

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
LOUISVILLE GAS AND ELECTRIC)	CASE NO. 2019-00301
COMPANY FOR AN AMENDED)	
GAS LINE TRACKER)	

TESTIMONY OF
ROBERT M. CONROY
VICE PRESIDENT, STATE REGULATION AND RATES
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: September 27, 2019

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

2 A. My name is Robert M. Conroy. I am the Vice President of State Regulation and
3 Rates for Louisville Gas and Electric Company (“LG&E” or “Company”) and an
4 employee of LG&E and KU Services Company, which provides services to LG&E
5 and KU. My business address is 220 West Main Street, Louisville, Kentucky 40202.

6 **Q. Please describe your educational and professional background.**

7 A. A statement of my professional history and education is attached to this testimony as
8 Appendix A.

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

10 A. Yes. I have testified in numerous proceedings before the Commission. Most recently,
11 I testified in the Companies’ 2016 and 2018 base rate cases.¹

12 **Q. What are the purposes of your testimony?**

13 A. The purposes of my testimony are to: (1) explain how the pipeline replacement
14 projects proposed in this case and described by Mr. Malloy were addressed in the
15 Company’s last base rate case; (2) describe the proposed tariff change to the
16 Company’s Gas Line Tracker driven by the additional revenues the Company needs
17 to undertake the proposed pipeline replacement projects; and (3) explain why
18 Certificates of Public Convenience and Necessity are not required for the proposed
19 pipeline replacement projects.

20 **Q. Please describe how the pipeline replacement projects proposed in this case were**
21 **addressed in the Company’s last base rate case.**

¹ *In the Matter of: 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; and *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.

1 A. The Company seeks a revision to the current Gas Line Tracker charges so that it can
2 recover the costs related to the plan for the pipeline replacement projects presented in
3 this case. In Mr. Malloy’s testimony in this matter, he identifies and explains the
4 need for three pipeline replacement projects the Company proposes in this case. The
5 replacement projects are necessary to maintain and improve the safety and reliability
6 of LG&E’s gas transmission system. Those three projects are for the Company’s
7 Western Kentucky A Line, Western Kentucky B Line, and the Company’s Magnolia
8 Lines. The Company needs to modify those lines to achieve a more uniform diameter
9 so that inline inspections (“ILI”) can be used to assess the integrity of those lines. All
10 three projects were identified and explained in the Company’s last base rate case.²
11 Specifically, in Mr. Lonnie Bellar’s September 28, 2018 Direct Testimony, he
12 explained the general use of ILIs to conduct pipeline integrity assessments and
13 described the need to achieve uniform diameter on the Western Kentucky A and B
14 Lines to facilitate ILIs.³ He also explained the need to replace eight road crossings on
15 the Magnolia Lines.⁴ The Company sought rate recovery for those projects in the
16 2018 rate case.

17 In response to Mr. Bellar’s Direct Testimony, Office of Attorney General
18 (“OAG”) witness Donna Mullinax objected to the rate recovery of the pipeline
19 replacement projects.⁵ In rebuttal, Mr. Bellar elaborated on the purpose and need for
20 the pipeline replacement projects.⁶ Then, as part of the March 1, 2019 *Stipulation*

² Case No. 2018-00295.

³ Case No. 2018-00295, Bellar Direct Testimony, September 28, 2018, pp. 58-60.

⁴ *Id.*, p. 60.

⁵ Case No. 2018-00295, Mullinax Direct Testimony, January 16, 2019, pp. 16-17.

⁶ Case No. 2018-00295, Bellar Rebuttal Testimony, February 21, 2019, pp. 4-8.

1 *and Recommendation*, the Company agreed⁷ to the removal of the pipeline
2 replacement projects from the inclusion in base rates in that proceeding and the
3 Commission subsequently approved that removal.⁸ Thus, no costs for the pipeline
4 replacement projects are in current rates.

