

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE)
APPLICATION OF THE FUEL ADJUSTMENT)
CLAUSE OF LOUISVILLE GAS AND) CASE NO. 2020-00248
ELECTRIC COMPANY FROM NOVEMBER 1,)
2019 THROUGH APRIL 30, 2020)

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
DATED OCTOBER 9, 2020

FILED: OCTOBER 23, 2020

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Second Request for Information
Dated October 9, 2020**

Case No. 2020-00248

Question No. 1

Responding Witness: Delbert Billiter

- Q-1. Refer to LG&E's response to Staff's First Request for Information (Staff's Request), Item 3a, footnotes 1 and 2. Provide an update on the status of the contract with the Refined coal facility operator and whether LG&E intends to extend the contract.
- A-1. To date, the U.S. Congress has taken no action to extend the Internal Revenue Code Section 45 Production Tax Credit for Refined Coal. Should this status continue through the current refined coal project's expiration dates in late 2021, there will be no opportunity to extend the Trimble County and Mill Creek Refined Coal Contracts. The last Refined Coal production will be September 18, 2021 for the Trimble County Refined Coal facility and December 11, 2021 for the Mill Creek Refined Coal facility.

LOUISVILLE GAS AND ELECTRIC COMPANY

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Question No. 2

Responding Witness: Charles R. Schram

- Q-2. Refer to LG&E's response to Staff's Request, Item 6, Attachment, page 1 of 1. Explain the process for LG&E purchasing natural gas from LG&E Gas Supply.
- A-2. LG&E Gas Supply is the Local Distribution Company ("LDC") supplying gas to the Mill Creek plant (startup and stabilization fuel for coal units) and the small (14 MW) gas-fired Zorn combustion turbine. Mill Creek and Zorn are directly connected to the LG&E LDC rather than being directly connected to interstate pipelines. The Mill Creek plant notifies the LDC of upcoming gas usage for unit starts, and all gas is purchased in accordance with the terms of a special contract with the LDC. For Zorn, Generation Dispatch notified the LDC when there was a need to operate the unit. However, as of October 6, 2020, the Zorn unit was moved to mothball status.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Second Request for Information
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Question No. 3

Responding Witness: Delbert Billiter

- Q-3. Refer to LG&E's response to Staff's Request, Item 9. Explain whether any of the on-site reviews and inspections of mining operations, scales, and sampling systems have uncovered or corrected any issues with fuel suppliers or transportation providers.
- A-3. The on-site reviews and inspections of the mining operations, scales and sampling systems did not identify any exceptions or issues. The inspections provided valuable information for the status of operations to help with scheduling of coal shipments and identifying potential risk to coal supply.

LOUISVILLE GAS AND ELECTRIC COMPANY

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Question No. 4

Responding Witness: Delbert Billiter

- Q-4. Refer to LG&E's response to Staff's Request, Item 10, page 2 of 2. If the Court's sustaining of LG&E's objection ultimately stands, explain whether LG&E will be able to walk away through Force Majeure from the contract with no further obligation to fulfill what would have been any remaining obligations under the contract.
- A-4. On October 4, 2020, Hartshorne approached LG&E and KU with a settlement offer. Hartshorne (Debtors) proposed to dismiss the appeal against LG&E and KU and reject and terminate the Coal Supply Agreement. In exchange, LG&E and KU would withdraw their objection to the Solicitation Motion, not object to Debtor's proposed plan and waive all claims they might have against the estate. Hartshorne and LG&E/KU have agreed to the settlement-in-principle and provided information to the Bankruptcy Court. Definitive settlement documents are being drafted for the parties' execution and further filing with the Court. The settlement documents are subject to potential review and comment by other creditors and approval by the Court. Subject to successful completion of documentation and then approval by the Court, LG&E and KU will have no further obligation under this contract.

For clarity, the various Court proceedings relating to the contract have primarily been matters of bankruptcy and contract law, rather than force majeure.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Second Request for Information
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Question No. 5

Responding Witness: Andrea M. Fackler

Q-5. Refer to Staff's Request, Item 13. Provide the information as requested.

