

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) 2014-00371

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission an original, three paper copies, and an electronic copy of the following information. The information requested herein is due no later than February 20, 2015. Responses to requests for information in paper medium 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.

KU 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 KU 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 response containing personal information, KU shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the response so that personal information cannot be read.

1. Refer to Tab 65 of the application, Schedule M-2.3.
 - a. Refer to page 8 of 21. KU is proposing a slight increase in the energy charge and an increase of \$2.71 per kW to the demand charges for the Power Service-Secondary class to achieve the increase. Explain the basis for the proposed rate design.
 - b. Refer to page 9 of 21. KU is proposing an increase to the basic service charge, a decrease in the energy charge, and an increase of \$3.22 per kW to the demand charges for the Power Service-Primary class to achieve the increase. Explain the basis for the proposed rate design.
 - c. Refer to page 10 of 21. KU is proposing a decrease in the energy charge and an increase of \$1.37 per kW to the demand charges for the Time-of-Day Secondary class to achieve the increase. Explain the basis for the proposed rate design.

d. Refer to page 11 of 21. KU is proposing a decrease in the energy charge and an increase of \$1.50 per kW to the demand charges for the Time-of-Day Primary class to achieve the increase. Explain the basis for the proposed rate design.

e. Refer to page 12 of 21. KU is proposing an increase to the basic service charge, a decrease in the energy charge, and an increase of various amounts to the demand charges for the Retail Transmission Service class to achieve the increase. Explain the basis for the proposed rate design.

f. Refer to page 13 of 21. KU is proposing an increase to the basic service charge and an increase of \$.45 per kW to the demand charges for the Fluctuating Load Service class to achieve the increase. Explain the basis for the proposed rate design.

g. Refer to pages 11-12 of 21. For each page, explain the row "Adjustment to Reflect Change in Metering" and how the present revenue was calculated.

2. Refer to KU's response to Item 5 of Commission Staff's Second Request for Information ("Staff's Second Request").

a. The response states that the telephone payment fee has been reduced from \$2.95 to \$2.25 on Sheet No. 104.

(1) Explain why the fee is being reduced.

(2) Explain whether the current charge is \$2.95 or \$2.25 for telephone payments.

(3) State whether this fee is charged for other types of payment.

If yes, explain.

(4) State whether this fee is paid directly by the customer to a third party providing a payment service or is collected by KU.

(5) If the fee is not paid directly to a third party by the customer, provide the case number or Tariff system number in which this fee was approved by the Commission. If Commission approval was not sought, explain why KU believed it was not necessary to obtain approval.

b. Confirm that the reason KU is removing the reference to “Franchise Fee-Lexington” is because it serves areas outside of Lexington.

c. The response states that the “Environmental Surcharge” information has been removed from the billing information section. Explain why the language has been removed.

d. Explain how KU informs customers without computers or Internet access about the option to enroll in Demand Conservation.

3. Refer to the attachment to the response to Item 12a. of Staff’s Second Request. Explain why the variance between KU’s short-term rate and the “3 Month LIBOR Rate” increased in the fourth quarter of 2014 to a greater level than in any of the eight previous quarters.

4. Refer to the response to Item 13 of Staff’s Second Request. Continue to provide income statements, updated monthly, during the pendency of this processing.

5. Refer to the response to Item 14 of Staff’s Second Request, which indicates that KU expects to receive an updated estimate of its 2015 expense in February of 2015. Include that update in the response to this request, if available at the

time the response is due. If not available at that time, provide a more specific date by which the updated expense will be available.

6. Refer to the response to Item 20.b. of Staff's Second Request. Explain how, and provide the relevant supporting spreadsheets, work papers, etc., the contractor reduction of seven is reflected in the forecasted test period.

7. Refer to the response to Item 22.b. of Staff's Second Request. Explain how, and provide the relevant supporting spreadsheets, work papers, etc., the contractor reduction of 20 is reflected in the forecasted test period.

8. Refer to the response to Item 23 of Staff's Second Request and page 23 of the Testimony of David S. Sinclair ("Sinclair Testimony"). Continue to provide updates of the table included in the response on a monthly basis for the pendency of this proceeding.

9. Refer to the response to Item 31 of Staff's Second Request. Provide any updates of analyses contained in the Testimony and exhibits of Avera and McKenzie based on more current information.

10. Refer to the responses to Items 37 and 39.b. of Staff's Second Request.

a. For each of the combined-cycle production facilities listed in the attachment to the Item 37 response, provide the year it went into service.

b. The response to Item 39.b. generally explains how the 40-year life span for Cane Run 7 was determined, but it does not explain why the 40-year life span is appropriate, which was part of the request in Item 50.b.

(1) Explain whether the "life spans of other similar facilities in the industry" referenced in the response refers to all or just a portion of the facilities

listed in the attachment to the Item 37 response. If just a portion, identify the specific facilities used in determining the 40-year life span for Cane Run 7.

(2) Explain in detail why the 40-year life span is appropriate for Cane Run 7.

11. Refer to KU's response to Item 47.a. of Staff's Second Request.

a. The response states, "Also, the Company desired the TOD rate should be approximately revenue neutral to the standard rate so that potential customers do not see risk associated with trying the TOD rate." Explain how the on-peak and off-peak kWh amounts were determined for use in the calculation, given that typical residential meters do not measure usage at particular times each day.

b. The response states that one criterion was that KU and Louisville Gas and Electric ("LG&E") rates for RTOD-Energy be somewhat similar. LG&E's proposed off-peak rate for RTOD-Energy is higher than KU's, and its on-peak rate for RTOD-Energy is less than KU's. Explain why KU and LG&E are not proposing to equalize either the off-peak or on-peak rates for the two companies.