5 **Q. Did the Parties to the *Stipulation and Recommendation* address the future**
6 **recovery of the cost of these pipeline replacement projects?**

7 A. Yes, the Parties to the *Stipulation and Recommendation* specifically agreed that “the
8 appropriate forum for LG&E to seek cost recovery for these projects is either through
9 a separate application for cost recovery under LG&E’s Gas Line Tracker or in the
10 context of a future base rate case”⁹ Accordingly, the Company now seeks cost
11 recovery of the pipeline replacement projects in this case via the Company’s
12 adjustment clause known as the Gas Line Tracker.¹⁰

13 **Q. Please describe the Company’s Gas Line Tracker as set forth in the Company’s**
14 **tariff.**

15 A. The Company’s Gas Line Tracker is an adjustment clause approved by the
16 Commission to recover certain capital and operation and maintenance costs not
17 already included in base rates associated with the replacement of gas distribution and
18 transmission pipelines. The adjustment clause is set forth in a single sheet in LG&E’s
19 gas tariff as Original Sheet No. 84 on file and approved by the Commission. A copy
20 is attached as Exhibit 2 to the Application with the revisions proposed in this case.

⁷ Case No. 2018-00295, *Stipulation and Recommendation*, March 1, 2019, pp. 10-11.

⁸ Case No. 2018-00296, Order, April 30, 2019, p. 11.

⁹ Case No. 2018-00295, *Stipulation and Recommendation*, March 1, 2019, p. 10.

¹⁰ LG&E Rates, Terms and Conditions for Furnishing Natural Gas Service, PSC Gas No. 12, Original Sheet No. 84.

1 Like many gas distribution utilities under the Commission’s jurisdiction, the
2 Company recovers its investment in certain gas infrastructure assets through a line
3 item on customer bills. Among other things, the Gas Line Tracker includes: Gas
4 Line Tracker related Plant In-Service not included in base rates (minus the associated
5 accumulated depreciation and deferred income taxes); a rate of return on those assets
6 equal to the overall rate of return from the Company’s last base rate case grossed up
7 for federal and state income taxes; and incremental operation and maintenance
8 expenses.

9 In LG&E’s 2016 base rate case, the Commission approved the removal of the
10 Gas Line Tracker rate base as of June 30, 2017 from the Gas Line Tracker mechanism
11 and included it in the Company’s base rates.¹¹ Costs for existing and new programs
12 incurred after June 30, 2017 continue to be recovered through the Gas Line Tracker
13 mechanism.

14 The Gas Line Tracker tariff language requires an annual filing in which
15 program costs are updated and the charges are adjusted. Historically, the Company
16 has made that filing every February. The Commission most recently approved
17 updated Gas Line Tracker charges in Case No. 2019-00043.¹² The Company will
18 submit such an annual filing in February 2020 with an updated revenue requirement.

¹¹ *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 (June 22, 2017).

¹² *In the Matter of: Electronic Application of Louisville Gas and Electric Company for Gas Line Tracker*, Case No. 2019-00043, Order (April 23, 2019), modified by Order (May 6, 2019).

1 **Q. Notwithstanding the Company’s plan to file its annual Gas Line Tracker update**
2 **filing in February 2020, does the Company seek an adjustment of the Gas Line**
3 **Tracker amount in this case?**

4 A. Yes. The Company seeks a revision to the current Gas Line Tracker charges so that it
5 can recover the costs related to the plan for the pipeline replacement projects
6 presented in this case. For those costs, the Company has calculated a total additional
7 capital investment of \$31.3 million. That investment includes the projected capital
8 cost of three projects: the Western Kentucky Line A project (\$20.0 million), the
9 Western Kentucky Line B project (\$5.4 million), and the Magnolia Lines project
10 (\$5.9 million). The Company will also incur additional operation and maintenance
11 expense to pay Rosen USA for its development of the multi-diameter tool. That cost
12 is approximately \$■ million for 2020 – 2021. The return on equity used for
13 calculating that revenue requirement of 9.725% is taken directly from the Company’s
14 last base rate case.¹³ As shown in the proposed revised tariff sheet at Exhibit 2 to the
15 Application, the proposed Gas Line Tracker transmission amounts per Ccf are:
16 \$0.02046 for RGS and VFD service; \$0.01656 for CGS and SGSS service; \$0.01002
17 for IGS, AAGS, and DGGGS service; and \$0.00098 for FT and LGDS service. The
18 proposed effective date for the revised charges is October 27, 2019, but the Company
19 recognizes that the Commission may suspend those revisions for the purpose of
20 allowing further review in this case.