A-5. See attached.



Month Ended: November-30-2019

Louisville Gas and Electric Company

Power Transaction Schedule

Company	Type of Transaction	KWH	Billing Components			Total Charges(\$)
			Demand(\$)	Fuel Charges(\$)	Other Charges(\$)	
Sales						
DYNASTY POWER, INC.	DYNASTYPWR	Economy		15,450.53	9,017.20	24,467.73
EVERGY KANSAS CENTRAL, INC.	EVGY	Economy		10,063.18	5,873.05	15,936.23
INDIANA MUNICIPAL POWER AGENCY	IMPA	Economy		20,747.09	12,108.36	32,855.45
ENERGY IMBALANCE	IMBL	Economy		10,228.57	5,969.58	16,198.15
MACQUARIECOOK	MACQU	Economy		143,072.58	83,499.64	226,572.22
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.	MISO	Economy		183,162.71	106,896.92	290,059.63
PJM INTERCONNECTION ASSOCIATION	PJM	Economy		93,429.68	54,527.18	147,956.86
RAINBOW ENERGY MARKETING CORP	REMC	Economy		5,898.51	3,442.47	9,340.98
THE ENERGY AUTHORITY	TEA	Economy		4,998.79	2,917.39	7,916.18
TENNESSEE VALLEY AUTHORITY	TVA	Economy		129,496.22	75,576.23	205,072.45
KENTUCKY UTILITIES COMPANY	KU	Economy		1,296,395.78	3,539.12	1,299,934.90
Total Sales			89,398,000	\$ -	\$ 1,912,943.64	\$ 363,367.14
						\$ 2,276,310.78



Louisville Gas and Electric Company

Power Transaction Schedule

Month Ended: December-31-2019

Company	Type of Transaction	KWH	Billing Components			Total Charges(\$)
			Demand(\$)	Fuel Charges(\$)	Other Charges(\$)	
Sales						
DYNASTY POWER, INC.	DYNASTYPWR	Economy		\$ 5,444.94	\$ 2,436.40	\$ 7,881.34
ETC ENDURE	ETC	Economy		\$ 2,431.39	\$ 1,087.96	\$ 3,519.35
INDIANA MUNICIPAL POWER AGENCY	IMPA	Economy		\$ 6,082.25	\$ 2,721.58	\$ 8,803.83
ENERGY IMBALANCE	IMBL	Economy		\$ 8,231.47	\$ 3,683.28	\$ 11,914.75
MACQUARIECOOK	MACQU	Economy		\$ 108,617.99	\$ 48,602.45	\$ 157,220.44
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.	MISO	Economy		\$ 61,861.24	\$ 27,680.56	\$ 89,541.80
PJM INTERCONNECTION ASSOCIATION	PJM	Economy		\$ 75,366.64	\$ 33,723.72	\$ 109,090.36
RAINBOW ENERGY MARKETING CORP	REMC	Economy		\$ 902.48	\$ 403.82	\$ 1,306.30
TENNESSEE VALLEY AUTHORITY	TVA	Economy		\$ 14,851.32	\$ 6,645.39	\$ 21,496.71
KENTUCKY UTILITIES COMPANY	KU	Economy		\$ 2,476,593.59	\$ 2,657.37	\$ 2,479,250.96
Total Sales			133,620,000	\$ -	\$ 2,760,383.31	\$ 129,642.53
						\$ 2,890,025.84



