COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT	**))))))))))**	**CASE NO. 2020-00350**

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
FIRST REQUESTS FOR INFORMATION OF THE KROGER COMPANY
DATED JANUARY 8, 2021

FILED: JANUARY 22, 2021

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company and 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 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.

Daniel K. Arbough

Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of January 2021.

Judy Schooler

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Chief Operating Officer for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of 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.

Lonnie Bellar
Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of January 2021.

Judy Schooler
Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Chief Financial Officer for Kentucky Utilities Company and 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 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.

KtWBlake

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2021.

Judy Schooler

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

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 Kentucky Utilities Company and 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 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.

Robert M. Conroy

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2021.

Judy Schooler

Notary Public

Notary Public ID No. **603967**

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Controller for Kentucky Utilities Company and 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 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.

DocuSigned by:
Christopher M. Garrett
5B353C6305DE4D7...
Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of January 2021.

Judy Schooler
Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF NORTH CAROLINA)
)
COUNTY OF BUNCOMBE)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal of The Prime Group, LLC, 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.

____
William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16 day of January 2021.

______________________________(SEAL)
Notary Public

Notary Public ID No. ______________

My Commission Expires:
9/22/2025

Ryan Meagher
Notary Public
Henderson County, NC
My Commission Expires 9/22/25

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 1

Responding Witness: Daniel K. Arbough

Q-1. Please identify any proposed adjustments to revenues or expenses that are directly related to the COVID-19 pandemic. Please provide all relevant references, workpapers, and analyses to support the proposed adjustments.

A-1. Refer to the testimony of Mr. Sinclair and AG-KIUC 1-113 for the impacts to revenues related to load and to the corresponding expenses for cost of serving load. Refer to the testimony of Mrs. Saunders for the impacts to expenses for the additional costs of cleaning for facilities, of which $180,000 is allocated to LG&E. As noted in Mr. Blake's testimony, bad debt expense percentage was based on the historical five year average consistent with past practice and does not include the impacts of COVID-19 and the resulting recession.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 2

Responding Witness: Christopher M. Garrett

Q-2. With respect to LG&E's Application, please refer to Tab 13 – 807 KAR 5:001 Section 16(6)(f) Reconciliation of Capitalization and Rate Base.

a. Please explain in detail the reasons why the capitalization exceeds the amount of used and useful rate base.

b. Please explain in detail why the Companies believe it is appropriate to earn a return on a capitalization amount that is in excess of the amount of rate base assets that are used and useful in the provision of service to customers.

A-2.

a. The Companies do not agree with the premise to the requests, namely the application of the "used and useful."[1]

The difference between capitalization and rate base is primarily related to the fact that capitalization includes the funding for working capital under the balance sheet approach which includes regulatory assets and liabilities. Rate base includes the funding of working capital through completion of a lead/lag study, which accounts for a portion of the Companies' cash working capital requirements, but this methodology does not adequately identify all sources of investor capital, unlike the overall balance sheet approach used by capitalization. See attachment to AG-KIUC 1-58a for additional detail.

The Company notes that the response to AG-KIUC 1-58a includes an updated rate base and capitalization reconciliation due to the discovery of an error. The updated reconciliation now shows that for Kentucky jurisdictional electric operations, rate base exceeds capitalization.

b. The Companies believe that capitalization remains the most objective measure of valuation as evidenced by the Companies' use of capitalization as its valuation measure for the past 40 years. Capitalization appropriately

[1] *National-Southwire Aluminum Co. v. Big Rivers Electric Corp.*, 758 S.W.2d 503, 512 (Ky. Ct. App. 1990) ("Kentucky is simply not shackled to a mechanical application of the used and useful standard.").

addresses the extent to which the Companies fund its working capital, consistent with the overall balance sheet approach for evaluating cash working capital in a revenue requirement calculation as discussed in the Rate Case and Audit Manual prepared by NARUC Staff Subcommittee of Accounting and Finance (Summer 2003). In LG&E's Case No. 2000-00080, the Commission recognized that capitalization is a better measure of the real cost of providing service as it is the cost of debt and equity that is reflected in the financial statements of the utility. Capitalization measures the direct investment into the Companies' systems and is the more accurate method of measuring the financial health of the Companies' operations. Additionally, the Companies believe the exclusion of regulatory assets and liabilities from rate base directly related to the utilities' operations is not appropriate as the associated cash outflows or inflows should result in both investors (regulatory assets) and customers (regulatory liabilities) being fairly compensated for the use of those funds. (The Companies have not removed the associated ADIT balances for those regulatory assets and liabilities excluded from rate base given its long-standing use of capitalization.) Therefore, the Companies see no reason to change its valuation methodologies.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 3

Responding Witness: William Steven Seelye

Q-3. Refer to LG&E's response to Public Service Commission ("Commission") Staff Data Request 56, Attachment 2020_Att_LG&E_PSC_1-56_Exhibit_WSS-2,WSS-29,WSS-31_LG&E_COSS_LOLP, tab 'GS Unit Costs.' Please provide a similar workpaper that provides the unit costs for the Time of Day Secondary class.