¹³ *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, Order (April 30, 2019)(approving the Rate Case *Stipulation and Recommendation* of a return on equity of 9.725 percent, applied to capitalization).

1 **Q. Describe the incremental revenue requirement requested and its proposed**
 2 **allocation.**

3 A. The incremental revenue requirement for the identified projects is \$3.5 million in
 4 2020, \$2.9 million in 2021, and \$3.4 million in 2022. The revenue requirement is
 5 allocated based on forecasted billing determinates utilized as part of LG&E’s latest
 6 rate case (Case No. 2018-00295). The revenue requirement will be distributed as
 7 follows: 66.90% to residential service; 27.79% to commercial gas service; 3.42% to
 8 industrial gas service; and 1.90% to firm transportation service. Additional details
 9 showing the calculation of the GLT revenue requirement using the formula
 10 methodology and forms from the annual GLT filings are provided in Exhibit RMC-1
 11 to my testimony.

12 **Q. Describe the effect on the average bill for each customer class to which the**
 13 **requested changes will apply and the effect of such changes in both dollar and**
 14 **percentage amounts.**

15 A. During 2020, the monthly residential gas bill will increase by 1.1%, or approximately
 16 \$0.65, for a customer using 54 Ccf of gas (the average monthly consumption of a
 17 LG&E residential customer). Details for all rates are displayed in the following table
 18 with projections included through 2022.

Rate	Average Monthly Usage (Ccf)	2020		2021		2022	
		\$	%	\$	%	\$	%
RGS & VFD	54	\$0.65	1.1%	\$0.54	0.9%	\$0.64	1.1%
CGS	331	\$3.23	1.1%	\$2.68	0.9%	\$3.14	1.1%
SGSS	1,248	\$12.17	0.3%	\$10.10	0.3%	\$11.84	0.3%
IGS	5,967	\$35.44	1.0%	\$29.42	0.8%	\$34.49	0.9%
AAGS	35,984	\$213.74	1.3%	\$177.40	1.0%	\$207.99	1.2%
DGGS	4	\$0.02	0.0%	\$0.02	0.0%	\$0.02	0.0%
FT	143,850	\$71.93	1.0%	\$58.98	0.8%	\$69.05	1.0%
LGDS	No customers are currently served under this Rate Schedule						

19

1 **Q. How will the Company reconcile revised Gas Line Tracker amounts resulting**
2 **from this case with any revisions resulting from its annual filing in February**
3 **2020?**

4 A. It depends on the timing of the changes resulting from this case. If such changes are
5 known to the Company sufficiently in advance of the Company’s annual February
6 2020 filing, they will be incorporated into the charges proposed in that annual filing.
7 If the outcome in this case is not known until after the February annual filing, the
8 Company will propose reconciled amounts that will include both the results of the
9 February annual filing and from this case.

10 **Q. Has the Company provided notice to customers of its requested changes?**

11 A. Yes. A copy of the notice provided to customers is attached to the Application in this
12 case as Exhibit 4.

13 **Q. Does the Commission need to issue Certificates of Public Convenience and**
14 **Necessity (“CPCN”) for each of the three projects proposed in this case?**

15 A. No. First and foremost, “extensions in the ordinary course of business” are
16 exceptions to CPCN requirement.¹⁴ Each of these projects is in the ordinary course
17 of business and, in fact, they don’t even rise to the level of being extensions, as they
18 are mere replacement projects. Regardless, each project meets the requirements of
19 the exception because they do not: (1) create wasteful duplication of plant,
20 equipment, property, or facilities (they are replacing what is already there); (2)
21 conflict with existing certificates or service of other utilities (again, they are replacing

¹⁴ 807 KAR 5001, Section 15(3).

1 only what is already there); or (3) involve capital outlay sufficient to affect the
2 Company's existing financial condition.