Month Ended: January-31-2020

Louisville Gas and Electric Company

Power Transaction Schedule

Company	Type of Transaction	KWH	Billing Components			Total Charges(\$)		
			Demand(\$)	Fuel Charges(\$)	Other Charges(\$)			
Sales								
DYNASTY POWER, INC.	DYNASTYPWR	Economy		694,000	\$ 12,484.72	\$ 6,543.92	\$ 19,028.64	
EDF TRADING	EDF	Economy		1,840,000	\$ 43,285.10	\$ 22,688.08	\$ 65,973.18	
ETC ENDURE	ETC	Economy		1,120,000	\$ 31,923.63	\$ 16,732.92	\$ 48,656.55	
EVERGY KANSAS CENTRAL, INC.	EVGY	Economy		370,000	\$ 8,296.56	\$ 4,348.69	\$ 12,645.25	
ENERGY IMBALANCE	IMBL	Economy		751,000	\$ 12,751.45	\$ 6,683.73	\$ 19,435.18	
MACQUARIECOOK	MACQU	Economy		3,611,000	\$ 83,199.66	\$ 43,609.46	\$ 126,809.12	
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.	MISO	Economy		6,922,000	\$ 141,868.26	\$ 74,360.89	\$ 216,229.15	
PJM INTERCONNECTION ASSOCIATION	PJM	Economy		4,812,000	\$ 83,437.21	\$ 43,733.99	\$ 127,171.20	
RAINBOW ENERGY MARKETING CORP	REMC	Economy		2,613,000	\$ 61,181.17	\$ 32,068.39	\$ 93,249.56	
KENTUCKY UTILITIES COMPANY	KU	Economy		133,383,000	\$ 2,735,888.92	\$ 1,142.44	\$ 2,737,031.36	
Total Sales				156,116,000	\$ -	\$ 3,214,316.68	\$ 251,912.51	\$ 3,466,229.19



Month Ended: February-29-2020

Louisville Gas and Electric Company

Power Transaction Schedule

Company	Type of Transaction	KWH	Billing Components			Total Charges(\$)	
			Demand(\$)	Fuel Charges(\$)	Other Charges(\$)		
Sales							
DYNASTY POWER, INC.	DYNASTYPWR	Economy		150,000	\$ 4,679.55	\$ 2,070.45	\$ 6,750.00
INDIANA MUNICIPAL POWER AGENCY	IMPA	Economy		20,000	\$ 416.69	\$ 184.37	\$ 601.06
ENERGY IMBALANCE	IMBL	Economy		618,000	\$ 11,614.72	\$ 5,138.92	\$ 16,753.64
MACQUARIECOOK	MACQU	Economy		3,549,000	\$ 84,762.81	\$ 37,503.19	\$ 122,266.00
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.	MISO	Economy		1,859,000	\$ 36,065.82	\$ 15,957.27	\$ 52,023.09
PJM INTERCONNECTION ASSOCIATION	PJM	Economy		1,288,000	\$ 23,919.97	\$ 10,583.35	\$ 34,503.32
RAINBOW ENERGY MARKETING CORP	REMC	Economy		460,000	\$ 11,512.37	\$ 5,093.63	\$ 16,606.00
TENNESSEE VALLEY AUTHORITY	TVA	Economy		400,000	\$ 8,457.84	\$ 3,742.16	\$ 12,200.00
KENTUCKY UTILITIES COMPANY	KU	Economy		249,533,000	\$ 5,079,296.34	\$ -	\$ 5,079,296.34
Total Sales				257,877,000	\$ -	\$ 80,273.34	\$ 5,340,999.45



Month Ended: March-31-2020

Louisville Gas and Electric Company

Power Transaction Schedule

Company	Type of Transaction	KWH	Billing Components			Total Charges(\$)
			Demand(\$)	Fuel Charges(\$)	Other Charges(\$)	
Sales						
INDIANA MUNICIPAL POWER AGENCY	IMPA	Economy		\$ 70.12	\$ 9.14	\$ 79.26
ENERGY IMBALANCE	IMBL	Economy		\$ 26,096.16	\$ 3,401.26	\$ 29,497.42
MACQUARIECOOK	MACQU	Economy		\$ 8,102.02	\$ 1,055.98	\$ 9,158.00
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.	MISO	Economy		\$ 27,679.74	\$ 3,607.63	\$ 31,287.37
PJM INTERCONNECTION ASSOCIATION	PJM	Economy		\$ 5,822.83	\$ 758.96	\$ 6,581.79
RAINBOW ENERGY MARKETING CORP	REMC	Economy		\$ 1,415.51	\$ 184.49	\$ 1,600.00
KENTUCKY UTILITIES COMPANY	KU	Economy		\$ 6,345,561.85	\$ -	\$ 6,345,561.85
Total Sales		315,822,000	\$ -	\$ 6,414,748.23	\$ 9,017.46	\$ 6,423,765.69



