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Linda Breathitt
Commissioner

September 26, 2013

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2013-00242
Case No. 2013-00243

Enclosed please find a memorandum that has been filed in the record of the above-referenced cases. Any comments regarding the contents of the memorandum should be submitted to the Commission within seven days of receipt of this letter. Any questions regarding this memorandum should be directed to Ron Handziak of the Commission Staff at 502-782-2652.

Sincerely,



Jeff Derouen
Executive Director

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2013-00242
Main Case File - Case No. 2013-00243

FROM: Ronald Handziak, Team Leader *RH*

DATE: September 25, 2013

RE: Informal Conference of August 30, 2013

Pursuant to the Commission's August 28, 2013 Orders in each of these cases, representatives of Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU") (collectively the "Companies") and Commission Staff ("Staff") met on August 30, 2013 at the Commission's offices to discuss the Companies' testimonies and responses to the first round of data requests filed as part of the Commission's review of the Companies' environmental surcharge mechanism for the two-year billing period ending April 30, 2013. A list of attendees is attached.

Representatives of the Companies distributed a document that provided an overview of their filing and their responses to information requested in Appendix B of the Commission's July 12, 2013 Orders initiating this review. The document is attached to this memorandum. The Companies discussed the information contained in the document, specifically noting that there was an over-recovery of the environmental surcharge for the billing period under review for KU, while LG&E experienced an under-recovery for the review period.

Staff asked a few clarifying questions related to information included in the handout and the responses to the data requests. The Companies agreed to provide additional information in response to Staff's questions on or before September 6, 2013.

There being no other questions, the meeting adjourned.

Attachments

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	CASE NO.
SURCHARGE MECHANISM OF KENTUCKY)	2013-00242
UTILITIES COMPANY FOR THE TWO-YEAR)	
BILLING PERIOD ENDING APRIL 30, 2013)	

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	CASE NO.
SURCHARGE MECHANISM OF LOUISVILLE)	2013-00243
GAS & ELECTRIC COMPANY FOR THE TWO-)	
YEAR BILLING PERIOD ENDING APRIL 30,)	
2013)	

August 30, 2013

Please sign in:

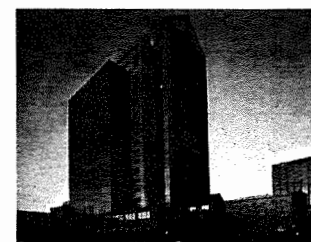
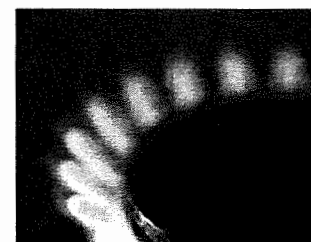
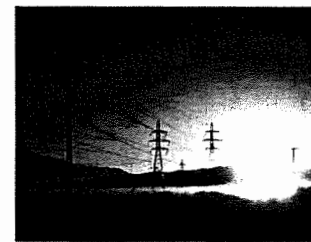
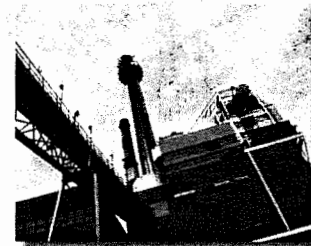
NAME	REPRESENTING
<u>Ron Handziak</u>	<u>PSC - FA</u>
<u>RICHARD RAFF</u>	<u>PSC-LEGAL</u>
<u>Aaron Ann Cole</u>	<u>PSC-legal</u>
<u>Janette Beyer</u>	<u>PSC-legal</u>
<u>Andrea Schroeder</u>	<u>LGE/KU</u>
<u>Allison Sturgeon</u>	<u>LG+E KU</u>
<u>Robert Conroy</u>	<u>LG+E KU</u>
<u>Quang D Nguyen</u>	<u>PSC</u>
_____	_____
_____	_____



PPL companies

ECR Review Case Nos. 2013-00242 and 2013-00243

August 30, 2013



Overview

- ***Review Period:***
 - *Two-year period beginning March 2011 and concluding with the six-month period for expense months of September 2012 through February 2013*
 - *ECR Plans in effect - 2005, 2006, 2009 and 2011*
- ***Recent Changes to the ECR:***
 - *2011 ECR Plans approved in December 2011*
 - *Two-Year Review & Roll-in approved in January 2012*
 - *Elimination of 2005 and 2006 ECR Compliance Plans in December 2012*
- ***Next Steps***

Over/(Under) Reconciliation

	<i>KU</i>	<i>LG&E</i>
<i>Combined Over/(Under) Recovery</i>	<i>\$444,933</i>	<i>(\$389,127)</i>
<i>Due to Change in Rate of Return (Pre-2011 Plans)</i>	<i>85,542</i>	<i>23,446</i>
<i>Due to Change in Rate of Return (2011 Plan)</i>	<i>6,570</i>	<i>26,725</i>
<i>Use of 12-Month Average Revenues</i>	<i>352,820</i>	<i>(322,364)</i>
<i>Input Error in Jan-Feb Expense Mo. (LG&E only)</i>	<u><i>N/A</i></u>	<u><i>(116,935)</i></u>
<i>Total</i>	<u><i>\$444,933</i></u>	<u><i>(\$389,127)</i></u>