3 In the 2018 annual report on file with the Commission, the Company's total
4 Net Utility Plant is \$5,331,985,940. The gas-only Net Utility Plant is \$933,915,296.
5 Using applicable law, Commission regulations and precedent, and consistent with
6 Company policy, the Company applies a reasonable "five percent test" to its current
7 Net Utility Plant to determine whether an individual project is costly enough to
8 "materially affect the existing financial condition" of the Company.¹⁵ Five percent of
9 the Company's total Net Utility Plant is \$266.6 million¹⁶ and five percent of the
10 Company's gas-only Net Utility Plant is \$46.7 million.¹⁷

11 As Mr. Malloy explains in his Direct Testimony and as captured in the
12 discrete components of the revenue requirement for each project, the estimated
13 project cost for: (1) the Western Kentucky A Line is \$20.0 million; (2) the Western
14 Kentucky Line B is \$5.4 million; and (3) the Magnolia Lines is \$5.9 million. To
15 measure the true financial impact to the Company, it is reasonable to use total Net
16 Utility Plant resulting in a per project threshold of \$266.6 million. Clearly, none of
17 the proposed projects comes close to meeting that threshold. And even if gas-only
18 Net Utility Plant is used to measure financial impact, that per project threshold of
19 \$46.7 is not close to being triggered. Therefore, CPCNs are not required.

¹⁵ The Company's April 1, 2019 Post-Hearing Brief in its last rate case (Case No. 2018-00295) described the Company's reasonable CPCN Policy in detail (pp. 14-17) and provided references to the data responses the Company filed in that case explaining its CPCN Policy. Those data responses were to Staff 2-58, Staff 3-20, and Staff 4-17.

¹⁶ \$5,331,985,940 X .05 = \$266,599,297

¹⁷ \$933,915,296 X .05 = \$46,695,764

1 **Q. Does this case affect the Company's pending requests in Case No. 2019-00222?**¹⁸

2 A. No. The pipeline replacement projects requested for approval in this Gas Line
3 Tracker case are consistent with the pending waiver requests made in Case No. 2019-
4 00222. In that case, the Company asked the Commission to approve, as a
5 precautionary measure because it may not even be necessary, a state waiver of the
6 reassessment interval for several segments of its lines in High Consequence Areas.
7 Essentially, the Company sought an extension of time to make those reassessments
8 until June 30, 2020 while taking proactive measures to ensure the safety of HCAs in
9 the meantime. And those reassessments need to be made regardless of what happens
10 in this case. The projects proposed in this case to move to a more uniform diameter
11 are simply the next step in the Company's ongoing pipeline reassessment process.
12 Once the lines are moved to a more uniform diameter by 2022, the Company will be
13 able avoid the multiple ILI that are now required for a satisfactory reassessment.

14 **Q. What is your recommendation?**

15 A. I recommend the Commission approve the projects described above for inclusion in
16 the Company's Gas Line Tracker along with the Company's contractual cost under its
17 contract with Rosen USA. LG&E's plan, consisting of three replacement projects
18 and the Rosen USA multi-diameter tool, will improve the safety and reliability of
19 LG&E's gas transmission system.

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

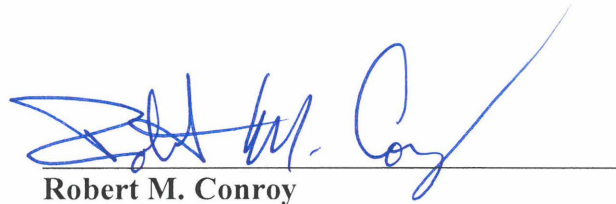
21 A. Yes, it does.

¹⁸ *In the Matter of: Verified Electronic Application of Louisville Gas and Electric Company for Approval of State Waiver of the Reassessment Interval Required by 49 CFR 192.939, Kentucky Public Service Commission, Case No. 219-00222.*

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for 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 foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.


Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of September 2019.