A-3. See attached.

Louisville Gas and Electric Company

Unit Cost of Service Based on the Cost of Service Study
For the 12 Months Ended June 30, 2022

Rate TOD Secondary

		Production		Transmission	Distribution		Customer Service Expenses	
Description	**Amount**	**Demand-Related**	**Energy-Related**	**Demand-Related**	**Demand-Related**	**Customer-Related**	**Customer-Related**	**Total**
(1) Rate Base	$ 283,566,435	$ 197,762,668	$ 8,961,061	$ 35,415,010	$ 40,506,142	$ 805,950	$ 115,605	$ 283,566,435
(2) Rate Base Adjustments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(3) Rate Base as Adjusted	$ 283,566,435	$ 197,762,668	$ 8,961,061	$ 35,415,010	$ 40,506,142	$ 805,950	$ 115,605	$ 283,566,435
(4) Rate of Return	8.55%	8.55%	8.55%	8.55%	8.55%	8.55%	8.55%	
(5) Return	$ 24,239,288	$ 16,904,773	$ 765,992	$ 3,027,279	$ 3,462,469	$ 68,893	$ 9,882	$ 24,239,288
(6) Interest Expenses	$ 6,163,317	$ 4,298,372	$ 194,769	$ 769,745	$ 880,401	$ 17,517	$ 2,513	$ 6,163,317
(7) Net Income	$ 18,075,971	$ 12,606,401	$ 571,224	$ 2,257,533	$ 2,582,068	$ 51,375	$ 7,369	$ 18,075,971
(8) Income Taxes	$ 3,987,082	$ 2,780,640	$ 125,997	$ 497,952	$ 569,536	$ 11,332	$ 1,625	$ 3,987,082
(9) Operation and Maintenance Expenses	$ 63,134,706	$ 11,023,700	$ 45,453,324	$ 3,518,855	$ 2,391,775	$ 190,815	$ 556,238	$ 63,134,706
(10) Depreciation Expenses	24,459,931	20,951,166	-	1,487,932	1,983,058	37,774	-	$ 24,459,931
(11) Other Taxes	3,385,237	2,480,433	-	407,150	488,330	9,323	-	$ 3,385,237
(12) Curtailable Service Rider	243,198	169,609	7,685	30,373	34,740	691	99	$ 243,198
(13) Expense Adjustments - Prod. Demand	-	-	-	-	-	-	-	$ -
(14) Expense Adjustments - Energy	-	-	-	-	-	-	-	$ -
(15) Expense Adjustments - Trans. Demand	-	-	-	-	-	-	-	$ -
(16) Expense Adjustments - Distribution	-	-	-	-	-	-	-	$ -
(17) Expense Adjustments - Other	46,669	32,548	1,475	5,829	6,666	133	19	$ 46,669
(18) Revenue Adjustments - Prod Demand	-	-	-	-	-	-	-	$ -
(19) Proforma Adjustments - Total	$ 46,669	$ 32,548	$ 1,475	$ 5,829	$ 6,666	$ 133	$ 19	$ 46,669
(20) Total Cost of Service	$ 119,496,113	$ 54,342,869	$ 46,354,473	$ 8,975,371	$ 8,936,575	$ 318,961	$ 567,863	$ 119,496,113
(21) Less: Misc Revenue - Prod Demand	$ (65,575)	$ (65,575)						$ (65,575)
(22) Less: Misc Revenue - Energy	(3,934,269)	-	(3,934,269)	-	-	-	-	$ (3,934,269)
(23) Less: Misc Revenue - Transmission	(1,234,808)	-	-	(1,234,808)	-	-	-	$ (1,234,808)
(24) Less: Misc Revenue - Other	(418,231)	(291,679)	(13,217)	(52,233)	(59,742)	(1,189)	(171)	$ (418,231)
(25) Less: Misc Revenue - Total	(5,652,883)	(357,254)	(3,947,486)	(1,287,042)	(59,742)	(1,189)	(171)	$ (5,652,883)
(26) Net Cost of Service	$ 113,843,230	$ 53,985,615	$ 42,406,987	$ 7,688,329	$ 8,876,833	$ 317,772	$ 567,693	$ 113,843,230
(27) Billing Units		3,183,736	1,288,132,009	4,406,484	4,406,484	6,060	6,060	
(28) Unit Costs		$ 16.96	$ 0.032921	$ 1.74	$ 2.01	$ 1.72	$ 3.07	$ 4.79

