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 SECOND REQUEST FOR INFORMATION
DATED December 12 2024

FILED: December 20, 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 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 20th day of December 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

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's Second Request for Information
Dated December 12 2024

Case No. 2024-00317

Question No. 1

Responding Witness: Andrea M. Fackler

Q-1. Refer to the Direct Testimony of Andrea Fackler (Fackler Testimony) at 14, starting on line 12. Although the initial calculated bill impact resulted in a negative percentage, provide the bill impact after approximately six months.

A-1. The Rider RAR billing factors may vary slightly as actual costs upon the retirement of Mill Creek Unit 1 and actual revenues used to determine group allocations are recorded. The Company will not know these variances until after the December 2024 expense month when the expenses and revenues occur and thus cannot provide a better estimate than has already been provided.

Of importance, the billing factors will remain negative until the Company's base rates are reset in a future base rate case. At that time, the Mill Creek Unit 1 costs embedded in base rates will be zero, so the reduction for these costs included in the Rider RAR monthly reporting forms will no longer be necessary.

LOUISVILLE GAS AND ELECTRIC COMPANY

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Question No. 2

Responding Witness: Andrea M. Fackler / Counsel

Q-2. Refer to Case No. 2020-00350,[2] Stipulation Testimony, Exhibit KWB-1, Section 6.14 on page 18. Explain why the amendments to the tariff do not violate this provision of the Stipulation Agreement since the Retirement Asset Recovery Rider (Rider RAR) was tendered as Stipulation Exhibit 8 and Stipulation Exhibit 9.

A-2. Stipulation Agreement Section 6.14 states:

> The Parties agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Utilities are unknown and this Stipulation shall be implemented as written.

LG&E assumes this request does not concern the first sentence of Section 6.14.

Regarding the second sentence, its clear import is to ensure that no party attempts to circumvent the impact of the agreement on the utilities' operating income, which is why the agreement is to be implemented as written. It is precisely because LG&E is attempting to implement the substance of the agreement as written, including collecting *less* revenue until base rates are reset, that LG&E has proposed revising Rider RAR. As stated in LG&E's application,[3] the Direct

[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* (filed Apr. 19, 2021), Exhibit 1.

[3] Application at 5 ("In preparing this filing to initiate cost recovery under Rider RAR for MC1, LG&E recognized that certain clarifying revisions to Rider RAR were necessary to more accurately reflect how LG&E plans to implement the rider.").

Testimony of Andrea M. Fackler,[4] and in response to PSC 1-2 in this proceeding,[5] the purpose of LG&E's proposed Rider RAR tariff revisions is to give full effect to, not to alter, the substance of Stipulation Agreement Section 5.3 as approved by the Commission. This includes more accurately reflecting the Rider RAR monthly reporting forms and processes proposed in this proceeding, which could not have been fully known or formulated at the time of the Stipulation Agreement. Thus, rather than violating Section 6.14, LG&E's proposed Rider RAR revisions give effect to it and arguably are required by it.

Note also that Stipulation Agreement Section 6.8 states, "The Stipulation shall in no way be deemed to affect or diminish the jurisdiction of the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes." Therefore, if the Commission agrees with LG&E that the proposed Rider RAR provisions more accurately reflect and give effect to the substance of Section 5.3, the Commission's approving those revisions would be fully consistent with the Stipulation Agreement and the Commission's statutory authority.

Furthermore, Stipulation Agreement 6.4 states in relevant part, "The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation." LG&E has received no indication that any party to the agreement perceives any of the proposed Rider RAR tariff revisions to be inconsistent with the agreement.

Finally, the Stipulation Agreement parties are sophisticated, repeat intervenors in LG&E's cases before the Commission. They received the same public notice of this proceeding provided to all customers. It is therefore reasonable to assume that if any of Stipulation Agreement parties had perceived LG&E's proposed Rider RAR tariff revisions to be a violation of any part of the agreement, such party or parties would have sought intervention in this proceeding and opposed the perceived violation. It is telling that no party has done so.

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[4] Fackler Testimony at 6 ("The changes reflected in the revised tariff sheets are intended to clarify and give effect to the Rider RAR-related substance of the Stipulation approved by the Commission in LG&E's most recent base rate case.").

[5] LG&E's Response to PSC 1-2 ("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).").

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Question No. 3

Responding Witness: Andrea M. Fackler

Q-3. Confirm that Rider RAR will only be calculated to reflect the retirement of Mill Creek 1. If not, confirmed explain why not.

A-3. Stipulation Agreement Section 5.3 explicitly states that Rider RAR should apply to three units, namely Mill Creek Unit 1, Mill Creek Unit 2, and E.W. Brown Unit 3.[5] The Commission approved Rider RAR with that understanding.[6] The Commission did not foreclose the possibility that Rider RAR could apply to units beyond those three, but it explicitly contemplated that it would apply to more units than just Mill Creek Unit 1.

At this time, Rider RAR will only include retirement costs for Mill Creek Unit 1. The Company will submit a new application in advance of the anticipated retirement of future generating units.