 (SEAL)
Notary Public

My Commission Expires:

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

APPENDIX A

Robert M. Conroy

Vice President, State Regulation and Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-3324

Previous Positions

Director, Rates	Feb 2008 – Feb 2016
Manager, Rates	April 2004 – Feb 2008
Manager, Generation Systems Planning	Feb. 2001 – April 2004
Group Leader, Generation Systems Planning	Feb. 2000 – Feb. 2001
Lead Planning Engineer	Oct. 1999 – Feb. 2000
Consulting System Planning Analyst	April 1996 – Oct. 1999
System Planning Analyst III & IV	Oct. 1992 - April 1996
System Planning Analyst II	Jan. 1991 - Oct. 1992
Electrical Engineer II	Jun. 1990 - Jan. 1991
Electrical Engineer I	Jun. 1987 - Jun. 1990

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995
Edison Electric Institute - Rates and Regulatory Affairs Committee
Southeastern Energy Exchange - Rates and Regulation Committee

Education

Essentials of Leadership, London Business School, 2004
Masters of Business Administration
Indiana University (Southeast campus), December 1998
Center for Creative Leadership, Foundations in Leadership program, 1998.
Bachelor of Science in Electrical Engineering;
Rose Hulman Institute of Technology, May 1987

Civic Activities

Olmstead Parks Conservancy – Board of Directors – 2016 – current
Leadership Kentucky – Class of 2016
Financial Research Institute – Advisory Board Member – 2016 – current

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
CLASS ALLOCATION AND ESTIMATED BILL IMPACT**

Line No.	Rate Schedule - Transmission	Total Forecasted Revenue in Case No. 2018-00295	Allocation Percent	Incremental Revenue Requirement	Mcf	Incremental Rate Per Mcf
2020						
1	Residential Gas Service - Rates RGS, VFD	\$231,221,838	66.90%	\$2,335,319	19,344,465	\$0.1207
2	Commercial Gas Service - Rates CGS, SGSS	\$96,042,057	27.79%	\$970,016	9,952,828	\$0.0975
3	Industrial Gas Service - Rates IGS, AAGS, DGGS	\$11,816,427	3.42%	\$119,345	2,009,575	\$0.0594
4	Firm Transportation Service - Rates FT, LGDS	\$6,552,693	1.90%	\$66,182	13,291,727	\$0.0050
5	Total	\$345,633,015	100.00%	\$3,490,861	44,598,595	
2021						
6	Residential Gas Service - Rates RGS, VFD	\$231,221,838	66.90%	\$1,938,109	19,344,465	\$0.1002
7	Commercial Gas Service - Rates CGS, SGSS	\$96,042,057	27.79%	\$805,028	9,952,828	\$0.0809
8	Industrial Gas Service - Rates IGS, AAGS, DGGS	\$11,816,427	3.42%	\$99,046	2,009,575	\$0.0493
9	Firm Transportation Service - Rates FT, LGDS	\$6,552,693	1.90%	\$54,925	13,291,727	\$0.0041
10	Total	\$345,633,015	100.00%	\$2,897,107	44,598,595	
2022						
11	Residential Gas Service - Rates RGS, VFD	\$231,221,838	66.90%	\$2,274,668	19,344,465	\$0.1176
12	Commercial Gas Service - Rates CGS, SGSS	\$96,042,057	27.79%	\$944,823	9,952,828	\$0.0949
13	Industrial Gas Service - Rates IGS, AAGS, DGGS	\$11,816,427	3.42%	\$116,245	2,009,575	\$0.0578
14	Firm Transportation Service - Rates FT, LGDS	\$6,552,693	1.90%	\$64,463	13,291,727	\$0.0048
15	Total	\$345,633,015	100.00%	\$3,400,199	44,598,595	

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
INCREMENTAL REVENUE REQUIREMENT**

Line No.	Description	2020	2021	2022
Rate Base				
1	Gas Plant Investment	8,709,558	30,548,215	31,311,841
2	Cost of Removal	0	0	0
3	Accumulated Depreciation Reserve	0	0	0
4	Net Gas Plant	8,709,558	30,548,215	31,311,841
5	Accumulated Deferred Taxes	0	0	0
6	Net Rate Base	8,709,558	30,548,215	31,311,841
7	Rate of Return	8.92%	8.92%	8.92%
8	Return on Net Rate Base (13 month average)	388,446	1,750,897	2,758,959
Operating Expenses				
9	Annualized Depreciation	4,415	141,210	641,240
10	Incremental Operation & Maintenance	3,098,000	1,005,000	0
11	Total Operating Expenses	3,102,415	1,146,210	641,240
12	Total Annual Revenue Requirement	3,490,861	2,897,107	3,400,199

