

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY) CASE NO.
FOR AN ADJUSTMENT OF ITS ELECTRIC RATES) 2012-00221

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission its electronic responses, a paper original, and two copies of the following information, and serve all parties of record. The information requested herein is due by October 26, 2012. Paper responses to requests for information 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 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.

The AG 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 the AG 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.

1. The testimony of Glenn A. Watkins (“Watkins Testimony”), at page 26, recommends that Kentucky Utilities Company (“KU”) distribution plant be classified as 100 percent demand-related.

a. Explain why Mr. Watkins did not make the same argument in KU’s last rate case, Case No. 2009-00548.¹

b. Provide the number of cost-of-service studies that Mr. Watkins has prepared during his career and the number of those in which he recommended that distribution plant be classified as 100 percent demand-related.

2. The Watkins Testimony, at page 35, states that KU’s proposed class revenue distribution is reasonable except for the Fluctuating Load Service (“FLS”) class, and he recommends the FLS class be increased at 125 percent of the overall system-wide percentage increase. The testimony of Kentucky Industrial Utility Customers, Inc. witness Stephen J. Baron, at pages 11-16, discusses an error in KU’s cost-of-service study related to the treatment of curtailable service revenues. Upon correction of this error, Mr. Baron asserts that the (1.59) percent rate of return for the FLS class becomes a 5.24 percent rate of return. Explain whether Mr. Watkins agrees with Mr. Baron’s

¹ Case No. 2009-00548, Application of Kentucky Utilities Company for an Adjustment of Base Rates (Ky. PSC July 30, 2010).

assertion of an error and, if so, explain if this changes Mr. Watkins' recommendation regarding the revenue increase allocation to the FLS class.

3. Refer to Exhibit GAW-2. The first 10 generating units listed are categorized as base load, while the following eight units are categorized as intermediate load. Explain how the cut-off point between base load and intermediate load was determined.

4. Refer to Exhibit GAW-5. Provide an electronic copy in spreadsheet format of the cost-of-service study that supports this exhibit with the formulas intact and unprotected and with all columns and rows accessible.

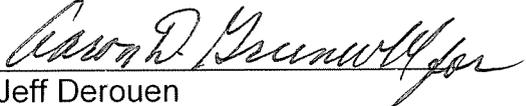
5. Refer to the Direct Testimony of Dr. J. Randall Woolridge ("Woolridge Testimony"), pages 14-15 and Exhibit JRW-4. Provide the most recent published Value Line company analysis for each of the companies in the electric proxy group.

6. Several companies in the proxy group in Exhibit JRW-10 have negative growth rates. Explain why it is valid to have these companies included in the analysis.

7. Refer to the Woolridge Testimony at pages 33-34 and Exhibit JRW-10, page 4. Explain why using internal growth and return calculations, which are derived in part through rates determined by ROEs awarded in other jurisdictions, as a proxy for dividend growth does not introduce a certain amount of circularity into the calculation.

DATED OCT 15 2012

cc: Parties of Record


Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Honorable David J. Barberie
Managing Attorney
Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KENTUCKY 40507

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

Lonnie Bellar
Vice President, State Regulation & Rates
Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

Honorable Matthew R Malone
Attorney at Law
Hurt, Crosbie & May PLLC
The Equus Building
127 West Main Street
Lexington, KENTUCKY 40507

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

Honorable William H May, III
Attorney at Law
Hurt, Crosbie & May PLLC
The Equus Building
127 West Main Street
Lexington, KENTUCKY 40507

David Brown
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KENTUCKY 40202

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

Lawrence W Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

Honorable Iris G Skidmore
415 W. Main Street
Suite 2
Frankfort, KENTUCKY 40601

Honorable Dennis G Howard II
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

Jacob Walbourn
Attorney
Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KENTUCKY 40507

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