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[5] *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric 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. 2020-00349, and *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 Meter Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit*, Case No. 2020-00350, Stipulation Testimony of Kent W. Blake, Stipulation Exh. KWB-1 at 13 (Apr. 19, 2021) ("[T]he Parties recognize that using depreciation rates as agreed in this Stipulation for Mill Creek Unit 1, Mill Creek Unit 2, and E.W. Brown Unit 3 could result in significant remaining net book value and uncollected decommissioning costs for these generating assets retired after the date of this Stipulation. Therefore, the 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 ….").

[6] Case No. 2020-00349, Order at 18-19 (Ky. PSC June 30, 2021) ("[T]he Stipulation provision regarding the RARR is reasonable subject to the clarifying modification that KU has the burden of proof to establish the proper level of the remaining net book value and decommissioning costs associated with the retirement of Brown 3, and the appropriateness of recovering those costs"); Case No. 2020-00350, Order at 21 (Ky. PSC June 30, 2021) ("[T]he Stipulation provision regarding the RARR is reasonable subject to the clarifying modification that LG&E has the burden of proof to establish the proper level of the remaining net book value and decommissioning costs associated with the retirement of Mill Creek Units 1 or 2, and the appropriateness of recovering those costs.").

LOUISVILLE GAS AND ELECTRIC COMPANY

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Question No. 4

Responding Witness: Andrea M. Fackler

Q-4. Refer to Fackler Testimony at 7, lines 14–19. Explain why LG&E does not believe that including the Environmental Cost Recovery Surcharge revenues is a material change to the rider calculation.

A-4. The inclusion of the Environmental Cost Recovery Surcharge revenues does not impact the determination of costs to be recovered through Rider RAR. It only impacts the allocation of costs between Group 1 and Group 2 customers. As stated in the Fackler Testimony at 7, lines 14-19, the omission of Environmental Cost Recovery ("ECR") Surcharge revenues in the Group 2 paragraph of the original Rider RAR tariff tendered with the Settlement Agreement in Case No. 2020-00350 was inadvertent considering the Group 1 paragraph was updated to include the Environmental Cost Recovery Surcharge revenues as a component of total revenues. Of importance is that the tariff needs to be consistent with how total revenues are determined for both Groups.

If the Commission orders the Company not to include ECR Surcharge revenues in the Group 2 paragraph, then such revenues must also be removed from the Group 1 paragraph for consistency. This would also require revisions to the Rider RAR monthly reporting forms template to clarify the composition of the revenues since they would no longer be based on total revenues.

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 LG&E's response to Commission Staff's First Request for Information (Staff's First Request), Item 6. Provide a hypothetical bill calculated as stated in this response for June 2025. Also, provide a hypothetical bill calculated based on the calculation of the Rider RAR component prior to the Environmental Cost Recovery (ECR) factor for June 2025.

A-5. See attachment being provided in Excel format. The hypothetical bill scenarios reflect a Group 1 customer (Rate RS) and a Group 2 customer (Rate RTS). The usage is based on the actual average usage data for LG&E customers in each rate class during the June 2024 billing period, as a proxy for the June 2025 billing period. The bill scenarios show no impact for the Rate RS customer and a de minimis impact for the Rate RTS customer ($24.33 of a bill over $482,000).

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

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Commission Staff's Second Request for Information
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Question No. 6

Responding Witness: Andrea M. Fackler

Q-6. Explain the basis for and reasoning behind LG&E's belief that including the Environmental Cost Recovery revenues in total and then calculating the Rider RAR billing factor accurately reflects only the retirement of Mill Creek 1.

A-6. The Company disagrees with the premise of this question. Including the Environmental Cost Recovery revenues in total revenues does not directly relate to the expected costs recovered due to the retirement of Mill Creek 1. The total revenues calculation is only used to allocate the net E(m), which is the amount of cost to be recovered from customers (or credited to customers in this instance due to costs included in base rates being higher than costs used to determine the levelized expense to recover through Rider RAR), between Group 1 and Group 2 customers.

LOUISVILLE GAS AND ELECTRIC COMPANY

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Question No. 7

Responding Witness: Andrea M. Fackler

Q-7. Explain how LG&E will calculate the Rider RAR factor upon the retirement of another generation unit if the ten-year period of recovery for Mill Creek 1 has not yet expired.

A-7. Refer to Fackler Direct Testimony at 10, lines 2-5. Upon the retirement of another generating unit, the Company will update RAR Form 2.20 to include the calculation of the Retired Asset Costs at Retirement and the Retired Generating Unit Costs Embedded in Base Rates for the additional retired unit. Additionally, RAR Form 2.10 will be updated to calculate the monthly revenue requirement embedded in current base rates for the additional retired unit. Data from these two forms, the Company's current combined statutory tax rate, and the Company's weighted average cost of capital from its most recent base rate case will be used to calculate a monthly levelized payment which will be calculated using RAR Form 2.00. RAR Form 1.10 will then be updated to include the additional retired unit's monthly levelized expense on Line 1 – LE and its offsetting costs embedded in base rates on Line 2 – BR to calculate the monthly Rider RAR E(m). The inclusion of the additional retired unit will not impact the calculation of Mill Creek Unit 1's data other than the fact that they will be combined on RAR Form 1.10 as noted, and the Group RAR Billing Factors from that point will include the costs for both units. After the ten-year period of recovery ends for Mill Creek Unit 1, its data will be removed from the Rider RAR monthly reporting forms.