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
INCREMENTAL REVENUE REQUIREMENT**

Line No.	Description (1)	2019 December (2)	2020 January (3)	2020 February (4)	2020 March (5)	2020 April (6)	2020 May (7)	2020 June (8)	2020 July (9)	2020 August (10)	2020 September (11)	2020 October (12)	2020 November (13)	2020 December (14)	2020 Year* (15)
Rate Base															
1	Gas Plant Investment - Transmission CWIP	\$0	\$725,796	\$ 1,451,593	\$ 2,177,389	\$ 2,903,186	\$ 3,628,982	\$ 4,354,779	\$ 5,080,575	\$ 5,806,372	\$ 6,532,168	\$ 7,257,965	\$ 7,983,761	\$ 8,709,558	\$4,354,779
2	Cost of Removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Accumulated Depreciation Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Net Gas Plant		\$725,796	\$1,451,593	\$2,177,389	\$2,903,186	\$3,628,982	\$4,354,779	\$5,080,575	\$5,806,372	\$6,532,168	\$7,257,965	\$7,983,761	\$8,709,558	\$4,354,779
5	Accumulated Deferred Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Net Rate Base	\$0	\$725,796	\$1,451,593	\$2,177,389	\$2,903,186	\$3,628,982	\$4,354,779	\$5,080,575	\$5,806,372	\$6,532,168	\$7,257,965	\$7,983,761	\$8,709,558	\$4,354,779
7	Rate of Return	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	8.92%
8	Return on Net Rate Base	\$0	\$5,395	\$10,790	\$16,185	\$21,580	\$26,975	\$32,371	\$37,766	\$43,161	\$48,556	\$53,951	\$59,346	\$64,741	\$388,446
Operating Expenses															
9	Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,415	\$4,415
10	Incremental Operation & Maintenance	\$0	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$3,098,000
11	Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Total Operating Expenses	\$0	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$258,167	\$262,582	\$3,102,415
13	Total Revenue Requirement	\$0	\$263,562	\$268,957	\$274,352	\$279,747	\$285,142	\$290,537	\$295,932	\$301,327	\$306,722	\$312,118	\$317,513	\$327,323	\$3,490,861

Note * - 2020 Year amounts based upon thirteen-month average (December 2019 - December 2020).

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
INCREMENTAL REVENUE REQUIREMENT**

Line No.	Description (1)	2020 December (2)	2021 January (3)	2021 February (4)	2021 March (5)	2021 April (6)	2021 May (7)	2021 June (8)	2021 July (9)	2021 August (10)	2021 September (11)	2021 October (12)	2021 November (13)	2021 December (14)	2021 Year* (15)	
Rate Base																
1	Gas Plant Investment - Transmission CWIP	\$8,709,558	\$ 10,529,446	\$ 12,349,334	\$ 14,169,222	\$ 15,989,110	\$ 17,808,998	\$ 19,628,886	\$ 21,448,775	\$ 23,268,663	\$ 25,088,551	\$ 26,908,439	\$ 28,728,327	\$ 30,548,215	\$19,628,886	
2	Cost of Removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
3	Accumulated Depreciation Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
4	Net Gas Plant	\$8,709,558	\$10,529,446	\$12,349,334	\$14,169,222	\$15,989,110	\$17,808,998	\$19,628,886	\$21,448,775	\$23,268,663	\$25,088,551	\$26,908,439	\$28,728,327	\$30,548,215	\$19,628,886	
5	Accumulated Deferred Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
6	Net Rate Base	\$8,709,558	\$10,529,446	\$12,349,334	\$14,169,222	\$15,989,110	\$17,808,998	\$19,628,886	\$21,448,775	\$23,268,663	\$25,088,551	\$26,908,439	\$28,728,327	\$30,548,215	\$19,628,886	
7	Rate of Return	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	8.92%	
8	Return on Net Rate Base	\$64,741	\$78,269	\$91,797	\$105,325	\$118,852	\$132,380	\$145,908	\$159,436	\$172,964	\$186,492	\$200,019	\$213,547	\$227,075	\$1,750,897	
Operating Expenses																
9	Depreciation	\$4,415	\$9,447	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$10,064	\$31,125	\$141,210
10	Incremental Operation & Maintenance	\$258,167	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$83,750	\$1,005,000
11	Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
12	Total Operating Expenses	\$262,582	\$93,197	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$93,814	\$114,875	\$1,146,210
13	Total Revenue Requirement	\$327,323	\$171,466	\$185,611	\$199,138	\$212,666	\$226,194	\$239,722	\$253,250	\$266,778	\$280,305	\$293,833	\$307,361	\$341,950	\$2,897,107	

