COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE AND GAS ELECTRIC COMPANY FOR APPROVAL OF RETIRED ASSET RECOVERY RIDER COST RECOVERY FOR THE RETIREMENT OF MILL CREEK UNIT 1 AND OF RETIRED ASSET RECOVERY RIDER TARIFF REVISIONS AND MONTHLY REPORTING FORMS	**))))))))**	**CASE NO. 2024-00317**

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED NOVEMBER 6, 2024

FILED: NOVEMBER 22, 2024

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 Louisville Gas and Electric Company, an employee of 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

Andrea M. Fackler

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of November 2024.

Caroline J. Davison

Notary Public

Notary Public ID No. KYNP63286

My Commission Expires:

January 22, 2027

CAROLINE J. DAVISON
COMM EXPIRES 01/22/2027
NOTARY
PUBLIC
ID # KYNP63286
STATE AT LARGE, KENTUCKY

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **David L. Tummonds**, being duly sworn, deposes and says that he is Senior Director - Project Engineering for Louisville Gas and Electric Company, 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.

David L. Tummonds

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of November 2024.

Venita M. DeFreeze
Notary Public

Notary Public, ID No. KYNP4577

My Commission Expires:

April 1, 2028

VENITA M. DeFREEZE
NOTARY
COMM. # KYNP4577
MY COMMISSION EXPIRES 04/01/2028
PUBLIC
KENTUCKY, STATE AT LARGE

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 1

Responding Witness: Andrea M. Fackler

Q-1. Refer to the Application, page 7, regarding the electric vehicle charging tariffs.

a. Explain whether LG&E proposes to update these tariffs to include reference to the Retired Asset Recovery Rider (Rider RAR). If not, explain why not.

b. Explain whether revenues will be computed for these rate classes for the purposes of the over-/under-recovery calculation for Rider RAR. If not, explain why not.

A-1.

a. Yes, if the Commission grants LG&E's requested relief in this proceeding, LG&E will file with the Commission revised tariff sheets for all rate schedules to which Rider RAR applies, including Rates EVC-L2 and EVC-FAST. The revised tariff sheets will include a reference to Rider RAR in the Adjustment Clauses section of each such rate schedule.

Regarding Rates EVC-L2 and EVC-FAST, LG&E will include the Rider RAR reference in the Adjustment Clauses section with the other items that are embedded in LG&E's tariffed fees for those rate schedules, i.e., the Fuel Adjustment Clause, Off-System Sales Adjustment Clause, and Environmental Cost Recovery Surcharge. As explained in LG&E's Application in this case, billing under Rates EVC-L2 and EVC-FAST is unaffected between base rate cases by generally applicable cost recovery mechanisms like Rider RAR. Thus, adding a Rider RAR reference to the Rates EVC-L2 and EVC-FAST tariff sheets will not affect billing under those rates, and no revenue from those rates will be attributed to Rider RAR cost recovery, until new rates go into effect following LG&E's next base rate case.

b. The over-/under-recovery calculation for Rider RAR will only consist of Rider RAR revenues. Revenues from Rates EVC-L2 and EVC-FAST will not contribute to the Rider RAR over-/under-recovery calculation until those rates are evaluated and updated in LG&E's next base rate case to include a Rider RAR component.

Of note, electric vehicle charging revenues deriving from LG&E's EVC-L2 and EVC-FAST tariffs totaled approximately $17,000 (out of approximately $1.2 billion) for the 12 months ended August 31, 2024 used in the illustrative RAR Form 3.00 of Exhibit AMF-4. Including a Rider RAR rate component in the electric vehicle charging rates would not change the $17,000; it would only shift the dollars collected from the capital component to the Rider RAR component.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 2

Responding Witness: Andrea M. Fackler

Q-2. Refer to the Direct Testimony of Andrea M. Fackler (Fackler Direct Testimony), pages 6-7. Explain if the parties who were included in the Stipulation Agreement in LG&E's 2020 rate case, Case No. 2020-00350,[2] were notified of the proposed changes and revisions in this case for the Rider RAR. If not, explain why not.

A-2. LG&E provided public notice in accordance with 807 KAR 5:011 Sec. 8(2). LG&E did not provide additional notice to signatories to the Case No. 2020-00350 Stipulation Agreement, and LG&E is unaware of any requirement to have done so. Moreover, the proposed changes and revisions referenced at pages 6-7 were inconsequential with respect to how the Rider RAR was proposed to function and were meant to clarify terms and wording that were utilized in various documents filed in the 2020 rate case (e.g., Blake Stipulation Testimony, Stipulation Agreement, Rider RAR Tariff, and the Commission's Order).

