Louisville Gas and Electric Company's January 11, 2019 electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing has been transmitted to the Commission on January 11, 2019; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original in paper medium of the filing will be filed with the Commission within two business days from the date of the electronic filing.

A handwritten signature in blue ink, appearing to read "Gerald R. Nigg", is written over a light blue rectangular background.

Counsel for Louisville Gas and Electric Company

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says he is the Controller for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company; that he has personal knowledge of the matters set forth in the foregoing Application, that the answers contained therein are true and correct to the best of his information, knowledge and belief.


Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 11th day of January 2019.


Notary Public

My Commission Expires:
Judy Schooler
Notary Public, ID No. 603967
State at Large, Kentucky
Commission Expires 7/11/2022

Louisville Gas and Electric Company
Exhibit 1

LG&E

Estimate of Total KY Storm Costs

Employee Labor	\$ 769,199.69
Contractor Labor	5,287,278
Materials	137,763
Miscellaneous	222,595
Transportation	97,522
Total	<u>\$ 6,514,358.2</u>

Estimated Amount Considered Normal Operations

Employee Labor	\$ (162,297.69)
Contractor Labor	(39,593)
Miscellaneous	(7)
Transportation	(12,819)
Total	<u>\$ (214,717.25)</u>

Total Regulatory Asset Request

Employee Labor	\$ 606,902.00
Contractor Labor	5,247,685
Materials	137,763
Miscellaneous	222,587
Transportation	84,703
Total	<u>\$ 6,299,640.95</u>

Louisville Gas and Electric Company
Exhibit 1

LG&E

Estimate of Total KY Storm Costs

Employee Labor	\$	769,200
Contractor Labor		5,287,278
Materials		137,763
Miscellaneous		222,595
Transportation		97,522
Total	\$	<u>6,514,358</u>

Estimated Amount Considered Normal Operations

Employee Labor	\$	(162,298)
Contractor Labor		(39,593)
Miscellaneous		(7)
Transportation		(12,819)
Total	\$	<u>(214,717)</u>

Total Regulatory Asset Request

Employee Labor	\$	606,902
Contractor Labor		5,247,685
Materials		137,763
Miscellaneous		222,587
Transportation		84,703
Total	\$	<u>6,299,641</u>

Louisville Gas and Electric Company
Exhibit 2

	<u>Debit Account</u>	<u>Credit Account</u>
Other Regulatory Assets	182.3	
Maintenance of Overhead Lines - Electric Transmission		571
Operations Supervision & Engineering - Electric Distribution		580
Overhead Line Expenses - Electric Distribution		583
Maintenance Supervision & Engineering - Electric Distribution		590
Maintenance of Overhead Lines - Electric Distribution		593
Maintenance of Underground Lines - Electric Distribution		594
Maintenance of Transformers - Electric Distributon		595
Maintenance of Miscellaneous Distribution Plant - Electric Distribution		598
Informational and Instructional Advertising Expenses		909
Administrative & General Salaries		920