Note * - 2021 Year amounts based upon thirteen-month average (December 2020 - December 2021).

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
INCREMENTAL REVENUE REQUIREMENT**

Line No.	Description (1)	2021 December (2)	2022 January (3)	2022 February (4)	2022 March (5)	2022 April (6)	2022 May (7)	2022 June (8)	2022 July (9)	2022 August (10)	2022 September (11)	2022 October (12)	2022 November (13)	2022 December (14)	2022 Year* (15)
Rate Base															
1	Gas Plant Investment - Transmission CWIP	\$30,548,215	\$ 30,611,851	\$ 30,675,486	\$ 30,739,122	\$ 30,802,757	\$ 30,866,393	\$ 30,930,028	\$ 30,993,664	\$ 31,057,299	\$ 31,120,935	\$ 31,184,570	\$ 31,248,206	\$ 31,311,841	\$30,930,028
2	Cost of Removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Accumulated Depreciation Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	Net Gas Plant	\$30,548,215	\$30,611,851	\$30,675,486	\$30,739,122	\$30,802,757	\$30,866,393	\$30,930,028	\$30,993,664	\$31,057,299	\$31,120,935	\$31,184,570	\$31,248,206	\$31,311,841	\$30,930,028
5	Accumulated Deferred Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Net Rate Base	\$30,548,215	\$30,611,851	\$30,675,486	\$30,739,122	\$30,802,757	\$30,866,393	\$30,930,028	\$30,993,664	\$31,057,299	\$31,120,935	\$31,184,570	\$31,248,206	\$31,311,841	\$30,930,028
7	Rate of Return	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	8.92%
8	Return on Net Rate Base	\$227,075	\$227,548	\$228,021	\$228,494	\$228,967	\$229,440	\$229,913	\$230,386	\$230,859	\$231,332	\$231,805	\$232,278	\$232,751	\$2,758,959
Operating Expenses															
9	Depreciation	\$31,125	\$52,839	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$641,240
10	Incremental Operation & Maintenance	\$83,750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12	Total Operating Expenses	\$114,875	\$52,839	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$53,491	\$641,240
13	Total Revenue Requirement	\$341,950	\$280,387	\$281,512	\$281,985	\$282,458	\$282,931	\$283,404	\$283,877	\$284,350	\$284,823	\$285,296	\$285,769	\$286,242	\$3,400,199

Note * - 2022 Year amounts based upon thirteen-month average (December 2021 - December 2022).

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
DECEMBER 2020 BOOK DEPRECIATION**

<u>Line No.</u>	<u>Description</u> (1)	<u>Account No.</u> (2)	<u>December Beginning Plant Balance</u> (3)	<u>Monthly Depr Rates</u> (4)	<u>December Depr on Beginning Balance</u> (5)=(3)*(4)	<u>December Additions and Retirements</u> (6)	<u>Current Month Depr on Adds/Ret</u> (7)=(4)*(6)*50%	<u>Current Month Book Depreciation</u> (8)=(5)+(7)	<u>December Ending Plant Balance</u> (9)=(6)+(3)
<u>Additions</u>									
1	Mains - Transmission	376	0	0.17%	0	5,169,000	4,415	4,415	5,169,000
2									
3									
4									
5	Total Additions		0		0	5,169,000	4,415	4,415	5,169,000
<u>Retirements</u>									
6	Mains - Transmission	376	0	0.17%	0	0	0	0	0
7									
8									
9	Total Retirements		0		0	0	0	0	0
10	<u>Total Plant</u>		0		0	5,169,000	4,415	4,415	5,169,000
<u>Cost of Removal</u>									
11	Mains - Transmission	376	0			0			0
12									
13									
14	Total Cost of Removal		0		0	0	0	0	0