Customer Cost	4.79
Demand Cost	20.72
Energy Cost	0.03292

Case No. 2020-00350
Attachment to Response to Kroger-1 Question No. 3

Seelye

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 4

Responding Witness: Kent W. Blake

Q-4. Refer to Exhibit KWB-2 of LG&E's response to Commission Staff Data Requests. Please confirm the status quo case represents the scenario where the Companies do not implement the proposed AMI Project.

A-4. Confirmed.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 5

Responding Witness: Kent W. Blake

Q-5. With respect to LG&E's Application, refer to the Direct testimony of Kent W. Blake, page 17. "The Companies would then begin amortization of the regulatory asset associated with the AMI project over years 6 through 10 at a level that would not create an incremental revenue requirement." Are the Companies proposing to waive any claim to amortize the regulatory asset if the actual benefits are not sufficient to offset the costs?

A-5. No such commitment is proposed. As stated in the Blake testimony, "[t]he Companies would expect to use the amortization of the regulatory assets and liabilities associated with the AMI project to address this up-front cost and long-term benefit issue such that customers would never see an increase in revenue requirements associated with implementing AMI." As detailed in Exhibit KWB-2, the Companies' current projections and proposed ratemaking treatment show the Companies can receive full cost recovery of the AMI project with no increase in the Companies' combined revenue requirement during implementation or for 10 years post-implementation of AMI with net annual savings for years thereafter.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 6

Responding Witness: Kent W. Blake

Q-6. With respect to LG&E's Application, refer to the Direct Testimony of Kent W. Blake, page 3. "[T]he Companies also sought thoughtful ways to (1) make these proceedings the last base rate cases the Companies will file for a number of years."

a. How many years do the Companies estimate it will be until they file another base rate case?

b. Are the Companies providing any firm commitment regarding the timing of the next base rate case?

   i. If yes, please explain.

A-6.

a. The Companies' cannot say with certainty how long it will be; however, the factors that could lead to the Companies' need to file a subsequent rate case are discussed in the Blake testimony.

b. No.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 7

Responding Witness: Robert M. Conroy

Q-7. With respect to LG&E's Application, refer to the Direct Testimony of Kent W. Blake, page 7. "With respect to the proceeds from the refined coal agreements, all of those agreements are set to expire during the forecast test period. By returning them as a one-year surcredit, customers receive the full benefit to be provided while the Companies avoid embedding a permanent credit into base rates for a benefit it derived for its customers for a period of time that now no longer exists."

a. If the proceeds from the refined coal agreements are not returned as a one-year surcredit, please explain in detail how the Companies would embed a permanent credit into base rates?

b. What would be the revenue requirement impact if LG&E embedded a permanent credit into base rates instead of returning the proceeds as a one-year surcredit?

c. Why do the Companies believe that customers will be better off receiving a one-year surcredit instead of receiving a credit to base rates?

A-7.

a. It is not appropriate to continue to embed the proceeds from the refined coal agreements into base rates at this time because the refined coal agreements will expire, and the proceeds will not be an actual ongoing credit to the cost of service.

b. The revenue requirement impact of a permanent credit would be the annual impact of the refined coal agreements proceeds credited against the cost of service. Because the agreements upon which the proceeds are based expire in the forecast test year, it is inappropriate to create a permanent credit for this amount. Doing so will create a mismatch between revenues received and revenues collected through base rates.

c. As Mr. Blake explains in his testimony, customers will receive the full benefit of the refined coal agreement proceeds in a more rapid fashion through a one-year surcredit than if the proceeds were to be returned to customers over multiple years. As noted above, the nature of these proceeds is temporary, not permanent.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 8

Responding Witness: Daniel K. Arbough

Q-8. Regarding non-fuel, non-labor (to be consistent with paragraphs a – d below, should this be "non-labor, non-fuel") O&M expense inflation/escalation:

a. Please indicate whether any inflation, price escalation, or unit cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses for the estimated portion of the base period or the Forecasted Test Period.

