

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

**In the Matter of:**

<b>ELECTRONIC EXAMINATION BY THE</b>	)	
<b>PUBLIC SERVICE COMMISSION OF THE</b>	)	
<b>ENVIRONMENTAL SURCHARGE</b>	)	
<b>MECHANISM OF LOUISVILLE GAS AND</b>	)	<b>CASE NO. 2020-00171</b>
<b>ELECTRIC COMPANY FOR THE SIX-MONTH</b>	)	
<b>BILLING PERIOD ENDING OCTOBER 31, 2019</b>	)	

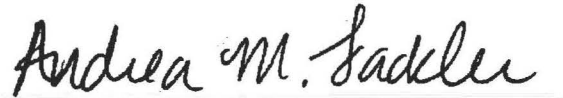
**RESPONSE OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION**  
**DATED JUNE 10, 2020**

**FILED: JULY 8, 2020**

**VERIFICATION**

**COMMONWEALTH OF KENTUCKY )**  
**)**  
**COUNTY OF JEFFERSON )**

The undersigned, **Andrea M. Fackler**, being duly sworn, deposes and says that she is Manager - Revenue Requirement/Cost of Service for LG&E and KU Services Company, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
Andrea M. Fackler

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1<sup>st</sup> day of July 2020.

  
Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022



VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

The undersigned, **J. Scott Williams**, being duly sworn, deposes and says that he is Director – Corporate Tax and Payroll for 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.

*J. Scott Williams*  
**J. Scott Williams**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15<sup>th</sup> day of July 2020

*Judy Schooner*  
Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022

**Louisville Gas and Electric Company  
Response to Commission Staff's First Request for Information  
Dated June 10, 2020**

**Case No. 2020-00171**

**Question No. 1**

**Witness: Susan S. Neal / Andrea M. Fackler**

- Q-1. Concerning the rate of return on the 2009, 2011, and 2016 amendments to the environmental compliance plan, for the period under review, calculate any true-up adjustment needed to recognize changes in LG&E's cost of debt, preferred stock, accounts receivable financing (if applicable), or changes in LG&E's jurisdictional capital structure as of August 31, 2019. Include all assumptions and other supporting documentation used to make this calculation. Any true-up adjustment is to be included in the determination of the over- or under-recovery of the surcharge for the corresponding billing period under review. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-1. See the attachment being provided in Excel format. For the March 2019 expense month, the weighted average cost of capital was based on the average daily balances as of March 31, 2019 and the 9.700% authorized return on equity for all Plan projects. For the April 2019 through August 2019 expense months, the weighted average cost of capital was based on the average daily balances as of August 31, 2019 and the 9.725% return on equity for all Plan projects.

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

**Louisville Gas and Electric Company  
Response to Commission Staff's First Request for Information  
Dated June 10, 2020**

**Case No. 2020-00171**

**Question No. 2**

**Witness: Andrea M. Fackler**

- Q-2. Prepare a summary schedule showing the calculation of Total E(m), Net Retail E(m), and the surcharge factor for the expense months covered by the applicable billing period. The summary schedule is to incorporate all corrections and revisions to the monthly surcharge filings LG&E has submitted during the billing period under review. Include all supporting calculations and documentation for any over- or under-recovery. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-2. See the attachment being provided in Excel format.
- Page 1 shows the impact on E(m) due to revisions in operating expenses and rate base and the actual rate of return for the period under review.
  - Page 2 shows the combined total over-recovery for the period under review.
  - Page 3 shows the effect of the change in rate of return and the use of 12-month average revenues on the over-recovery.
  - Page 4 shows detailed variances within the calculation of the over-recovery.

For the period under review, LG&E experienced a net over-recovery of \$991,852.

The attachment is  
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separate file in Excel  
format.



**Louisville Gas and Electric Company  
Response to Commission Staff's First Request for Information  
Dated June 10, 2020**

**Case No. 2020-00171**

**Question No. 3**

**Witness: J. Scott Williams**

- Q-3. Provide the calculations, assumptions, workpapers, and other supporting documents used to determine the amounts LG&E has reported during each billing period under review for Pollution Control Deferred Income Taxes. Provide all exhibits and schedules of your response in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-3. LG&E calculates Deferred Income Taxes as the taxable portion of the difference between book depreciation, using straight-line depreciation, and tax depreciation, generally using 20-year MACRS accelerated depreciation, bonus depreciation, or 5- or 7-year rapid amortization. Accelerated depreciation results in a temporary tax savings to the Company and the Accumulated Deferred Income Tax balance reflects the value of those temporary savings as a reduction to environmental rate base.

See the attachment being provided in Excel format for the calculation of Deferred Income Taxes and the balance of Accumulated Deferred Income Taxes reported each month of the review period.

