

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 AND FOR)	CASE NO. 2016-00370
CERTIFICATES OF PUBLIC CONVENIENCE)	
AND NECESSITY)	

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'S
RESPONSE TO KENTUCKY LEAGUE OF CITY'S
INITIAL REQUEST FOR INFORMATION**

1. Has Mr. Baron developed corrected and/or alternative demand allocation factors to the test year allocation factors? If so, please provide the corrected and/or alternative demand allocation factors and supporting workpapers in live EXCEL workbooks.

RESPONSE:

No. As discussed in Mr. Baron's testimony, the problems with the LG&E/KU hourly load projection involved both implementation errors and methodological errors. The implementation errors concerned the erroneous re-ordering analysis that resulted in the highest projected loads for each rate class occurring on the first day of each month and the lowest hourly loads occurring on the last day of each month. This error occurred in an intermediate step in the analysis, prior to a final true-up to adjust the resulting class loads to the same value as the system level forecast prepared for generation planning. Since the true-up adjustments were applied uniformly to each rate class, the resulting class load data used for the demand allocation factors was erroneous and unreliable.

However, as Mr. Baron also discusses in his testimony, the entire methodology used by the Companies to adjust the actual class hourly load data for the period 12 months ending June 2016 to the projected period 12 months ending June 2018 is flawed, such that even if the re-ordering error is corrected, the results of the Companies' methodology would still be flawed and produce unreliable demand allocation factors, and thus, unreliable cost-of-service results. An examination of the results for Rate FLS provides a good basis to understand these flaws. Mr. Baron's Table 1 shows a comparison for Rate FLS between the historic actual maximum demands during the period July 2015 through June 2016 to the projected maximum demands for the period July 2017 through June 2018. In the historic, actual period, Rate FLS, which has a single customer, had a maximum annual demand of 147,700 kW that occurred in November 2015. The Company projected that in November 2017, this single customer would have a maximum demand of 196,844 kW, 33% higher. The annual energy consumption for this single FLS customer is projected to grow by only 4%; energy growth in the month of November is projected to be 11%. As he discussed in his testimony, this obviously makes no sense. In order for the maximum demand to grow to 196,844 kW, there would have to be some fundamental

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change in the customer's process and equipment, which is totally inconsistent with only a 4% annual energy usage increase. Moreover, the problem is not simply limited to the Companies' re-ordering errors. The problem occurs due to the overall failure of the methodology itself, which relies on a series of energy-based adjustments to all rate class loads. In particular, it doesn't recognize that for rate classes such as FLS and RTS, the Companies have hourly load data that is much more reliable than sample load research based data that is available for smaller rate classes, such as the residential class.

As a result, the correction to the Companies' demand allocation factors for the projected test year would be a major undertaking that would require an alternative methodology. KIUC did not undertake such an effort in this case do to time and resource limitations. Given the unreliability of the demand allocation factors, a uniform percentage increase to each rate class is the appropriate and reasonable method to apportion the Commission-approved revenue increase in this case to rate classes.

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2. Has Mr. Baron rerun the class cost-of-service study using either substitute or corrected demand allocation factors? If so, please provide a copy of all studies that were run in live EXCEL workbooks.

RESPONSE:

No. See response to Question No. 1. Notwithstanding this, had there been reasonable projected hourly load data that could be used in this case to develop demand allocation factors, Mr. Baron would have presented a number of alternative class cost-of-service studies that would be more appropriate than the Companies' filed BIP and LOLP studies. These alternative cost studies include a 5 coincident peak method, a summer/winter average coincident peak method and potentially other methodologies.

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3. Has Mr. Baron determined that correcting the Company's class cost-of-service study would result in any below-cost classes becoming above-cost classes? If so, provide all workpapers in live EXCEL workbooks.

RESPONSE:

Given the fact that the Companies' hourly load data, and thus the test year demand allocation factors derived from that data are unreliable and erroneous, it is not possible to know the answer to this question. However, it is entirely possible that one or more rate classes that are shown to be below cost-of-service based on the Companies' erroneous studies could be above cost-of-service based on a correct analysis.

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4. Please provide all workpapers previously filed in the docket in live excel format.

RESPONSE:

Please see attachments to Kentucky Industrial Utility Customers, Inc.'s Response to Kentucky Utilities Company and Louisville Gas and Electric Company's Initial Request for Information.

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In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR AN)
ADJUSTMENT OF ITS ELECTRIC AND) CASE NO. 2016-00371
GAS RATES AND FOR CERTIFICATES OF)
PUBLIC CONVENIENCE AND NECESSITY)

AFFIDAVIT

STATE OF Georgia)
COUNTY OF Fulton)

Stephen J. Baron, being duly sworn, deposes and states: that the attached are his sworn data responses and that the statements contained are true and correct to the best of his knowledge, information and belief.

Stephen J. Baron
Stephen J. Baron

Subscribed and sworn to or affirmed before me
this 31st day of March, 2017.

Jessica K. Inman
Notary Public

