

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)	CASE NO.
COMPANY FOR AN ADJUSTMENT OF)	2014-00371
ITS ELECTRIC RATES)	

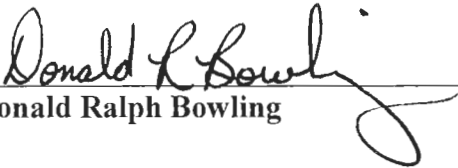
RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
SECOND REQUEST FOR INFORMATION
OF THE KROGER COMPANY
DATED FEBRUARY 6, 2015

FILED: FEBRUARY 20, 2015

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, Donald Ralph Bowling, being duly sworn, deposes and says that he is Vice President, Power Production, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Donald Ralph Bowling

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2015.

 (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOELEN
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Russel A. Hudson**, being duly sworn, deposes and says that he is Director – Financial Resource Management for Louisville Gas and Electric Company and Kentucky Utilities Company, an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Russel A. Hudson
Russel A. Hudson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of February 2015.

Judy Schooler (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

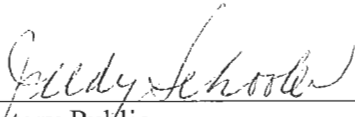
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is Chief Operating Officer for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Paul W. Thompson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of February 2015.


_____(SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
~~My commission expires July 11, 2018~~
Notary ID # 512743

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

Response to Second Request for Information of The Kroger Company
Dated February 6, 2015

Question No. 1

Responding Witness: D. Ralph Bowling

Q-1. Follow-up to KU's Response to Kroger's First RFI Question 8. Referring to the response to subpart d), please explain why there is no data included for the following plants or units. Please provide an updated response providing the historical overhaul expense including all plants or units even if there were no overhaul expenses associated with the plants or units.

- a. Clifty Creek Units 1-6.
- b. Joppa Steam Units 1-5.
- c. Kyger Creek Units 1-5.
- d. E W Brown CT Unit 10.
- e. E W Brown CT Unit 11.
- f. MEPI Joppa CT Units 4-5.
- g. Trimble County CT Unit 5.
- h. Trimble County CT Unit 6.
- i. Trimble County CT Unit 7.
- j. Trimble County CT Unit 10.

A-1. Items a.) and c.) are plants owned by Ohio Valley Electric Corporation and items b.) and f.) are owned by Electric Energy Inc., not by KU, therefore overhaul costs for those plants are not included in operating expenses. The remaining KU units listed did not incur any overhaul expenses in 2009 through 2013. Below is an updated table:

Generating Unit	\$000				
	2009	2010	2011	2012	2013
E W Brown Unit 1	304	1,216	425	712	409
E W Brown Unit 2	3,468	980	1,440	576	1,190
E W Brown Unit 3	1,076	2,073	1,962	7,933	564
Ghent Unit 1	2,915	2,867	1,766	3,614	2,469
Ghent Unit 2	3,066	1,311	520	8,771	646
Ghent Unit 3	1,385	313	10,116	3,604	970
Ghent Unit 4	1,113	3,663	424	1,460	976
Green River Unit 3	519	1,870	(0)	1,017	262
Green River Unit 4	778	274	1,802	317	1,052

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Trimble County 2	-	-	167	798	3
Tyrone Unit 3	5	0	-	-	-
Dix Dam	-	13	-	-	-
Paddys Run GT 13	-	1,901	474	(5)	34
Haefling Unit 1	31	41	2	2	6
Haefling Unit 2	17	40	2	-	6
Haefling Unit 3	26	7	2	-	135
Cane Run 7	-	-	-	-	-
E W Brown Combustion Turbine Unit 5	-	59	86	0	-
E W Brown Combustion Turbine Unit 6	80	359	4	14	23
E W Brown Combustion Turbine Unit 7	(464)	15	5	131	(35)
E W Brown Combustion Turbine Unit 8	137	-	11	-	-
E W Brown Combustion Turbine Unit 9	-	122	187	0	247
E W Brown Combustion Turbine Unit 10	-	-	-	-	-
E W Brown Combustion Turbine Unit 11	-	-	-	-	-
Trimble County #5 Combustion Turbine	-	-	-	-	-
Trimble County #6 Combustion Turbine	-	-	-	-	-
Trimble County #7 Combustion Turbine	-	-	-	-	-
Trimble County #8 Combustion Turbine	10	-	-	-	-
Trimble County #9 Combustion Turbine	583	-	(2)	-	-
Trimble County #10 Combustion Turbine	-	-	-	-	-
Total	15,048	17,127	19,394	28,944	8,958

KENTUCKY UTILITIES COMPANY

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Dated February 6, 2015

Question No. 2

Responding Witness: D. Ralph Bowling

Q-2. Follow-up to KU's Response to Kroger's First RFI Question 8. Referring to the response to subpart e), please provide a breakdown of the \$20.1 million included in the forecasted test year by plant/unit comparable to the response provided to Kroger's First RFI Q-8(d), and including the units listed in the previous question.

