

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY AND KENTUCKY)	
UTILITIES COMPANY REGARDING)	
ENTRANCE INTO REFINED COAL)	CASE NO.
AGREEMENTS, FOR PROPOSED)	2015-00264
ACCOUNTING AND FUEL ADJUSTMENT)	
CLAUSE TREATMENT, AND FOR)	
DECLARATORY RULING)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY

Louisville Gas and Electric Company and Kentucky Utilities Company ("KU"), (jointly, "the Companies"), pursuant to 807 KAR 5:001, Section 8, are to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before September 25, 2015. Responses to requests for information in paper medium 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 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.

The Companies shall make timely amendment to any prior response if they obtain 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 the Companies fail or refuse to furnish all or part of the requested information, the Companies shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention should 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. When filing a paper containing personal information, the Companies shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, page 6, paragraph 12. Explain whether the Companies will incur any increases in coal-handling expense as a result of “managing and transporting coal to and from the Refined Coal Production Facility at the Generating Station” above what would otherwise be incurred if the Refined Coal Production Facilities were not installed at their generating stations.

2. Page 7, paragraph 15 of the Application outlines accounting treatment for which the Companies seek approval that differs from the treatment prescribed in the Uniform System of Accounts (“USoA”) for payments for coal yard services and site licensing and for coal severance taxes.

- a. Given that the Companies’ proposed accounting treatment departs from that prescribed in the USoA, and recognizing the accounting instructions in 807

KAR 5:056, explain whether consideration was given to structuring the proposed transaction so that payments to the Companies were identified as cash discounts to the price at which they purchased the refined coal.

b. Explain whether the Companies believe that the need for approval of accounting treatment which departs from that in the USoA would be eliminated if the proposed transaction were structured as described in part a. of this request.

c. During the September 3, 2015 informal conference, when asked about, alternatively, recording the benefits of the proposed transaction as a regulatory liability, representatives of the Companies cited potential problems if the same accounting treatment were not approved in all three jurisdictions in which KU operates. Provide a detailed description of these potential problems.

3. Refer to the Application, page 7, paragraph 15, wherein the Companies discuss their proposed accounting treatment for the site-licensing fees, coal yard services fees, and possible coal severance tax. As an alternative to their proposed treatment, explain whether the Companies would be amenable to establishing a Refined Coal Clause tariff in which the three aforementioned items would be netted each month and divided by the kWh sales to calculate a factor, with said factor being netted with the Fuel Adjustment Clause ("FAC") and the Off-System Adjustment Clause factors each month so long as a Refined Coal Production Facility is in operation.

4. Refer to the Application, Exhibit 5, paragraph 4.1. List all permits and permit modifications the Companies must obtain prior to the production of refined coal.

5. Refer to the Application, Exhibit 5, paragraph 8.4.

a. In the event the Companies purchased refined coal that the Producer produced from third-party coal, state whether the Companies would commit to informing the Commission in their monthly FAC Form B filings of such purchases, including price, quantity, and quality of the purchased coal.

b. Confirm that it is possible under the Operation Agreement for Clean Coal Solutions, LLC ("CCS") to sell refined coal that originated from the Companies' feedstock to a party other than the Companies. If this is confirmed, explain how the purchase and sale of this coal would be accounted for and the effect, if any, it would have on the FAC.

6. Refer to the Application, page 5, paragraph 11. State whether, to the Companies' knowledge and belief, any other Refined Coal Production Facilities installed by CCS have ceased to operate due to the failure to secure a Tax Equity Investor.



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Executive Director
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DATED **SEP 15 2015** _____

cc: Parties of Record

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