b. If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please provide LG&E's best estimate of the dollar amount of inflation included in the Forecasted Test Period applicable to non-labor, non-fuel O&M expenses.

c. If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please explain how the inflation or cost escalation factors were derived, and provide the inflation or cost escalation factors applicable to each affected FERC account for both the estimated portion of the Base Period and the Forecasted Test Period, if applicable.

d. If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please provide detailed workpapers in Excel format with intact formulas which apply the inflation or cost escalation factors to the actual historical data. For each affected FERC account, please provide the actual historical non-labor, non-fuel O&M expense amount to which the inflation/escalation is applied, the amount of the inflation/escalation, and the projected O&M expense amount after inflation/escalation.

e. If not otherwise provided in the Companies' response to part (d), please provide workpapers in Excel format which link the inflation/escalation amounts to the Filing Requirements schedules and/or revenue requirement model, or otherwise demonstrate how these inflation/escalation amounts are integrated into the Base Period and Forecasted Test Period.

A-8.

a. When the Company prepares its business plan ("BP") it does not apply a generic inflation adjustment or unit cost escalation factor. Instead, the budget is prepared from the bottom up as described below:

1. Known contracts are factored into the BP. For example, contracts are already in place for certain segments of the business, and the escalation rates that can be derived from those contracts are included. Estimated increases in contracts that will expire in the BP are also included, based on the best known information for the applicable contracts.

2. Specific scopes of work are factored into the BP. For example, there is a power plant planned outage schedule for each year in the BP. This is based on the historical and estimated run-times and operating hours of each unit, and the work to be done is a function of where each unit is in its outage cycle, as well as other scopes of work that have been identified to address known or trending issues on that particular generating unit. The specific scopes of work for each of those segments of the outage plan are estimated by the outage planners, using the most current cost estimates for each particular scope of work, not an inflation escalation. For the Electric Distribution areas factors such as the work order backlog and historic work volumes at the time that the BP is prepared are factored into their costs. Depending on the extent of the backlog, contractor costs can be increased or decreased in a particular BP.

3. Variable costs are factored in based on levels of production. For example, the Generation forecast includes generation by unit by month. Each unit has a variable cost of production to cover costs such as limestone and ammonia usage.

4. Storm outage restoration costs are based on a 5-year average of historical costs, which is then brought into "current dollars" based on a Consumer Price Index projection.

5. Bad debt expense is based on a five-year average write-off percentage and the change in receivable balances which is then applied to updated projected revenues.

6. For the remainder of the items, each area determines reasonable cost estimates based on levels of activity in the period and market conditions.

b. See the response to part (a).

c. See the response to part (a).

d. See the response to part (a).

e. See the response to part (a).

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 9

Responding Witness: Christopher M. Garrett

Q-9. With respect to LG&E's Application, please refer to the Direct Testimony of Lonnie E. Bellar, page 23. "[T]he Companies propose to use average actual outage expense for 2017, 2018, 2019, and 2020 through August, combined with forecasted outage expense for the balance of 2020 through 2024. This approach has the effect of increasing expense associated with outage maintenance, but will ultimately be more accurate than 5-year historical average and will reduce the need to recover past outage expense in future rate increases through regulatory accounting."

a. Please provide LG&E's actual and forecasted outage expense for the proposed 8 year period.

b. Please provide LG&E's actual outage expense for 2012, 2013, 2014, 2015, and 2016.

c. Please explain in detail the reasons why this proposed approach will increase expense relative to using the 5-year historical average.

d. Do the Companies believe that the stipulation from the 2018 rate case that allowed it to continue the use of regulatory asset and liability accounting for generator outage expense sets a precedent to continue to use the same accounting treatment in this case? Please explain why or why not.

e. Please explain why the Companies believe it is appropriate to continue the use of regulatory asset and liability accounting for generator outage expense in this case.

A-9.

a. See the response to AG-KIUC 1-38.

b. See attached.

c. A 5-year historical average for outage maintenance expense is inappropriate to use as a predictor of future outage expense. Major overhauls typically occur about every eight years, depending on the type of generating unit and the condition of the unit as assessed through regular inspections and monitoring. Yearly outage expense for a particular unit will vary depending on when a major overhaul is performed, among other factors. Outage expense may be lower in the years following a major overhaul, and higher as a unit approaches its next major inspection. A five-year historical average does not account for those variations and an 8-year cycle more accurately reflects the aforementioned variations. Additionally, the 5-year historical average utilized in the previous case did not capture outage expense for the Cane Run 7 (CR7) Combined Cycle Gas Turbine unit, commissioned in 2015. An 8-year average also incorporates market conditions associated with the contracting skilled labor and materials market for coal-fired units.