The attachment is  
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**Louisville Gas and Electric Company**  
**Response to Commission Staff's First Request for Information**  
**Dated June 10, 2020**

**Case No. 2020-00171**

**Question No. 4**

**Witness: Susan S. Neal**

- Q-4. Refer to ES Form 2.50, Pollution Control - Operations & Maintenance Expenses, for the expense months covered by the applicable billing period. For each expense account number listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.
- A-4. See the attachment being provided in Excel format. The Company has provided the variances and explanations within the Excel file.

The attachment is  
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**Louisville Gas and Electric Company  
Response to Commission Staff's First Request for Information  
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**Case No. 2020-00171**

**Question No. 5**

**Witness: Susan S. Neal**

Q-5. In Case No. 2000-00386,<sup>7</sup> the Commission ordered that LG&E's cost of debt and preferred stock would be reviewed and re-established during the six-month review case. Provide the following information as of August 31, 2019:

- a. The outstanding balances for long-term debt, short-term debt, preferred stock, and common equity. Provide this information on total company and Kentucky jurisdictional bases.
- b. The blended interest rates for long-term debt, short-term debt, and preferred stock. Include all supporting calculations showing how these blended interest rates were determined. If applicable, provide the blended interest rates on total company and Kentucky jurisdictional bases. For each outstanding debt listed, indicate whether the interest rate is fixed or variable.
- c. LG&E's calculation of its weighted average cost of capital for environmental surcharge purposes.
- d. LG&E's calculation of its tax gross-up factor.
- e. Provide all supporting exhibits and schedules in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

A-5. a-e. See the attachment being provided in Excel format for the period ended August 31, 2019 under review. There was no preferred stock outstanding as of August 31, 2019; therefore, it is not listed in the attached schedules.

For re-establishing the rate of return to be used in future monthly filings, LG&E utilized a return on equity of 9.725% as approved by the Commission in its October 22, 2019 Order in Case No. 2019-00206. See the attachment provided in Excel format for the period ended August 31, 2019 under review, utilizing a return on equity of 9.725%.

LG&E recommends the continued use of an effective tax rate of 24.95% in the gross-up revenue factor used in the rate of return calculation.

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<sup>7</sup> Case No. 2000-00386, Louisville Gas and Electric Company (Ky. PSC Apr. 18, 2001).

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**Louisville Gas and Electric Company  
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**Case No. 2020-00171**

**Question No. 6**

**Witness: Andrea M. Fackler**

- Q-6. Provide the actual average residential customer's usage. Based on this usage amount, provide the dollar impact the over- or under-recovery will have on the average residential customer's bill for the requested recovery period. Provide all supporting calculations and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.
- A-6. See the attachment being provided in Excel format.

The actual average residential customer's usage for 12-months ended March 31, 2020 is 945 kWh per month. Actual average monthly usage for residential customer will vary monthly depending on the time of the year.

Based on distributing the over-recovered position of \$991,852 over two months, the ECR billing factor will decrease by approximately 0.55% each month. For a residential customer using 945 kWh per month, the impact of the adjusted ECR billing would be a decrease of approximately \$0.57 for each of the two months, using rates and adjustment clause factors in effect for the March 2020 billing month.

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**Louisville Gas and Electric Company  
Response to Commission Staff's First Request for Information  
Dated June 10, 2020**

**Case No. 2020-00171**

**Question No. 7**

**Witness: Susan S. Neal / Andrea M. Fackler**

- Q-7. Refer to LG&E's Environmental Surcharge Report for the expense months of March 2019, April 2019, and May 2019 (received April 18, 2019; May 21, 2019; and June 24, 2019, respectively), ES FORM 2.01, columns (3) and (5).
- a. Explain why the April 2019 column (3) amount does not equal column (5) from the March 2019 filing.
  - b. Explain why the May 2019 column (3) amount does not equal column (5) from the April 2019 filing.
- A-7. In March 2019, certain costs related to the settlement of CCR ARO liabilities were inadvertently included in the Accumulated CCR Closure Costs in column (2), which impacted the calculation of the March amortization expense. In April 2019, the error was discovered and the amortization expense corrected. However, on ES FORM 2.01 for April, the correction was incorrectly included in column (3) Accumulated Amortization (prior month) which caused this column to not equal column (5) of the March filing. In the April filing, the correction was also correctly included in column (4) Current Month Amortization. In the May 2019 filing on ES FORM 2.01, column (3) Accumulated Amortization (prior month) reflected the correct balance after the prior month amortization correction was made but resulted in the column not equaling column (5) of the April filing. See attached for a reconciliation of the as filed amounts shown on ES FORM 2.01 to the revised amounts reflected in this review case proceeding.

Because the monthly revenue requirement impacts were not significant (total understated jurisdictional E(m) was \$32,214 for March 2019 and April 2019, LG&E did not restate the prior months' ECR filings and instead is correcting them in this review case. The impact of this issue on rate base and operating expenses is reflected in the attachments to the responses to Question Nos. 1 and 2.

