

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE	)	
GAS AND ELECTRIC COMPANY FOR AN	)	CASE NO.
ADJUSTMENT OF ITS ELECTRIC AND GAS	)	2018-00295
RATES	)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION  
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company (LG&E), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested herein is due no later than January 2, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. 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.

LG&E 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 LG&E 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, LG&E 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 LG&E's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1.
  - a. Refer to Item a. Provide a revised tariff sheet reflecting the text change included in this response.
  - b. Refer to Item b. Provide a revised tariff sheet reflecting the addition of a note stating that asterisks represent non-LED lights.
  - c. Refer to Item l(2). Explain why the "Definitions" and "Rate" sections do not apply to LG&E franchises.
  - d. Refer to Item m(1). Provide a revised tariff sheet reflecting this change.

e. Refer to Item n. Explain the reasoning for the proposed text changes to b. and c. of “5. Other Line Extensions” and b. of “6. Overhead Line Extensions for Subdivisions.”

f. Refer to Item o. Identify the criteria used to determine eligibility for this credit and explain why it now rarely exists.

g. Refer to Attachment to Response to PSC-2 Question No. 1(h), page 19 of 26. Under “19. Unauthorized Attachments,” it states, “such Attachment shall be deemed an ‘Unauthorized Attachment,’ and shall be presumed to have been affixed to Company Structures for two years or since completion of the most recent audit, whichever is occurring earlier. Attachment Customer shall be liable for attachment charges for this time period.” This language seems to indicate that if the most recent audit occurred four years ago, the Attachment Customer would be responsible for four years’ worth of attachment charges. Explain how this would not be in violation of KRS 278.225. If the tariff language needs to be revised, provide a revised tariff sheet reflecting such revision.

2. Refer to LG&E’s Response to Staff’s First Request for Information (Staff’s First Request), Item 6.

a. Explain whether there are any governmental units that will see an increase in pole attachment charges.

b. Explain whether there are any educational units that will see an increase in pole attachment charges.

c. Explain whether the proposed Rate PSA will be included on future franchise agreements.

3. Refer to LG&E's Response to Staff's Second Request, Item 2c. Provide the compilation in Excel spreadsheet format.

4. Refer to LG&E's Response to Staff's Second Request, Item 5. Confirm that LG&E will no longer purchase non-LED lighting inventory. If this cannot be confirmed, provide the date that LG&E expects to no longer purchase non-LED lighting inventory.

5. Refer to LG&E's Response to Staff's Second Request, Item 11.b. Provide the benefits beyond net metering.

6. Refer to LG&E's Response to Staff's Second Request, Item 22.

a. Refer also to Schedule B-2.2, page 2 of 2, line 10. Provide the amount of the adjustment that relates to Advanced Metering Infrastructure (AMI) meters required by Solar Share participants.

b. Refer also to Schedule B-2.3, page 5 of 6, line 57. Provide the amount of the increase that relates to AMI meters required by Solar Share participants.

7. Refer to LG&E's Response to Staff's Second Request, Item 25. Also refer to the Application, Tab 67, Schedule N – Gas, page 7 of 13. Based on the average annual usage, provide the number of customers for each Mcf block.

8. Refer to LG&E's Response to Staff's Second Request, Item 32, Attachment – Costs\_Reference Tab.

a. Provide support for the Charge Point Annual Cost of \$255.00 for a single port.

b. Provide support for the Charge Point Annual Cost of \$510.00 for a double port.

9. Refer to LG&E's Response to Staff's Second Request, Item 33.b.

- a. Provide support for the monthly carrying charge percentage
- b. Provide the Attachment to this response in Excel spreadsheet format

with all formulas unprotected and all rows and columns fully accessible.

10. Refer to LG&E's Response to Staff's Second Request, Item 51, and the attachment thereto in which LG&E explained how it calculated changes to its accumulated deferred income taxes (ADIT) using the pro rata method.

- a. Explain why LG&E applied the pro rata method by using the total change between April 30, 2019, and April 30, 2020, divided by 12 for the monthly increase and decrease amounts as opposed to actual projected monthly increase and decrease amounts.

- b. Confirm that it would be consistent with the pro rata method described in 26 C.F.R. § 1.167(l)-1 to apply the pro rata method using the actual projected monthly changes instead of the total change between April 30, 2019, and April 30, 2020, divided by 12 as LG&E did in the attachment to Staff's Second Request, Item 51.

- c. If LG&E contends that it would be inconsistent with 26 C.F.R. § 1.167(l)-1 to apply the pro rata method using the actual projected monthly changes, explain all bases for that contention with reference to the specific provisions of 26 C.F.R. § 1.167(l)-1 and any relevant interpretations thereof, including Example 2 and Example 3 in 26 C.F.R. § 1.167(l)-1(h)(6)(iv).