[2] Case No. 2020-00350, 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 (KY PSC June 30, 2021).

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 3

Responding Witness: Andrea M. Fackler

Q-3. Refer to the Fackler Direct Testimony, page 9 and Exhibit AMF-1. Provide the location in the proposed tariff and the Case No. 2020-00350 Stipulation Agreement of the proposed over-/under-recovery mechanism.

A-3. Exhibit AMF-1, Definitions paragraph 4 states, "E(m) is adjusted for any (Over)/Under collection or prior period adjustment to arrive at Adjusted E(m)."

Section 5.3 of the Case No. 2020-00350 Stipulation Agreement stated, "[T]he Utilities shall be authorized to recover the Retirement Costs of such retired assets and other site-related assets that will not continue in use through a Retired Asset Recovery Rider (attached hereto as Stipulation Exhibits 8 (KU) and 9 (LG&E)) until the Retirement Costs are fully recovered." Stipulation Exhibit 9 (LG&E Rider RAR) stated in Definitions paragraph 4, "Jurisdictional E(m) is adjusted for any (Over)/Under collection or prior period adjustment …."

Note that LG&E's current Rider RAR tariff, which the Commission accepted effective July 1, 2021, contains the same provision in Definitions paragraph 4 on Sheet No. 77.1.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 4

Responding Witness: Andrea M. Fackler

Q-4. Refer to the Fackler Direct Testimony, page 13, lines 6–8, and Exhibit AMF-1, page 1. Explain how tax losses will be reflected in Accumulated Deferred Income Taxes.

A-4. Accumulated Deferred Income Taxes ("ADIT") reflect the difference between book basis and tax basis of an asset. At retirement, the remaining federal and state tax basis of Mill Creek Unit 1 will go to zero, resulting in a tax loss. Accordingly, the full impact of the tax loss is reflected in the Retired Asset ADIT balance as the unrecovered Retirement Costs (i.e., book basis) has zero tax basis resulting in an ADIT value at the combined statutory income tax rate of 24.95% times the unrecovered Retirement Costs.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 5

Responding Witness: Andrea M. Fackler

Q-5. Refer to the Fackler Direct Testimony, Exhibit AMF-2. Explain why LG&E proposes to change the effective date from service rendered to bills rendered.

A-5. Because the Rider RAR tariff sheet was established as a result of a base rate case proceeding, the initial tariff indicated a service rendered effective date consistent with how changes in base rates are typically implemented. The mechanics and billing of Rider RAR, however, will function like the Environmental Cost Recovery, Fuel Adjustment Clause, and Off-System Sales Adjustment Clause mechanisms, which apply the resulting billing factor on a bills rendered basis. Bills rendered also alleviates the potential for customer confusion over prorations on their bills.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 6

Responding Witness: Andrea M. Fackler

Q-6. Refer to the Fackler Direct Testimony, Exhibit AMF-2 and the Stipulation Agreement in LG&E's 2020 rate case, Case No. 2020-00350, page 14, which states, "The Retired Asset Recovery Rider will use the Group 1 and Group 2 methodology for revenue allocation used in the Utilities' Environmental Cost Recovery Surcharges."[2]

a. Explain why the Environmental Cost Recovery (ECR) Surcharge should be included in the R(m).

b. Provide the sequential order the Rider RAR and ECR Surcharge would be applied to customer bills.

A-6.

a. The Environmental Cost Recovery Surcharge should be included in R(m) to be consistent with the use of total revenues to allocate the total revenue requirement between Group 1 and Group 2 customers. When determining each Group RAR billing factor, however, non-fuel revenues are excluded for Group 2 customers. See Exhibit AMF-1, Definitions paragraphs 4-6.

b. Currently, the billing system determines a running total of charges on the customer's bill and then applies the ECR billing factor to determine the ECR charge (or credit). Once Rider RAR is effective, a second calculation will determine a separate running total of charges on the customer's bill, including the ECR charge (or credit), and will apply the RAR billing factor to determine the RAR charge (or credit).

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[2] Case No. 2020-00350, June 30, 2021 Order, Appendix A, Stipulation Testimony Exhibit KWB-1, at 14, 5.3.(D).

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 7

Responding Witness: Andrea M. Fackler

Q-7. Refer to the Fackler Direct Testimony, Exhibit AMF-4, page 2. Provide the calculation of the monthly levelized expense.

