

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY INDUSTRIAL UTILITY	)	
CUSTOMERS, INC.	)	
	)	
COMPLAINANT	)	
	)	CASE NO.
V.	)	2018-00034
	)	
KENTUCKY UTILITIES COMPANY	)	
AND	)	
LOUISVILLE GAS AND ELECTRIC COMPANY	)	
	)	
DEFENDANTS	)	

ORDER

By petition filed on March 26, 2018, Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (jointly, “KU/LG&E”) requested a rehearing of the Commission’s Order entered on March 20, 2018 (“Order”) approving with modifications an Offer of Acceptance and Satisfaction (“Offer”) that had been agreed to by the parties. The Order<sup>1</sup> increased the amounts agreed to by the parties for the Tax Cuts and Job Act (“TCJA”) Surcredit to be paid to KU/LG&E’s customers for services rendered on or after April 1, 2018. KU/LG&E requested that the Commission issue an expedited decision on or before March 28, 2018.

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<sup>1</sup> In the Order, the Commission based the calculation of the tax rate reductions on the forecasted capitalizations for the test year ending June 30, 2018, which is the test year used in KU/LG&E’s recent rate case, rather than on a forecasted period from January 1, 2018, to April 30, 2019, as proposed in the Offer. The Commission also modified the allocation methodology for TCJA Surcredit to LG&E gas customers.

On March 26, 2018, KU/LG&E also gave notice by letter of their withdrawal from the Offer, based upon a provision in the Offer that permits an adversely affected party to withdraw from the Offer if the Commission did not accept and approve the Offer in its entirety.

KU/LG&E requested a hearing by the Commission, limited to the modification of the capitalization and cost of capital used, to calculate the TCJA Surcredit. KU/LG&E further requested that, while rehearing is pending, the Commission allow KU/LG&E to implement the TCJA Surcredit effective April 1, 2018, at the levels proposed in the Offer. In the alternative, KU/LG&E requested that the Commission conduct a hearing on all issues raised in this proceeding, in which case KU/LG&E will not implement the TCJA Surcredit unless ordered to do so once a final decision is entered.

As a basis for its request, KU/LG&E argued among other things, that they were deprived of due process because of insufficient notice of the change of rates from those proposed in the Offer, and were prejudiced by the Commission's refusal to provide spreadsheets to document the calculations in Appendix C to the Order. KU/LG&E further argued that the modification of the Offer was arbitrary because the Order did not include any evidence as to why KU/LG&E's calculations were rejected, and the Order only addressed the cost-reducing components of the TCJA, but not the adverse impacts of the TCJA on KU/LG&E's overall costs.

Kentucky Industrial Utility Customers, Inc. submitted a letter on March 26, 2018, in support of KU/LG&E's request for limited rehearing and implementation of the TCJA Surcredit, at the levels proposed in the Offer, while the rehearing is pending.

Having reviewed the petition and being otherwise sufficiently advised, the Commission finds that rehearing should be granted to allow the record to be more fully developed on the limited issues raised in the petition of the modification of capitalization and cost of capital.<sup>2</sup> While rate reductions approved by the Order were based on the forecasted capitalization for the test years ended June 30, 2018, as accepted by the Commission in KU/LG&E's most recent rate cases, KIUC's complaint is based on actual test years ended September 30, 2017. To provide all parties an opportunity to address these issues, a procedural schedule providing for discovery, testimony, and a hearing is set forth in the Appendix. Furthermore, the Commission finds that KU/LG&E should implement the TCJA Surcredit at the levels proposed in the Offer on an interim basis, using the allocation to LG&E's gas operations as modified by the Commission's Order,<sup>3</sup> to allow benefits of the TCJA Surcredit to flow to customers during the pendency of the rehearing.

IT IS THEREFORE ORDERED that:

1. KU/LG&E's petition for rehearing is granted on the limited issues of capitalization and cost of capital.
2. The Order entered on March 20, 2018, is amended to the limited extent that ordering paragraphs 1, 2, and 3 that approved new rates and required the filing of revised tariffs to reflect those rates, are suspended.

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<sup>2</sup> The petition provides no authority to support a request for the Excel files prepared by Commission Staff in its advisory role to the Commission, and a review of the case record indicates that no such written request was ever filed with the Commission.

<sup>3</sup> The petition, at footnote 7, indicates that KU/LG&E's "request for authority to implement the TCJA Surcredit at the levels proposed in the Offer . . . includes implementing the TCJA Surcredit for LG&E's gas operations as modified by the Commission's Order."

3. Within 20 days of the date of entry of this Order, KU and LG&E shall separately file with the Commission, using the Commission's electronic Tariff Filing System, revised tariffs reflecting the rates and charges set forth in the Offer, using the allocation to LG&E's gas operations as modified by the Commission's Order, and designating those rates and charges as interim.

4. The procedural schedule set forth in the Appendix to this Order shall be followed.

5. a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed, and shall include the name of the witness responsible for responding to the questions related to the information provided, with an original in paper medium and an electronic version to the Commission.

b. Each response shall be answered under oath, or for representatives of a public or private corporation or a partnership or an 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.

c. Any party shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

6. Any party filing testimony shall comply with the electronic filing procedures set forth in 807 KAR 5:001, Section 8, and shall file with the Commission an original in paper and an electronic version. The copy in paper medium shall be appropriately bound, tabbed, and indexed.

7. A hearing in this matter shall be held on Thursday, May 24, 2018, at 9 a.m. Eastern Daylight Time, at the offices of the Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky.

8. KU/LG&E shall give notice of the hearing in compliance with 807 KAR 5:001, Section 9(2)(b). In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, [psc.ky.gov](http://psc.ky.gov)." At the time the notice is mailed or publication is requested, KU/LG&E shall forward a duplicate of the notice and request to the Commission.

9. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

By the Commission



ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00034 DATED **MAR 28 2018**

KU/LG&E shall file, in verified prepared form, their  
direct testimony no later than.....04/06/18

Requests for information to KU/LG&E  
shall be filed no later than.....04/13/18

KU/LG&E shall file responses to requests for  
information no later than .....04/20/18

Complainant and Intervenor testimony, if any, in verified prepared form,  
shall be filed no later than.....04/27/18

Requests for information to Complainant and Intervenor  
shall be filed no later than.....05/04/18

Complainant and Intervenor shall file responses to requests  
for information no later than.....05/11/18

KU/LG&E shall file, in verified prepared form, their rebuttal  
testimony, if any, no later than.....05/18/18

Public Hearing to be held in Hearing Room 1  
of the Commission's offices at 211 Sower Boulevard,  
Frankfort, Kentucky, for the purpose of cross-examination  
of witnesses of KU/L&GE and Intervenors.....05/24/18

Simultaneous Briefs, if any ..... To be scheduled

\*Honorable Allyson K Sturgeon  
Senior Corporate Attorney  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

\*Robert Conroy  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

\*Jody Kyler Cohn  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*Kentucky Utilities Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY 40232-2010

\*Honorable Kurt J Boehm  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*Louisville Gas and Electric Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY 40232-2010

\*Honorable Kendrick R Riggs  
Attorney at Law  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza  
500 W Jefferson Street  
Louisville, KENTUCKY 40202-2828

\*Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Honorable Michael L Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

\*Rebecca W Goodman  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204