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	)))	CASE NO. 2014-00372

NOTICE OF ERRATA REGARDING COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO LOUISVILLE GAS AND ELECTRIC COMPANY

On January 8, 2015, Commission Staff issued its Second Request for Information ("Staff's Second Request") to Louisville Gas and Electric Company. Through inadvertence, pages 30 through 34 were omitted. Attached as an Appendix to this Notice are pages 30 through 34, which should be included as part of Staff's Second Request.

Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40601

DATED JAN 15 2015

cc: Parties of Record

APPENDIX

APPENDIX TO A NOTICE OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00372 DATED JAN 15 2015

b. The amounts shown on page 2 as the average of all officers for Salary and Other Compensation indicate a roughly 50-50 split between the two forms of compensation. Assuming the response to part a. of this request is affirmative, meaning Other Compensation consists solely of incentive pay, if no incentive pay is in the cost of service and 22.4 percent of the total of Salary and Other Compensation/incentive pay is in the cost of service, confirm whether it is correct to conclude that approximately 45 percent of the total Salary amount is included in the cost of service. If this cannot be confirmed, explain why.

c. If 22.4 percent of the total of Salary and Other Compensation is included in the cost of service, confirm/explain if this means that the other 77.6 percent is treated as a below-the-line expense for ratemaking purposes.

89. Refer to the response to Item 13 of Staff's First Request and page 1 of the attachment to part b. of the response.

a. Part c. of the response indicates, with the result for capital projects that are recovered in base rates being a slippage factor of 97.728 percent, that LG&E believes there is no need to apply a slippage factor. Provide the percentage at which LG&E believes there would be a need to apply a slippage factor.

b. Using the slippage factor of 97.728 percent shown on page 1 of the attachment to part b. of the response, provide the resulting net investment rate base, capitalization, COSS, and revised revenue requirement for both LG&E's electric and gas operations for the base period and forecasted period. Include all work papers, spreadsheets, etc., which show the derivation of each item for each period in Excel spreadsheet format with the formulas intact and unprotected and with all columns and rows accessible.

90. Refer to the attachment to the response to Item 32 of Staff's First Request, which reflects, for the months from January 2011 to October 2014 (excluding January and February, 2014), that LG&E's actual employee headcount has typically fallen short of its budgeted headcount by 30 to 90 employees. The attachment also includes budgeted employee headcounts for the last four months of the base period and the 12 months of the forecasted period.

a. Explain in detail how this consistent historical "shortfall" has been incorporated into the employee headcounts used to develop the labor costs in the forecasted period.

b. Provide work papers spreadsheets, etc., which show the calculation of the labor costs reflected in LG&E's operating expenses in the forecasted period. Include any necessary narrative description of the calculations and provide a means to reconcile the amounts in the calculations to the amounts included in LG&E's application.

91. Refer to the response to Item 35 of Staff's First Request, which shows, for years 2012 and 2013, that executives and senior managers, managers, exempt, and non-exempt employees all received larger annual percentage increases in salaries or wages than union employees. The response also shows that larger percentage increases are budgeted during the base period and forecasted period for those employee groups than the percentage increase budgeted for union employees.

a. While the percentage differences are relatively small (2.8 to 3.2 percent for the non-union employee groups versus 2.5 percent for union employees), explain why these consistent differences occur.

b. Labor contracts typically determine annual percentage increases for union employees. Explain how percentage increases for each of the four non-union employee groups are determined.

92. Refer to the response to Item 40 of Staff's First Request, which seems to indicate that fewer employees will be needed for the operation of Cane Run Unit 7 than for the operation of Cane Run Units 5 and 6.

a. Provide the current number of on-site employees that make up the staff at Cane Run Units 5 and 6.

b. Provide the number of on-site employees that will make up the staff for Cane Run Unit 7.

c. Describe in detail how the difference in staffing requirements for Cane Run Unit 7 versus Cane Run Units 5 and 6 was incorporated into the employee headcounts used to develop the labor costs in the forecasted period.

93. Refer to the response to Item 41 of Staff's First Request. Part b. of the response reads, in part, "The majority of benefit changes occurred in the pension plan expense during the period due to an increase in the discount rate for the plans of over 90 basis points for each plan."

a. The pension amounts in the attachment to the response show an increase of almost $10 million ($15.73 million to $25.71 million), from the base period to the forecasted period. Explain how much of this increase is attributable to the discount rate increase.

b. Describe the factors driving the discount rate increase.

c. Explain whether the discount rates used in the forecast period are related to the pension assumptions referenced on page 29, lines 14-16, of the Blake Testimony.

94. Refer to the response to Item 47.a. (10) of Staff's First Request. The table in the response shows that LG&E's franchise payment to the city of Louisville was $587,416 in 2013. The last sentence in the paragraph immediately preceding the table reads, "Through the end of 2013, this was not a pass-through franchise and was booked as an expense."

a. The sentence quoted implies that a change occurred after 2013. Identify and describe the change, if any that occurred after 2013 in LG&E's treatment of the franchise fee paid to the city of Louisville.

b. Provide the amount of the franchise fee paid to the city of Louisville for 2014 or the amount LG&E estimates it will pay for 2014 and, if applicable, the dates and amounts of each payment in 2014.

c. Provide the amount of the franchise fee LG&E estimates it will pay to the city of Louisville for 2015, the basis for the calculation of the payment, the frequency of the payments for 2015, and whether the payments will be booked as an expense or added as a surcharge to the bills of customers receiving service within the city of Louisville's jurisdiction.

d. Item 47.a. (10) of Staff's First Request asked for information on franchise fees "during the test year." Provide the amount and franchise location of each franchise payment included in the forecasted test year ending June 30, 2016. For each such franchise payment, indicate whether it will be booked as expenses or as a pass-through franchise and indicate the amount of each payment that is for 2015 or for 2016.

95. Refer to LG&E's 1998 gas franchise agreement with the city of Louisville. Explain the basis on which the franchise fee was calculated under that agreement.

a. Provide the date on which the 1998 gas franchise agreement with the City of Louisville expired

b. Since the expiration of the 1998 gas franchise agreement with the city of Louisville, state whether LG&E continued to make payments to the city of Louisville. If yes, explain the reasons why such payments were made, the basis for calculating those payments, the frequency that the payments were made, and the reasons why the payments were not added as a surcharge to the bills of customers receiving service within the local government jurisdiction pursuant to LG&E's Gas Franchise Fee Tariff, P.S.C. Gas No. 9, Original Sheet No. 90.

96. Refer to the response to Item 53 of Staff's First Request, which provides LG&E's expenses for research and development for 2011, 2012, 2013, and the base period. Provide the amount for research and development expenses included in the forecast period for LG&E.

97. Refer to the response to Item 57 of Staff's First Request. Explain how the 48.34 percent of salaries and benefits of G.R. Siemens and D.J. Friebert that are reported "below-the-line" was derived.

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