d. The Stipulation and Recommendation approved by the Commission in Case Nos. 2018-00294 and -00295 contains section 1.2 (F), Five-Year Historical Average for Generator Outage Expenses; Related Use of Regulatory Accounting, which states as follows:

> The Parties stipulate to the use of a five-year historical average of generator outage expenses in the Utilities' stipulated amounts provided in Section 1.1, which reduces the Utilities' proposed electric revenue requirement increases as set forth in their applications by $6.73 million for KU and $ 1.78 million for LG&E. Relatedly, the Parties stipulate and recommend Commission approval of the Utilities continuing use of regulatory asset and liability accounting related to generator outage expenses that are greater or less than the updated amount to be included in base rates. This regulatory accounting will ensure the Utilities may collect, or will have to return to customers, through future base rates any amounts that are above or below the base rate base line average embedded in the electric revenue requirement increases in these proceedings.

Comparable language is also contained in Section 2.2(F) in the Stipulation and Recommendation approved by the Commission in Case Nos. 2016-00370 and -00371. If the Commission should order in this case that such normalization be discontinued and use forecast test year expense for ratemaking purposes, it would not be reasonable or lawful to deny the Companies' full cost recovery via amortization of past under-collections under the normalization methodology agreed to and approved by the Commission in the previous four rate cases. The Companies only agreed in the context of a settlement to the incorporation into rates of the artificially low 5-year historic average in the 2018 rate cases based on the cost recovery provided for under the agreed-upon and approved methodology. The Companies' rebuttal testimony demonstrated the historic projections were unreasonable low projections of the expected outages. Actual results have confirmed that position. The true-up in the normalization methodology made it a cash flow timing issue only and not a permanent loss of cost recovery. It is not appropriate to "undo" prior settlement provisions agreed to by all parties unless the modification is also agreed to by all parties and approved by the Commission.[2]

e. The Companies believe it is appropriate to continue the use of regulatory asset and liability accounting for generator outage expenses for the reasons set forth in Mr. Bellar's testimony. Generator outage expenses can fluctuate significantly from year to year; major outages typically occur on an eight-year cycle. Normalization provides a smoothing of what is a cyclical expense – essentially treating it like a capital expense and spreading it over an eight-year period. Use of the forecast test year expense rather than a normalized level in this case would result in general the same combined plant outage cost of about $43 million; however, that is not the case by utility due to the cyclical nature of this type of expense. Past maintenance costs are not necessarily a reasonable estimate of future maintenance costs. Deferral accounting ensures the Companies ultimately may collect, or will have to return to customers, through future base rates any amounts that are above or below the average embedded in the electric revenue requirement increases in these proceedings.[3]

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[2] *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) an Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; (4) An Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) An Order Granting All Other Required Approvals and Relief*, Case No. 2017-00179, Order at 5-6, 7-8 (Ky. PSC June 28, 2018); *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief*, Case No. 2020-00174, Order at 28-30 (Ky. PSC Jan. 13, 2021).

[3] Case No. 2016-00370 and Case No. 2016-00371, Stipulation and Recommendation, Article II, Section 2.2(F) (Ky. PSC Apr. 19, 2017).