11. Refer to LG&E's response to Staff's Second Request, Item 64, in which LG&E explained that the adjustment amount for deferred income taxes in Att\_LGE\_PSC\_1-53\_Sch\_B\_Electric at tab "Sch-B-6" reflects the Environmental Cost Recovery (ECR) and Demand-Side Management (DSM) deferred income tax amounts,

which are included in other rate mechanisms, and therefore removed from the total deferred income taxes used to calculate base rates.

a. Confirm that the \$980,229,172 amount for Jurisdictional Total Deferred Income Taxes in Att\_LGE\_PSC\_1-53\_Sch\_B\_Electric at tab “Sch-B-6” includes ECR and DSM deferred income tax amounts calculated using the pro rata method described in LG&E’s Response to Staff’s Second Request, Item 51.

b. Confirm that the \$308,104,646 amount for adjustments to deferred income taxes in Att\_LGE\_PSC\_1-53\_Sch\_B\_Electric at tab “Sch-B-6” represents the ECR and DSM deferred income tax amounts calculated using a 13-month average of the actual projected monthly amounts.

c. State whether LG&E contends that it is reasonable to calculate the extent to which ECR and DSM deferred income tax amounts should be included in the total deferred income tax amount using the pro rata method while calculating the extent to which ECR and DSM deferred income tax amounts should be removed from the total deferred income tax amount using a 13-month average of the actual projected monthly amounts.

d. If LG&E does contend that using the two different methods to calculate the ECR and DSM deferred income tax amounts is reasonable, identify and explain all bases for its contention that practice is reasonable.

12. State whether the ADIT amounts in Att\_LGE\_PSC\_1-53\_Sch\_B\_Electric and Att\_LGE\_PSC\_1-53\_Sch\_B\_Gas were calculated based on LG&E’s current, approved depreciation rates or its proposed, accelerated depreciation rates.

13. Refer to LG&E's Response to Staff's Second Request, Item 70, which states that LG&E "does not allocate NOLs to specific utility properties." If that is the case, explain how LG&E ensures that it treats deferred tax assets arising from accelerated tax depreciation, specifically those arising from Net Operating Loss (NOL) carryforwards, in the same manner as deferred tax liabilities arising from accelerated tax depreciation when it takes properties, the depreciation of which generated those assets and liabilities, out of service as indicated in LG&E's Response to Staff's Second Request, Item 73.

14. In its September 28, 2018 Order in Case No. 2018-00034<sup>1</sup> at page 11, the Commission disallowed LG&E's capitalization adjustment for the Tax Cut and Jobs Act impact to current federal income tax expense, but allowed the adjustment to capitalization for amortization of excess ADIT. Explain if LG&E's forecasted capital includes both adjustments. If it does, identify the amounts included in the end-of-period and 13-month average capitalization.

15. Refer to LG&E's Responses to Attorney General's Initial Request for Information (Attorney General's Initial Request), Item 14. Explain how the LG&E's existing price forecast scenarios compare to the market analysis software PROMOD (used by PJM) which contains LMP forecasting for selected nodes, user-defined hubs, or load-weighted or generator-weighted zone features.

16. Refer to LG&E's Response to the Attorney General's Initial Request, Item 40. LG&E states that capitalization cannot be tracked to individual items. Provide a detailed explanation of the process LG&E used to forecast its monthly capitalization in the forecasted period.

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<sup>1</sup> Case No. 2018-00034, *Kentucky Industrial Utility Customers, Inc. v. Kentucky Utilities Company and Louisville Gas and Electric Company* (Ky. PSC Sept. 28, 2018).

17. Refer to LG&E's Response to the Attorney General's Initial Request, Item 47.

a. Provide an itemized list of the distribution capital projects for each category in the chart.

b. Provide a comparison by category of the amounts in the chart to the actual amounts spent in each category for the prior three calendar years.

18. Refer to LG&E's Response to the Attorney General's Initial Request, Item 52. Confirm that the "Companies' two existing, separate locations" will be closed after the new facility is in service. If this cannot be confirmed, explain why not.

19. Refer to LG&E's Response to the Attorney General's Initial Request, Item 180.

a. Explain what "centralized grid operation" entails.

b. State whether a cost-benefit analysis was performed. If so, provide a copy of the analysis.

c. Explain, and quantify, the expected benefits to ratepayers of centralized grid operations.

d. Explain whether KU/LG&E will be operating separate "centralized grid operations." If so, explain whether that will result in increased cost or duplication of services.

20. Generally, describe LG&E's process to determine whether to request a Certificate of Public Convenience and Necessity.

21. Refer to LG&E's Response to the Attorney General's First Request for Information, Item 73.b.



a. Explain why LG&E forecasts \$1.04 million in Customer Education advertising given that the program was removed from LG&E's DSM offerings for its lack of cost-effectiveness.

b. Provide Customer Education advertisement expenditures for the past five years.

22. Refer to LG&E's Response to the Attorney General's Initial Request, Item 79.

a. Identify each of the five separate matters forecasted between 2017 Regulatory to 2018 Regulatory. Include the amount forecasted for each matter.

b. Identify each of the six separate matters forecasted between 2018 Regulatory to 2019 Regulatory. Include the amount forecasted for each matter.

23. Refer to LG&E's Response to Kentucky Industrial Utility Customer, Inc.'s First Request, Item 14. Explain why purchases up to 558 MW per hour from other utilities were included in the Loss of Load Probability analysis.