Over/(Under) Recovery Position

- *Over-recovery position – KU*
 - *Cumulative over-recovery for the 6-month period is \$444,933*
 - *Recommend distribution over 1 month*
 - *Impact to residential customer using 1,178 kWh/mo is (\$0.43) per month*
- *Under-recovery position – LG&E*
 - *Cumulative under-recovery for the 6-month period is (\$389,127)*
 - *Recommend recovery over 1 month*
 - *Impact to residential customer using 1,030 kWh/mo is \$0.51 per month*

2011 ECR Compliance Plans

- *On December 15, 2011, the Commission approved the 2011 ECR Compliance Plans for KU and LG&E*
- *Key provisions affecting the ECR calculations during the review period:*
 - *Separate authorized rates of return (Pre-2011 and 2011 Plans)*
 - *Use of Group 1 and Group 2 ECR billing factors*
 - *Use of average daily balances and daily interest rates for short- and long-term debt rates in calculation of overall rate of return true-up adjustment*

Two-Year Review & ECR Roll-in

- *Commission approval on January 31, 2012*
 - *Roll-in accomplished using Group 1 and Group 2 methodology*
 - *Effective with the January 2012 expense month billed in March 2012*
- *Pursuant to the 2011 ECR Plan Settlement Agreement, implemented the use of non-fuel revenues to calculate the monthly ECR billing factor for Group 2 customers to coincide with the roll-in implementation*

Group 1 and Group 2 Billing Factors

- *Implemented Group 1 and Group 2 billing factors with March 2012 billing month*
- *Communicated changes to customers through bill inserts, information was made available on the Company's website and talking points were provided to employees to assist with responding to customer inquiries*
 - *Communications information provided to the Commission in post hearing data response in 2011 ECR Plan case*
- *No customer inquires or complaints have been received regarding Group 1 and Group 2 billing factors*
- *Actual results of the revenue requirement allocation are relatively consistent with anticipated results presented in the 2011 ECR Plan*

2005 and 2006 ECR Compliance Plans

- *On December 20, 2012, the Commission approved the elimination of the 2005 and 2006 ECR Compliance Plans from the monthly filings for KU and LG&E*
 - *Plan eliminations were an approved provision in the most recent rate case settlement*
 - *Effective with January 2013 expense month filing, all associated costs will be recovered through base rates*
 - *Recovery of costs related to emission allowances excluded from elimination (KU Project 22 / LG&E Project 17)*
 - *Proposed revisions to ES Forms will remove all references to 2005 and 2006 Plans upon receipt of a Commission Order*

Rate of Return Going Forward

- *Propose use of 10.25% return on equity*
 - *Consistent with the Commission's recent Orders in Case Nos. 2012-00221 and 2012-00222 (most recent base rate cases affirming the ROE for all Plans for ECR purposes, Orders issued December 20, 2012)*
 - *Overall rate of return established based on capitalization for the month ended February 2013*
 - *10.10% for KU*
 - *10.26% for LG&E*
 - *Proposed revisions to the ECR Tariff and ES Forms will remove all references to "Pre-2011 Plans" upon receipt of a Commission Order*

Incremental ECR Roll-in

- *Roll-in of incremental ECR costs and revenues into base rates based on February 2013 ECR rate base and 12-months operating expenses excluding the 2005 and 2006 ECR Plans*
 - *KU proposes to roll-in \$45,820,651*
 - *LG&E proposes to roll-in \$13,088,937*
- *Continue to use Group 1 and Group 2 methodology to accomplish the roll-in*
- *No impact on allowed recovery*
- *ECR recovery through base rates increases in the expense month corresponding with the effective date of new base rates*
- *Corresponding decrease in ECR billing factors occurs on a two month lag*

Roll-In Methodology

- *The Companies propose to continue to follow past practice and base the roll-in on base-rate revenues*
- *The roll-in will be applied to base rate components as approved in Case Nos. 2011-00231 and 2011-00232*
 - *Energy portion for rate schedules with no separate demand charges*
 - *Demand portion for all rates including a separate metered and billed demand component*
 - *Lighting rates continue to be on a per-light basis*

Recommendations – KU and LG&E

- *Approve disposition of the over/(under) recovery positions:*
 - *KU over-collection of \$444,933 distributed over a one month period*
 - *LG&E under-collection of (\$389,127) collected over a one month period*
- *Find environmental surcharge amounts for the billing period ending April 2013 just and reasonable*
- *Approve the use of an overall rate of return on capital using a return on equity of 10.25% beginning in the second billing month following the Commission's Order*
 - *10.10% for KU*
 - *10.26% for LG&E*

Recommendations – KU and LG&E

- *Approve roll-in of incremental ECR charges to base rates:*
 - *KU proposes to roll-in \$45,820,651*
 - *LG&E proposes to roll-in \$13,088,937*
- *Approve ECR Tariff revisions to remove "Pre-2011 Plan" references to become effective with the expense month in which the Commission issues its Order*
- *Approve the use of proposed ES monthly filing forms with the expense month in which the Commission issues its Order*

Next Steps

Procedural Schedule

- *All additional requests for information to KU and LG&E September 4*
- *KU and LG&E shall file responses September 18*
- *Intervenor testimony, if any, to be filed October 2*
- *All requests for information to Intervenors October 16*
- *Intervenors shall file responses October 30*
- *Last day for KU and LG&E to request a hearing or submit the case for decision based on the record..... November 6*