LG&E Outage - Not normalized Unit	FERC	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
0301 - TRIMBLE COUNTY COMMON-GENERATION	510	$ 130,065	$ -	$ -	$ -	$ -
	511		-	-	-	-
	512	9,114	-	-	-	-
	513	(5,985)	-	-	-	-
	514	-	-	-	-	-
0311 - TRIMBLE COUNTY 1 - GENERATION	510	117,774	111,518	99,690	-	-
	511	-	6,261	-	2,327	(987)
	512	(88,130)	945,856	4,464	2,192,311	86,660
	513	40,070	142,810	11,994	300,174	6,218
	514	-	-	-	-	-
0321 - TRIMBLE COUNTY 2 - GENERATION	510	-	-	46,072	-	66,543
	511	-	-	-	727	-
	512	98,354	533	531,445	131,801	299,329
	513	96,893	385	45,075	37,244	223,707
0401 - LGE GENERATION - COMMON	510	37,059	113,441	(213,381)	(90,334)	(7,152)
	513	-	-	-	-	-
0101 - CANE RUN COMMON - GENERATION[1]	510	2,938	-	-	-	-
	513	-	-	-	-	-
0141 - CANE RUN 4 - GENERATION[1]	500	-	-	-	-	-
	510	430,916	-	-	-	-
	511	2,399	-	-	-	-
	512	3,187,195	120,277	468,671	-	-
	513	1,931,469	38,394	83,706	-	-
	514	-	-	-	-	-
0151 - CANE RUN 5 - GENERATION[1]	510		-	-	-	-
	511	-	-	-	-	-
	512	-	955,239	264,620	-	-
	513		217,596	58,038	-	-
	514	-	-	-	-	-
0161 - CANE RUN 6 - GENERATION[1]	510	135,247	-	-	-	-
	511		-	282	-	-
	512	1,464,703	319,077	589,175	707	-
	513	362,821	204,896	229,866	394	-
0211 - MILL CREEK 1 - GENERATION	510		278,017	-	426,475	-
	511	-	10,987	-	-	-
	512	68,410	2,538,798	90,155	1,969,498	190,030
	513	3,050	3,081,978	16,606	234,337	125,463
	514		-	-	-	-
0221 - MILL CREEK 2 - GENERATION	510	371,958	9,956	-	394,549	-
	511	-	-	-	-	-
	512	2,842,160	1,688	2,035,209	1,963,564	1,768,972
	513	3,038,156	2,834	235,191	622,480	1,347,379
	514		-	-	-	-
0231 - MILL CREEK 3 - GENERATION	510		338,409	283,456	-	112,896
	511	-	-	-	-	-
	512	250,232	3,252,673	34,968	327,318	2,942,769
	513	172,253	659,233	20,126	124,442	1,775,339
	514	-	124	-	-	-
0241 - MILL CREEK 4 - GENERATION	510	-	-	182,368	162,660	252,274
	511	-	-	-	-	12,335
	512	2,201,066	1,167,712	3,003,378	382,445	2,702,899
	513	684,484	124,182	3,756,372	123,461	574,125
	514	-	-	-	-	-
0172 - CANE RUN CC GT 2016	549	-	-	-	16,661	4,276
	551	-				
	552	-	-	-	1,631	21,191
	553	-	-	-	43,139	219,940
	554	-	-	-	18,166	68,835
0431 - PADDYS RUN GT 12	553	-	27,835	-	-	-

LG&E Outage - Not normalized Unit	FERC	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
	554	-	-	-	-	-
0432 - PADDYS RUN GT 13	553	(5,967)	43,835	99,436	57,388	76,976
	554	-	409	-	-	-
0474 - TRIMBLE COUNTY #7 COMBUSTION TURBINE	553	-	-	-	737	-
5635 - E W BROWN COMBUSTION TURBINE UNIT 5	553	-	-	-	-	-
	554	-	-	-	15,726	-
5636 - E W BROWN COMBUSTION TURBINE UNIT 6	551	-	-	-	-	-
	552	-	-	-	-	-
	553	10,051	16,232	44,418	12,786	4,560
	554		-	-	-	-
5637 - E W BROWN COMBUSTION TURBINE UNIT 7	553	91,402	(24,548)	91,942	(43,973)	20,726
	554					
Total		**$ 17,680,158**	**$ 14,706,633**	**$ 12,113,341**	**$ 9,428,840**	**$ 12,895,303**

(1) Cane Run units 4, 5 and 6 were retired in 2015.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00350

Question No. 10

Responding Witness: Lonnie E. Bellar

Q-10. With respect to LG&E's Application, please refer to the Direct Testimony of Lonnie E. Bellar, table at the top of page 40.

	KU	LG&E	Total
Proactive Replacement	242.2	63.2	305.4
Reliability	23.1	5.4	28.5
Transmission Expansion Plan	61.7	14.6	76.3
All Other	27	10.5	37.5
Total:	354	93.7	447.7

a. Please explain why the increase in transmission costs is substantially greater for KU than LG&E?

b. Please explain in detail how transmission costs are allocated between KU and LG&E?

A-10.

a. Investment is based on LG&E and KU system need and emphasizes safety, reliability, and resiliency. Investment within the KU system is higher to address those needs in part because KU's transmission system is larger, spans many more line miles, and contains more assets than does the LG&E system.

The following table summarizes assets across the LG&E and KU system.

LG&E and KU Transmission System Asset Count

Asset Type	KU	LGE
Substations	120	45
Power Transformers	86	41
Power Circuit Breakers	781	441
Circuit Line Miles	4,294	913
Line Structures	33,080	9,358

b. Costs are charged to the utility that owns the asset.