A-2.

Generating Unit	\$000 Forecasted Test Year
E W Brown Unit 1	902
E W Brown Unit 2	522
E W Brown Unit 3	1,983
Ghent Unit 1	2,282
Ghent Unit 2	4,555
Ghent Unit 3	2,897
Ghent Unit 4	1,843
Green River Unit 3	263
Green River Unit 4	263
Trimble County 2	2,846
Tyrone Unit 3	-
Dix Dam	-
Paddys Run GT 13	50
Haefling Unit 1	15
Haefling Unit 2	15
Haefling Unit 3	-
Cane Run 7	613
E W Brown Combustion Turbine Unit 5	103
E W Brown Combustion Turbine Unit 6	13
E W Brown Combustion Turbine Unit 7	27
E W Brown Combustion Turbine Unit 8	57
E W Brown Combustion Turbine Unit 9	219
E W Brown Combustion Turbine Unit 10	523
E W Brown Combustion Turbine Unit 11	50
Trimble County #5 Combustion Turbine	10
Trimble County #6 Combustion Turbine	10

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Bowling

Trimble County #7 Combustion Turbine	8
Trimble County #8 Combustion Turbine	8
Trimble County #9 Combustion Turbine	8
Trimble County #10 Combustion Turbine	8
Total	20,096

KENTUCKY UTILITIES COMPANY

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**Response to Second Request for Information of The Kroger Company
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Question No. 3

Responding Witness: D. Ralph Bowling

- Q-3. Follow-up to KU's Response to Kroger's First RFI Question 8(e).
- a. Of the \$20.1 million included in the forecasted test year, please provide the amount included (if any) for Cane Run CC Unit 7.
 - b. Please provide a forecast of the generation overhaul expense for the first four full years of operation of Cane Run CC Unit 7.
- A-3. a. See the response to Question No. 2.
- b. Below is the forecast of the generation overhaul expense for the first four full years of operation of Cane Run CC Unit 7:

2016 - \$1.4 million
2017 - \$1.8 million
2018 - \$0.8 million
2019 - \$4.3 million

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

**Response to Second Request for Information of The Kroger Company
Dated February 6, 2015**

Question No. 4

Responding Witness: D. Ralph Bowling

- Q-4. Follow-up to KU Response to Kroger's First RFI Question 8(e).
- a. Of the \$20.1 million included in the forecasted test year, please provide the amount included (if any) for E W Brown Solar Plant.
 - b. Please confirm that this planned resource is in the forecasted test period plant in service beginning in June 2016. If the plant is not in plant in service starting in June 2016, please explain the ratemaking treatment for these costs in the forecast test period, if any.
 - c. If this planned resource is included as plant in service in the forecasted test period, please provide a forecast of the generation overhaul expense for the first four full years of the plant's operation, if any.
- A-4.
- a. There are no operating costs included in the forecasted test year for the E. W. Brown Solar facility.
 - b. This planned resource will not be placed in service during the forecasted test period. The estimated in-service date for Brown solar is December 31, 2016. Therefore the rate treatment is based on the returns through construction-work-in-progress.
 - c. This planned resource is not included in plant in service during the forecasted test period.