	Amortization Expense per Books and ES FORM 2.01	Revised Amortization Expense*	Variance
<b>Mar-19</b>			
Project 29 - Mill Creek Station	37,016	61,292	(24,276)
Project 30 - Trimble County Station	6,915	6,960	(46)
	43,931	68,252	(24,322)
<b>Apr-19</b>			
Project 29 - Mill Creek Station	90,018	65,741	24,276
Project 30 - Trimble County Station	7,140	7,094	46
	97,158	72,836	24,322

\* The correction to the amortization expense was booked in April 2019 and reflected in the April filing in both Column (3) and Column (4)

(1) Description	(2) Accumulated CCR Closure Costs	(3) Accumulated Amortization (Prior Month)	(4) Current Month Amortization [(2)-(3)]/ Remaining Amort Months	(5) Accumulated Amortization (Current Month) (3)+(4)	(6) Accumulated Deferred Income Taxes (ADIT)	(7) Unamortized CCR Closure Cost Balance (Net of ADIT) (2)-(5)-(6)
<b>MARCH 2019 - ES FORM 2.01</b>						
<b>As Filed</b>						
2016 Plan:						
Project 29 - Mill Creek Station	10,922,610	1,002,429	37,016	<b>1,039,445</b>	3,509,152	6,374,013
Project 30 - Trimble County Station	1,976,262	123,120	6,915	<b>130,034</b>	594,000	1,252,228
Net Total - All Projects:	\$ 12,898,872	\$ 1,125,549	\$ 43,930	\$ <b>1,169,479</b>	\$ 4,103,152	\$ 7,626,241

<b>As Revised</b>						
2016 Plan:						
Project 29 - Mill Creek Station	17,428,700	1,002,429	61,292	<b>1,063,721</b>	5,126,365	11,238,614
Project 30 - Trimble County Station	1,988,500	123,120	6,960	<b>130,080</b>	597,043	1,261,376
Net Total - All Projects:	\$ 19,417,200	\$ 1,125,549	\$ 68,252	\$ <b>1,193,801</b>	\$ 5,723,408	\$ 12,499,991

(1) Description	(2) Accumulated CCR Closure Costs	(3) Accumulated Amortization (Prior Month)	(4) Current Month Amortization [(2)-(3)]/ Remaining Amort Months	(5) Accumulated Amortization (Current Month) (3)+(4)	(6) Accumulated Deferred Income Taxes (ADIT)	(7) Unamortized CCR Closure Cost Balance (Net of ADIT) (2)-(5)-(6)
<b>APRIL 2019 - ES FORM 2.01</b>						
<b>As Filed</b>						
2016 Plan:						
Project 29 - Mill Creek Station	18,616,603	<b>1,063,721</b>	90,018	<b>1,153,739</b>	5,402,437	12,060,428
Project 30 - Trimble County Station	2,024,296	<b>130,080</b>	7,140	<b>137,220</b>	603,704	1,283,372
Net Total - All Projects:	\$ 20,640,898	\$ <b>1,193,801</b>	\$ 97,158	\$ <b>1,290,959</b>	\$ 6,006,140	\$ 13,343,799

<b>As Revised</b>						
2016 Plan:						
Project 29 - Mill Creek Station	18,616,603	<b>1,063,721</b>	65,741	<b>1,129,462</b>	5,402,437	12,084,704
Project 30 - Trimble County Station	2,024,293	<b>130,080</b>	7,094	<b>137,175</b>	603,704	1,283,414
Net Total - All Projects:	\$ 20,640,896	\$ <b>1,193,801</b>	\$ 72,836	\$ <b>1,266,637</b>	\$ 6,006,140	\$ 13,368,118

(1) Description	(2) Accumulated CCR Closure Costs	(3) Accumulated Amortization (Prior Month)	(4) Current Month Amortization [(2)-(3)]/ Remaining Amort Months	(5) Accumulated Amortization (Current Month) (3)+(4)	(6) Accumulated Deferred Income Taxes (ADIT)	(7) Unamortized CCR Closure Cost Balance (Net of ADIT) (2)-(5)-(6)
<b>MAY 2019 - ES FORM 2.01</b>						
<b>As Filed</b>						
2016 Plan:						
Project 29 - Mill Creek Station	20,437,381	<b>1,129,462</b>	72,586	1,202,048	5,834,703	13,400,629
Project 30 - Trimble County Station	2,041,780	<b>137,175</b>	7,160	144,335	605,780	1,291,665
Net Total - All Projects:	\$ 22,479,161	\$ <b>1,266,637</b>	\$ 79,746	\$ 1,346,383	\$ 6,440,483	\$ 14,692,295