A-7. Similar to a mortgage payment, the monthly levelized expense shown on page 2 of Exhibit AMF-4 is a level, equal monthly cost recovery amount that, over a ten-year period, allows the Company to recover the full Retirement Costs plus a weighted average cost of capital ("WACC") return component. The WACC is not applied to the full Retirement Costs but rather to the Retirement Costs less accumulated deferred income taxes ("ADIT") (i.e,, the Retired Asset balance). Thus, recovering each month's monthly levelized expense provides the Company a return *on* the unamortized Retired Asset balance and a return *of* a portion of the Retirement Costs balance. Over time, each monthly levelized expense consists of a decreasing WACC return component (because there will be a progressively lower Retired Asset balance) and an increasing amortization of the Retirement Costs balance. See page 3 of Exhibit AMF-4 for an example of the changes in the monthly return amount.

Mechanically, the Company used Microsoft Excel's Goal Seek function to calculate the monthly levelized expense that appears on page 2 of Exhibit AMF-4. To do so, the Company used the linked inputs[3] and formulas that appear in tab "Form 2.00 – MC1" of the Excel version of page 3 of Exhibit AMF-4. The Company used Excel's Goal Seek function to achieve a zero value for the last cell in the Retirement Costs balance column in the Form 2.00 – MC1 tab (cell F133 in that tab) by adjusting the monthly levelized expense value in cell C27 in the Instructions tab.

[3] Note that the values in the Levelized Expense column are set to equal a single cell, C27, in the Instructions tab so that no manual inputs are needed on Form 2.00.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 8

Responding Witness: David L. Tummonds

Q-8. Refer to the Direct Testimony of David Tummonds (Tummonds Direct Testimony), pages 3–4.

a. Provide the annual capital expenditures for Mill Creek 1 for the years 2010–2024, by year, separately identifying investments in common plant and those specific to Mill Creek 1.

b. Generally, describe the capital investments in Mill Creek 1 for those years.

A-8.

a. See attached.

b. For the period requested, the total capital expended for Mill Creek 1 ("MC1") was $51.1 million ($46.8 million before the decision to retire in 2020 and $4.3 million after that decision). The $46.8 million expended prior to the retirement decision breaks down as follows with the overwhelming majority reflective of outage work during that period:

System	$ (000,000's)
Boiler	23.0
Turbine / Generator	16.0
Fuel Conditioning and Delivery	3.0
Environmental Control Eqpt.	1.4
Distributed Control System	2.4
Other	1.0

For the period following the decision to retire, the $4.3 million breaks down as follows with clarification that $3.9 million of the $4.3 million funded outage work that was planned and contracted prior to the retirement decision as necessary for reliable operation. $0.3 million funded outage and non-outage work in 2021 (after the retirement decision) also as necessary for reliable operation until the retirement date. The final $131,000 funded emergent work on the MC1 generator step-up transformer ($38,000 in 2023) and a hardware replacement for the MC1 distributed control system ($93,000 in 2024). The plant signed the contract for the referenced hardware replacement in 2019 as part of a multi-year contract for all four Mill Creek units.

System	$ (000,000's)
Boiler	2.0
Turbine / Generator	0.6
Fuel Conditioning and Delivery	0.2
Environmental Control Eqpt.	0.9
Distributed Control System	0.3
Other	0.3

$(000's)

AFFECTED UNITS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
MC1	3,050	971	1,888	14,984	3,079	6,611	383	1,837	2,257	11,766	2,411	1,721	-	38	93 [3)]
MC1 & MC2 [1)]	537	53	55	-	348	183	827	1,037	384	426	654	1,045	127	233	148
Plant Common [2)]	7,633	10,584	2,207	3,048	9,491	4,526	16,405	114,247	144,940	39,201	17,107	16,418	9,890	3,107	3,256

1) Total cost for projects benefiting both MC1 and MC2 (and only MC1 and MC2).
2) Projects conducted for the total plant (either not for only MC1 or for the combination of MC1 and MC2) are not split between units and therefore were not included in the "MC1-related capital expenditures of less than $375,000 (including MC1's share of common plant expenditures)" in the Direct Testimony of David L. Tummonds at page 4, lines 3-4. Given the common nature of these investments, they will ultimately be retired with last coal unit to retire in outer years.
3) $93,000 required for periodic hardware replacement of the unit's distributive control system. The plant committed to this expenditure as part of a multi-unit commitment made prior to the retirement decision (2019). Therefore, it was not included in the "less than $45,000 was for MC1 only" in the Direct Testimony of David L. Tummonds at page 4, line 5.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's First Request for Information
Dated November 6, 2024

Case No. 2024-00317

Question No. 9

Responding Witness: David L. Tummonds

Q-9. Refer to the Tummonds Direct Testimony, page 5. Provide a proposed timeline, by month, for decommissioning and demolition activities for Mill Creek 1.