Month Ended: April-30-2020

Louisville Gas and Electric Company

Power Transaction Schedule

Company	Type of Transaction	KWH	Billing Components			Total Charges(\$)	
			Demand(\$)	Fuel Charges(\$)	Other Charges(\$)		
Sales							
DYNASTY POWER, INC.	DYNASTYPWR	Economy		156,000	\$ 3,486.30	\$ 1,703.19	\$ 5,189.49
EVERGY KANSAS CENTRAL, INC.	EVGY	Economy		280,000	\$ 7,064.39	\$ 3,451.23	\$ 10,515.62
INDIANA MUNICIPAL POWER AGENCY	IMPA	Economy		64,000	\$ 1,328.20	\$ 648.88	\$ 1,977.08
ENERGY IMBALANCE	IMBL	Economy		379,000	\$ 6,692.02	\$ 3,269.32	\$ 9,961.34
MACQUARIECOOK	MACQUARIE	Economy		230,000	\$ 5,666.17	\$ 2,768.16	\$ 8,434.33
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.	MISO	Economy		24,000	\$ 391.57	\$ 191.30	\$ 582.87
RAINBOW ENERGY MARKETING CORP	REMC	Economy		302,000	\$ 7,630.35	\$ 3,727.73	\$ 11,358.08
TENNESSEE VALLEY AUTHORITY	TVA	Economy		59,000	\$ 323.85	\$ (7,251.52)	\$ (6,927.67)
KENTUCKY UTILITIES COMPANY	KU	Economy		72,391,000	\$ 1,469,224.02	\$ 1,438.98	\$ 1,470,663.00
Total Sales				73,885,000	\$ -	\$ 9,947.27	\$ 1,511,754.14

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's Second Request for Information
Dated October 9, 2020

Case No. 2020-00248

Question No. 6

Responding Witness: Delbert Billiter

- Q-6. Refer to the fuel contract letter filed on the Commission's website on May 22, 2020, between LG&E and Alliance Coal in regards to the Black Lung Disability Trust Fund Excise Tax (BLET), Attachment A, column labeled "BLET Increase for 2020 (per ton)".
- a. Explain how the \$0.60 rate was derived.
 - b. Explain any additional charges included in the \$0.60 rate that are included with the federally approved BLET rate.
 - c. Explain whether the BLET has affected any additional fuel contracts for LG&E.
- A-6.
- a. On December 20, 2019, as part of the Taxpayer Certainty and Disaster Relief Act of 2019, the Black Lung Disability Trust Fund Excise Tax (BLET) was increased from \$0.50 per ton to \$1.10 per ton for underground mined coal and from \$0.25 per ton to \$0.55 per ton for surface mined coal. Since all Alliance mines use the underground method, the \$0.60 per ton rate is the increase in the BLET or the difference between \$1.10 and \$0.50 per ton rate. This \$0.60 per ton increase in BLET qualified as a governmental imposition under Section 8.4 of the Coal Supply Agreement.
 - b. No additional charges are included in the \$0.60 per ton rate.
 - c. Yes. The BLET increase impacted all coal producers. The effect, if any, on particular LG&E contracts depended upon the specific amount the producer was claiming and the structure of the government imposition provision, if any, negotiated in the applicable LG&E contract (such as caps, floors, timing/period requirements, etc.). Below is a list of other LG&E contracts affected and the month the Government Imposition letter agreement for that contract was filed with the Commission.

J20001 Contura Coal, LLC (February 2020 contract filing)

J20006 Western Kentucky Mineral, Inc (February 2020 contract filing)

J18005 Knight Hawk Coal, LLC (February 2020 contract filing)

J19003 Peabody COALSALES, LLC (February 2020 contract filing)

J18008 and J20002 Arch Coal Sales Company, LLC (March 2020 contract filing)

J16017 and J18002 Western Kentucky Consolidated Resources, LLC (March 2020 contract filing)