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
DECEMBER 2021 BOOK DEPRECIATION**

<u>Line No.</u>	<u>Description</u> (1)	<u>Account No.</u> (2)	<u>December Beginning Plant Balance</u> (3)	<u>Monthly Depr Rates</u> (4)	<u>December Depr on Beginning Balance</u> (5)=(3)*(4)	<u>December Additions and Retirements</u> (6)	<u>Current Month Depr on Adds/Ret</u> (7)=(4)*(6)*50%	<u>Current Month Book Depreciation</u> (8)=(5)+(7)	<u>December Ending Plant Balance</u> (9)=(6)+(3)
<u>Additions</u>									
1	Mains - Transmission	376	5,891,000	0.17%	10,064	24,657,215	21,061	31,125	30,548,215
2									
3									
4									
5	Total Additions		5,891,000		10,064	24,657,215	21,061	31,125	30,548,215
<u>Retirements</u>									
6	Mains - Transmission	376	0	0.17%	0	0	0	0	0
7									
8									
9	Total Retirements		0		0	0	0	0	0
10	<u>Total Plant</u>		5,891,000		10,064	24,657,215	21,061	31,125	30,548,215
<u>Cost of Removal</u>									
11	Mains - Transmission	376	0			0			0
12									
13									
14	Total Cost of Removal		0		0	0	0	0	0

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
DECEMBER 2022 BOOK DEPRECIATION**

<u>Line No.</u>	<u>Description</u> (1)	<u>Account No.</u> (2)	<u>December Beginning Plant Balance</u> (3)	<u>Monthly Depr Rates</u> (4)	<u>December Depr on Beginning Balance</u> (5)=(3)*(4)	<u>December Additions and Retirements</u> (6)	<u>Current Month Depr on Adds/Ret</u> (7)=(4)*(6)*50%	<u>Current Month Book Depreciation</u> (8)=(5)+(7)	<u>December Ending Plant Balance</u> (9)=(6)+(3)
<u>Additions</u>									
1	Mains - Transmission	376	31,311,841	0.17%	53,491	0	0	53,491	31,311,841
2									
3									
4									
5	Total Additions		31,311,841		53,491	0	0	53,491	31,311,841
<u>Retirements</u>									
6	Mains - Transmission	376	0	0.17%	0	0	0	0	0
7									
8									
9	Total Retirements		0		0	0	0	0	0
10	<u>Total Plant</u>		31,311,841		53,491	0	0	53,491	31,311,841
<u>Cost of Removal</u>									
11	Mains - Transmission	376	0			0			0
12									
13									
14	Total Cost of Removal		0		0	0	0	0	0

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
RATE OF RETURN**

Line No.	Capital Structure	Ratio	Cost	Weighted Cost	Tax Gross-up @ 24.95%	Rate of Return Adjusted for Income Taxes
1	Short term debt	1.40%	3.360%	0.05%		0.05%
2	Long term debt	45.50%	4.374%	1.99%		1.99%
3	Common equity	53.10%	9.725%	5.16%	1.72%	6.88%
4	Total	100.00%		7.20%	1.72%	8.92%

Note: Capital structure and cost rates pursuant to Case No. 2018-00295.

**LOUISVILLE GAS AND ELECTRIC COMPANY
ADJUSTMENT TO THE GAS LINE TRACKER
CAPITAL EXPENSE**

Date	Western KY A (Capital)	Western KY B (Capital)	Magnolia Road Crossing (Capital)	Total
2019	\$175,000	\$75,000	\$146,000	\$396,000
2020	\$1,928,104	\$1,362,453	\$5,023,000	\$8,313,558
2021	\$17,398,198	\$3,718,460	\$722,000	\$21,838,658
2022	\$547,477	\$216,149	\$0	\$763,626
2023	\$0		\$0	\$0
2024	\$0		\$0	\$0
2025	\$0		\$0	\$0
2026	\$0		\$0	\$0
2027	\$0		\$0	\$0
2028	\$0		\$0	\$0
	\$20,048,779	\$5,372,062	\$5,891,000	\$31,311,841