

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)
UTILITIES COMPANY FOR AN ADJUSTMENT)
OF ITS ELECTRIC RATES, A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY) CASE NO.
TO DEPLOY ADVANCED METERING) 2020-00349
INFRASTRUCTURE, APPROVAL OF)
CERTAIN REGULATORY AND ACCOUNTING)
TREATMENTS, AND ESTABLISHMENT OF A)
ONE-YEAR SURCREDIT)

ELECTRONIC APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY FOR AN)
ADJUSTMENT OF ITS ELECTRIC AND GAS)
RATES, A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO) CASE NO.
DEPLOY ADVANCED METERING) 2020-00350
INFRASTRUCTURE, APPROVAL OF)
CERTAIN REGULATORY AND ACCOUNTING)
TREATMENTS, AND ESTABLISHMENT OF A)
ONE-YEAR SURCREDIT)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY AND
TO KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), and Kentucky Industrial Utility Customers, Inc. (KIUC), pursuant to 807 KAR 5:001, are to file with the Commission an electronic version of the following information. The information requested herein is due on April 1, 2021. The Commission directs the Attorney General and KIUC to the Commission's

March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses 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.

The Attorney General and KIUC shall make timely amendment to any prior response if the Attorney General and KIUC obtain information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Attorney General and KIUC fail or refuse to furnish all or part of the requested information, the Attorney General and KIUC shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in these proceedings 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 Attorney General and KIUC 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 Direct Testimony of Stephen J. Baron (Baron Testimony), page 30. Provide the rates for all customer classes that would result from the proposed allocations in Table 3, assuming that the entire amount of Louisville Gas and Electric Company's (LG&E) proposed electric rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

2. Refer to the Baron Testimony, page 31. Provide the rates for all customer classes that would result from the proposed allocations in Table 4, assuming that the entire amount of Kentucky Utilities Company (KU) proposed electric rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

3. Refer to the Baron Testimony, page 40.

a. Provide revised Tables 5 and 6 based upon Mr. Baron's proposal to maintain the current TODP and RTS energy charges. This revised table should include proposed increased to the Base, Intermediate, and Peak demand charges. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

b. Explain whether placing the entire increase to the demand charge disregards gradualism.

4. Refer to the Baron Testimony, page 45, lines 6–8, which states that customers receiving a discount on a portion of their bills via an economic incentive discount would also receive a credit for the Economic Relief Surcredit. Confirm that this is referring to customers taking service under the Economic Development Rider.

5. Refer to the Baron Testimony, page 48, line 20, through page 49, line 12, which discusses a recent revision to 807 KAR 5:056 regarding coal severance taxes. As the Commission has recently proposed to revise 807 KAR 5:056, Section 5 to remove the special provisions regarding coal severance taxes, explain if that would change any of Mr. Baron's testimony if it were to be codified.

6. Refer to the Baron Testimony, Exhibit SJB-7, Proposed Coal Mine Economic Development Rate.

a. Explain whether it would be reasonable for this Commission, if it were to approve the Coal Mine Economic Development Rate, to impose conditions such as those set forth in Administrative Case No. 327.²

b. Explain whether it would be reasonable for this Commission, if it were to approve the Coal Mine Economic Development Rate, to approve it temporarily with the option to extend the expiration date upon a filing from LG&E and KU requesting an extension.

c. If the Commission were to approve the Coal Mine Economic Development Rate, explain whether LG&E and KU should be able to recover any financial

² Administrative Case No. 327, *An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities* (Ky. PSC Sept. 24, 1990).

loss in connection with the proposed rate. If so, explain how the financial loss should be recovered. If not, explain.

d. Explain whether Mr. Baron believes coal production is more of a result of the market forces of supply and demand or energy costs.

e. Explain whether the proposed Coal Mine Economic Development Rate will cause inter-class subsidies.

f. Explain whether the proposed Coal Mine Economic Development Rate will cause intra-class subsidies.

g. Provide a chart listing the rates of River View Coal, LLC's competitors in Kentucky and the surrounding states.

7. Explain whether Mr. Baron agrees or disagrees whether the Probability of Dispatch COSS is a more reasonable approach to measuring cost of service as compared to the 6 CP COSS.

8. Explain whether Mr. Baron agrees or disagrees whether the Base, Intermediate, Peak COSS is a more reasonable approach to measuring cost of service as compared to the 6 CP COSS.

9. Refer to the Direct Testimony of Richard A. Baudino (Baudino Testimony) generally. There have been recent ROE awards to electric utilities with transmission and distribution assets only that have been below 9.0 percent.

a. Everything else being equal, explain generally whether wires only utilities are less risky than vertically integrated electric utilities that own and operate generation facilities. If so, explain the risk factors associated with the ownership and operation of generation facilities that enhances the utilities' risk.

b. Provide a detailed explanation of how each of the risk factors enumerated above relate specifically to LG&E and KU. Include in the response an explanation of how the well-established rate recovery mechanisms and regulatory processes fail to alleviate any additional risk such that a higher awarded ROE is warranted.

10. Refer to the Baudino Testimony Provide Exhibit Nos. (RAB-2) through (RAB-6) in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

11. Refer to the Baudino Testimony, page 26, lines 3–4. Explain how each in the proxy group company's dividend was annualized.

12. Refer to the Baudino Testimony, page 28, lines 6–8. Since Yahoo! Finance did not have an estimate of ALLETE's forecasted earnings per share, explain why it wouldn't be more appropriate to simply leave that cell blank, as opposed to assuming a value.

13. Refer to the Baudino Testimony, page 28, lines 10–13. Explain why only one half of the annual growth rate was utilized to derive the expected dividend yield and why the full annual growth rate is not a more appropriate measure.

14. Refer to the Baudino Testimony, page 33, lines 3-8 and Exhibit No. (RAB-4).

a. Since the Value Line projected 3-5 market return is used, and the projected 30-year bond rates are steadily increasing over the six month period, explain why it would also not be appropriate to use projected 30-year Treasury bond rates.

b. If possible, provide the projected 30-year Treasury bond rate as it was projected at the time the Value Line projected 3-5 year market return data was collected.

15. Refer to the Baudino Testimony, page 41, lines 5–7. Mr. Baudino states that the average utility bond yield ranges from 2.76 percent to 3.59 percent in 2021.

a. Confirm that the period Mr. Baudino is referencing is 2020.

b. Provide the monthly utility bond yields for 2020 to date.

16. Refer to the Kollen Testimony, pages 30–34.

a. Provide a comparative list of the advantages and disadvantages of securitization.

b. Explain why investors would engage in securitization.



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DATED MAR 19 2021

cc: Parties of Record

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Case No. 2020-00350

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