A-9. See attached.

Mill Creek Unit 1 Decommissioning			2025											
Execution Item	**Approximate Start**	**Approximate Finish**	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Enclosure Modifications	Jan-25	Jan-25												
Plant Lab Heating Modifications	Jan-25	Jan-25												
Cooling Water Modifications	Jan-25	Jan-25												
Industrial Cleaning	Feb-25	Feb-25												
Drain and Dispose of Oil	Feb-25	Feb-25												
FGD Isolation	Oct-25	Oct-25												

Mill Creek Unit 1 AQCS Demolition			2027							2028												2029								
Execution Item	**Approximate Start**	**Approximate Finish**	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Owner's Engineering (Technical Specifications & Drawings)	Jul-27	Sep-27																												
Project Execution Bidding	Sep-27	Dec-27																												
Project Execution Award	Jan-28	Jan-28																												
Submittals, Kick-off Meeting, Training, Permitting	Feb-28	Mar-28																												
Site Surveys, Temporary Utilities Establishment, Energy Verifications	Mar-28	Apr-28																												
Mobilization, Chemical Sweeps, Universal & Waste Oil Removal	May-28	Jun-28																												
Offsite Disposal of Hazardous Substances	Jun-28	Jun-28																												
Major Equipment Mobilization and Demolition of Support Buildings	May-28	Jul-28																												
Establish Scrap Processing Area	Jun-28	Jun-28																												
Silo, Pipe Racks, and Ductwork to Powerblock Demolition	Jun-28	Sep-28																												
Pulse Jett Fabric Filter A Demolition	Aug-28	Nov-28																												
Pulse Jett Fabric Filter B Demolition	Nov-28	Feb-29																												
Chimney Demolition	Dec-28	Feb-29																												
Ductwork to Flue Gas Desulfurization Unit Demolition	Feb-29	Apr-29																												
Absorber Tower Misc Steel Demolition	Apr-29	May-29																												
Absorber Tower Demolition	May-29	Jul-29																												
Finalize Scrap Processing and Transport to Recycling Facility	Jun-29	Jul-29																												
Site Restoration	Aug-29	Aug-29																												

Note 1: MC1 and MC2 Share the AQCS.

Mill Creek Unit 1 Abatement & Demolition			2038							2039												2040												2041							
Execution Item	**Approximate Start**	**Approximate Finish**	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Owner's Engineering (Technical Specifications & Drawings)	Jun-38	Aug-38																																							
Project Execution Bidding	Aug-38	Nov-38																																							
Project Execution Award	Dec-38	Dec-38																																							
Submittals, Kick-off Meeting, Training, Permitting	Dec-38	Feb-39																																							
Site Surveys, Temporary Utilities Establishment, Energy Verifications	Feb-39	Mar-39																																							
Mobilization, Chemical Sweeps, Universal & Waste Oil Removal	Feb-39	Apr-39																																							
Construct Asbestos Removal Containments for Turbine Hall	Mar-39	Mar-39																																							
Establish Negative Air Turbine Containment	Apr-39	Apr-39																																							
Asbestos Abatement of Turbine Hall and Other Buildings	Apr-39	Aug-39																																							
Construct Asbestos Removal Containment for Boiler House	Aug-39	Oct-39																																							
Establish Negative Air Boiler House Containment	Nov-39	Nov-39																																							
Asbestos Abatement of Boiler House	Nov-39	May-40																																							
Offsite Disposal of Asbestos and Other Hazardous Substances	Apr-40	May-40																																							
Major Demolition Equipment Mobilization and Demolition of Support Buildings	Nov-39	Jan-40																																							
Establish Scrap Processing Area	Dec-39	Dec-39																																							
Turbine Demolition	Feb-40	Mar-40																																							
Basement Equipment Demolition	Apr-40	Sep-40																																							
Turbine Hall Demolition	Sep-40	Dec-40																																							
Boiler and Boiler House Demolition	Nov-40	May-41																																							
Finalize Scrap Processing and Transport to Recycling Facility	Apr-41	May-41																																							
Site Backfill and Restoration	May-41	Aug-41																																							

Attachment to Response to Question No. 9
Tummonds