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Dated February 6, 2015

Question No. 5

Responding Witness: Paul W. Thompson

- Q-5. Follow-up to KU's response to Kroger's First RFI, Question 7. The Company explains in its response that a 2.0% inflation rate is included in the estimated portion of the base period and the forecasted test period when better information is not available.
- a. Please explain in detail how the 2.0% inflation rate is applied to derive the estimated portion of the base period. To what historical period is the 2.0% inflation rate applied? Is a historical twelve-month period of actual O&M expenses used for this purpose?
 - b. Considering that the Company's base period is premised on actual data for March 1, 2014 through August 31, 2014, and the forecast test period ends 22 months after the last month of historical data, please explain whether multiple years of 2.0% inflation are added to the historical data, for O&M expenses affected by the Company's 2.0% annual inflation assumption. Please specify the actual historical period to which inflation is applied, and indicate how many years of 2.0% annual inflation are applied to the historical data to derive the forecast test period level of O&M expenses. If possible, please provide the effective compounded inflation rate that is used to derive forecast test year expenses from the actual historical expenses, for expenses affected by the Company's inflation assumption.
- A-5.
- a. In the cases where the 2.0% general inflation rate is used, it is taken from the most recent period of actual results (typically the last full year completed, 2013 in this case), and applied to the estimated portion of the base period. Due to the compounding effect of the annualized general inflation rate, the compounded rate is 2.87% from the average of 2013 to the forecasted portion of the base year. This inflation rate is only used in the cases where more specific information is not available at the time the Business Plan is prepared.
 - b. In most cases the full year 2013 results would form the basis for the 2.0% escalation rate into future periods, in those situations where more precise cost information is not available. The budget preparation typically starts in the

second quarter of a given year, so there is not much history available at that time other than the most recent full calendar year. Under this same methodology, the 22-month change from August 2014 to June 2016 would be 3.73% on a compounded basis.

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**Response to Second Request for Information of The Kroger Company
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Question No. 6

Responding Witness: Russel A. Hudson

Q-6. Follow-up to KU's response to Kroger's First RFI, Question 7. Please refer to Schedule C-1. Of the \$956,968,474 of Operation & Maintenance expense in Column (5), please provide a breakdown of these O&M expenses between fuel, purchased power, labor, pension and benefits, and all other in the forecasted test period. Please separately state the ECR and non-ECR portion.

A-6.

Operation & Maintenance Expense	Labor	Pension and Benefits	All Other Nonlabor	Total
Fuel	\$ 1,912,160	\$ 471,736	\$ 511,478,246	\$ 513,862,143
Purchased Power	-	-	68,413,605	68,413,605
Other Operation & Maintenance Expense	96,888,598	72,166,920	205,637,209	374,692,727
	<u>\$ 98,800,758</u>	<u>\$ 72,638,657</u>	<u>\$ 785,529,060</u>	<u>\$ 956,968,474</u>

Note:

Amounts provided in Schedule C-1 exclude mechanism expenses and therefore do not include ECR related expenses.

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**Response to Second Request for Information of The Kroger Company
Dated February 6, 2015**

Question No. 7

Responding Witness: Paul W. Thompson

Q-7. Follow-up to KU's response to Kroger's First RFI, Question 7(b). For each of the bulleted factors taken into consideration in the Business Plan, please provide the amount in dollars that each factor comprises of the total non-labor and benefits (including pensions), non-fuel/purchased power O&M expense in the forecast test period. If a precise amount is not available, please provide the Company's best estimate, or the approximate proportion that each factor comprises of the total non-labor and benefits (including pensions), non-fuel/purchased power O&M expense in the forecast test period. The factors listed in KU's response are as follows:

- a. Known contracts
- b. Specific scopes of work
- c. Variable costs based on levels of production (e.g. limestone, ammonia usage, etc.)
- d. Storm outage restoration costs
- e. Bad debt expense

A-7. The following is the estimated amount (in \$000) included in each of the listed categories. The amount listed is non-labor; therefore, this cost does not include any labor related benefits.

a. Known contracts	\$76,970
b. Specific scopes of work	\$43,381
c. Variable costs based on levels of production	\$32,891
d. Storm outage restoration costs	\$2,082
e. Bad debt expense	\$6,798

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

**Response to Second Request for Information of The Kroger Company
Dated February 6, 2015**

Question No. 8

Responding Witness: Paul W. Thompson

- Q-8. Follow-up to KU's response to Kroger's First RFI, Question 7(b). The second bullet in this response refers to specific scopes of work that are factored into the Business Plan. Please explain whether, in developing the scope of work cost estimates, inflation or cost escalation is taken into consideration for certain categories of non-labor, non-fuel expenses, in the ordinary course of business.
- A-8. The specific scope of work estimates take into account the best information available at the time the Business Plan is prepared. These estimates would include any relevant cost escalations that were known at the time. This information would be applied to all categories of non-labor, non-fuel expenses that are part of the specific scope of work that is being addressed.