

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC)	
COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC)	
AND GAS RATES, A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY, APPROVAL OF)	2012-00222
OWNERSHIP OF GAS SERVICE LINES AND RISERS,)	
AND A GAS LINE SURCHARGE)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

The Kentucky Industrial Utility Customers, Inc. ("KIUC"), pursuant to 807 KAR 5:001, is to file with the Commission its electronic responses, a paper original, and two copies of the following information, and serve all parties of record. The information requested herein is due no later than October 26, 2012. Paper responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KIUC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KIUC fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Direct Testimony of Dennis W. Goins, page 22, at which Mr. Goins discusses the recommended three percent increase to Curtailable Service Rider credits. Provide the basis for the proposed three percent increase, and all calculations supporting its reasonableness.

2. Refer to the Direct Testimony and Exhibits of Lane Kollen ("Kollen Testimony"), pages 8-10, and the last attachment to Exhibit_(LK-4), which relate to the off-system sales ("OSS") margin adjustment proposed by Louisville Gas and Electric Company ("LG&E"). On page 8 at lines 13-14, Mr. Kollen states that the proposed adjustment "fails to fully address any effects of seasonality on the margins that might occur over a full month test year." However, starting on page 9 at line 19, and concluding on page 10 at line 2, Mr. Kollen states that "there is no obvious pattern to the OSS margins..." a statement which appears to be supported by the quarterly OSS sales data in the attachment. As there is "no obvious pattern", explain why Mr. Kollen cites "effects of seasonality" as a problem with the proposed adjustment.

3. Refer to pages 12-14 of the Kollen Testimony where Mr. Kollen discusses his proposed adjustment to normalize LG&E's generation outage maintenance expense. Mr. Kollen calculates his adjustment based on five years of historical data adjusted for inflation, and cites LG&E's data responses which indicate that its projected 2013 generation outage maintenance expense will be less than the test year expense level.

a. The test year expense was \$20.9 million, the expense levels in the five years used in Mr. Kollen's proposed adjustment ranged from \$8.2 to \$16.9 million, while LG&E's projected expense levels are \$15.2 million in 2013 and \$14.9 million in 2014. With a range of this magnitude in annual expense levels, explain why an adjustment, be it a decrease or an increase, is appropriate.

b. Explain the extent to which Mr. Kollen's proposed adjustment is dependent on LG&E's 2013 projected expense being less than the test year expense.

c. If an adjustment such as that proposed by Mr. Kollen were to be accepted by the Commission, explain whether KIUC believes that similar adjustments would need to be made in future LG&E cases, regardless of whether the adjustment was an increase or decrease.

d. Explain why a five-year historical period was used in the proposed adjustment, as opposed to either a shorter or longer period.

4. Refer to page 18 of the Kollen Testimony where Mr. Kollen discusses the amortization of the 2011 deferred windstorm costs. At lines 3-5, Mr. Kollen states that "the revenue requirement in this proceeding includes a return on the full amount of the deferred costs." Explain whether this statement is premised on the regulatory asset which LG&E established being included in its rate base.

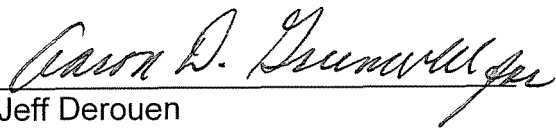
5. Refer to page 21 of the Kollen Testimony at lines 3-9. Provide the amount of the change to LG&E's rate case amortization expense based on this alternative to Mr. Kollen's primary recommendation.

6. Refer to the Direct Testimony of Stephen J. Baron ("Baron Testimony"), page 28. Provide all calculations and assumptions used in the proposed Carbide net revenue adjustment. Provide Carbide energy and demand usage for each of the 24 months prior to the March 2011 explosion and for each month since Carbide resumed normal operations.

7. Refer to Baron Exhibits SJB-2, SJB-6, and SBJ-7. Provide an electronic copy in spreadsheet format of each of the cost of service studies that support these exhibits with the formulas intact and unprotected and with all columns and rows accessible.

8. Refer to page 5 of the Testimony of Richard A. Baudino ("Baudino Testimony"), pages 16 through 18. Explain why no gas utilities or combination utilities were included in the proxy group, and whether excluding such companies makes the proxy group size too small for a reliable comparison group.

9. Refer to pages 21 and 22 of the Baudino Testimony. Explain why using internal growth and return calculations, which are derived in part through rates determined by ROEs awarded in other jurisdictions, as a proxy for dividend growth does not introduce a certain amount of circularity into the calculation.



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cc: Parties of Record

Case No. 2012-00222

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