24. Refer to LG&E's Response to Charter Communication Operating, LLC's First Requests for Information, Item 13 b. State whether it is LG&E's intention to pass through the pro-rata costs of the ongoing Attachment Audit to its Attachment Customers if the Commission approves LG&E's proposed mechanism.

25. Refer to LG&E's Response to Louisville Metro Government's First Request for Information, Item 10.

a. Provide information on this tool and how it assists customers in estimating the cost of switching to LED lighting.

b. Explain whether this estimate includes the proposed conversion fee.

26. Refer to LG&E's Response to Louisville Metro Government's First Request for Information, Item 52.

a. Explain why a paperless customer cannot apply for the Late Payment Credit online.

b. Explain how LG&E will advertise of the Late Payment Credit option.

27. Refer to the Application, Schedule J-1.

a. Provide LG&E's capitalization allocated to generation, transmission, distribution, and general for electric operations and distribution, transmission, and general for gas operations.

b. Explain the drivers for LG&E's projected increase in capitalization.

28. Refer to the Direct Testimony of Daniel K. Arbough, page 22, lines 3–7. Provide LG&E's policy for hedging against risk exposure for interest rate changes.

29. Refer to the Direct Testimony of Lonnie E. Bellar, Exhibit LED-2.

a. Explain why KU/LG&E did not contact PJM or MISO representatives for review and validation of key assumptions and modeling methodology.

b. Refer page 12 of 40 wherein the study states, "The Companies used their production cost software tool, PROSYM, to forecast the potential trade benefits of joining an RTO . . . ." Explain why PROSYM is the preferred analytical model for undertaking the Regional Transmission Operator (RTO) market analysis set forth in Exhibit LEB-2.

c. Refer page 6 of 40 wherein the study states, "To determine which components of RTO membership might have a material impact, the team: Reviewed relevant material, including . . . EKPC cost-benefit analysis . . . ."

(1) Explain how PROSYM compares to GE MAPS Model used in the EKPC RTO Membership Assessment.

(2) Explain why KU/LG&E chose not to model entering PJM as a Fixed Resource Requirement (FRR) Alternative.

d. Refer to page 14–40, wherein the study states, “The trade benefits estimates are highly uncertain as they depend on the level of market electricity prices, which directly depend on many uncertain variables including fuel costs, weather, and RTO-wide load and generation performance. They may also be indirectly influenced by many external factors, including state and federal policy.”

(1) Confirm that KU/LG&E do not have the modeling capabilities to evaluate uncertain variables such as fuel costs, weather, RTO-wide load and generation performance and other external factors such as state and federal policies.

(2) Explain the ability of PROSYM to evaluate the uncertainty of fuel costs, weather, load, and generation performance.

e. Refer to page 4–40, wherein the study states, “As in the previous analysis, a cross-functional team was organized to identify the major costs, benefits, opportunities, and uncertainties compared to the status quo operations of the Companies.” Explain the cross function team’s capabilities to conduct sensitivity analysis in order to evaluate uncertainty in the KU/LG&E modeling outcomes.

f. Refer to Appendix E-Non-Quantifiable Considerations, starting on page 34 of 40 generally.

(1) Explain whether KU/LG&E considered customer demand response and energy efficiency benefits of RTO participation.

(2) Explain whether participation in an RTO allow KU/LG&E to obtain more demand response and energy efficiency pathways for customers.

g. Refer to page 7 of 40 wherein the study lists a key assumption, “The purchase or sale of ancillary services has net zero cost because the Companies are both buyers and sellers of these products and any charges are offset by credits.”

(1) Explain why these benefits and costs were not quantified.

(2) Explain whether KU/LG&E’s Energy Storage Research and Demonstration Site at its E.W. Brown Generating Station currently provides ancillary services.

(3) Explain whether KU/LG&E quantified potential cost and benefits of the Energy Storage Research and Demonstration Site at its E.W. Brown Generating Station in terms of participating in ancillary services markets.

30. Since submittal of the 2018 RTO Membership Analysis by KU/LG&E, several renewable energy projects have entered the KU/LG&E Generation Interconnection Que. Explain how RTO membership may affect KU/LG&E’s obligation under the Public Utility Regulatory Policies Act.

31. Since submittal of the 2018 RTO Membership Analysis by KU/LG&E, PJM, in October, submitted two capacity-repricing proposals to the Federal Energy Regulatory Commission.<sup>2</sup> Explain how these proposals may affect the potential outcomes of the 2018 RTO Membership Analysis.

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<sup>2</sup> <https://www.pjm.com/-/media/documents/ferc/filings/2018/20181002-capacity-reform-filing-w0172181x8DF47.ashx>

32. Explain the boundary between distribution automation and advanced metering infrastructure. Include in the explanation any change that resulted from the Commission's decision in Case No. 2018-00005.<sup>3</sup>



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DATED **DEC 13 2018** \_\_\_\_\_

cc: Parties of Record

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<sup>3</sup> Case No. 2018-00005, *Electronic Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for Full Deployment of Advanced Metering Systems*, (Ky. PSC Aug. 30, 2018).

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