12. Refer to KU's response to Item 49.b. of Staff's Second Request. Confirm that the response means that the cost-of-service study used actual average coincident peak demands based on the 12 months ended June 30, 2014, and not estimated based on the forecasted 12 months ending June 30, 2016.

13. Refer to KU's response to Item 54 of Staff's Second Request. The response states that KU is proposing to provide customers the option to have a smart meter through the demand-side management ("DSM") Advanced Meter Opt-In and be a RTOD-Energy or RTOD-Demand customer, or to be a RTOD-Energy or RTOD-Demand

customer without a smart meter. Explain why KU is not making the use of a smart meter a requirement for a customer to be a RTOD-Energy or RTOD-Demand customer in order to control costs and therefore remove the cap on the number of customers able to choose service under the tariffs.

14. Refer to KU's response to Item 56 of Staff's Second Request. For each current Low Emission Vehicle customer, provide the percentage increase the customer would receive if switched to the standard residential rate at proposed rates.

15. Refer to KU's response to Item 62 of Staff's Second Request.

a. Refer to the response to Item 62.c.(1). What accounts for the decline in the number of customers receiving service under industrial tariffs from 2,965 in April 2014 to 1,982 in January 2015?

b. Refer to the response to Item 62.c.(4).

(1) The response refers to two criteria used in determining exemption from the DSM charge, one of the criteria being the North American Industry Classification System ("NAICS") codes. Identify the second of the criteria.

(2) Explain why the NAICS code is unavailable for 264 accounts and why these accounts are exempt from the DSM charge.

(3) KU's DSM tariff lists the following NAICS codes as being exempt from the DSM charge: 21, 22, 31, 32, and 33. This response shows a number of exempt accounts with codes that are not listed in KU's DSM tariff. Provide a description of each of those codes (those codes outside of 21, 22, 31, 32, and 33) and explain why the accounts shown with those codes are exempt from the DSM charge, in light of KU's response to Item 62.b. that "the remaining NAICS sections are comprised

predominantly of customers that are not primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product.”

c. Refer to the response to Item 62.c.(6). For each customer with a NAICS code other than 21, 22, 31, 32, and 33, explain how the customer qualifies to be exempt from the DSM charge.

16. Refer to the Excel spreadsheet attached to the response to Item 60 of Staff’s Second Request titled “Att KU_2-60_ElecScheduleM.xlsx”, Tab “Sch M-2.3 pg 1-2”. Numerous cells in the cell range C20 through Y54 contain the error message “#NAME?” Provide a revised Excel spreadsheet with the cells corrected.

17. Refer to the Excel spreadsheet attached to the response to Item 60 of Staff’s Second Request titled “Att KU_PSC_2-60_ElecScheduleM.xlsx”, Tab “Sch M-2.3 pgs 3-14”. Explain the origin and purpose of the amount shown in cell K29.

18. Refer to the response to Item 72 of Staff’s Second Request. Explain what is meant by “incremental employees charging the account.”

19. The response to Item 75.a. of Staff’s Second Request did not directly respond to the request. Explain whether there is a percentage at which KU believes it would be appropriate to apply a slippage factor.

20. Refer to the response to Item 76.a. of Staff’s Second Request and the attachment to the response to Item 32 of the Commission Staff’s First Request for Information.

a. Confirm that the response to Item 76.a. means that the budgeted employee headcounts in the attachment to the Item 32 response have been used to develop the labor costs in the forecasted period. If this cannot be confirmed, in the

same categories as in the attachment, provide the employee headcounts that have been used.

b. Provide an update to the attachment to the Item 32 response which includes actual employee headcounts for the months since October 2014.

21. Refer to the response to Item 90 of the Attorney General's Initial Request for Information ("AG's First Request"). Provide support for the expected level of test-year revenues, as compared to the previous years' level of revenues, for the following:

a. Transmission of Electricity to Others;

b. Other Electric Revenue;

22. Refer to the responses to Item 141 of the AG's First Request, which state that \$1.7 million in severance expense is included in the forecasted period. Identify the specific events upon which this amount is based and explain how the amount was derived.

23. Refer to the response to Item 165 of the AG's First Request which states that all of the generating facilities shown in the response to AG Question No. 116 are less than ten years old. The list of generating facilities in the response to AG Question No. 116 is the same list provided in response to Item 48 of Staff's Second Request.

a. Explain whether there are other existing combined-cycle gas-fired generating units less than ten years old that Mr. Spanos could have been included in forming the basis of his testimony.

b. Explain whether there are any existing combined-cycle gas-fired generating units that are ten years old or older that Mr. Spanos could have included in forming the basis of his testimony.

c. Explain whether the list of combined-cycle gas-fired generating units provided in the aforementioned responses all reflect life spans developed by Mr. Spanos. If all were not developed by Mr. Spanos, identify those that were not.

24. Refer to the response to Item 10.d. of the First Request for Information of the Kroger Company ("Kroger's First Request"), which states that the offsetting contractor expense reduction related to the increase in the transmission employee headcount for KU is \$550,921. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

25. Refer to the response to Item 11.d. of Kroger's First Request, which states that the offsetting contractor expense reduction related to the increase in the distribution employee headcount for KU is \$751,634. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

26. Refer to the response to Item 12.d. of Kroger's First Request, which states that the offsetting contractor expense reduction related to the increase in the customer service employee headcount for KU is \$764,672. Explain how this payroll cost reduction is reflected in the forecasted test period and provide the relevant supporting spreadsheets, work papers, etc.

27. Refer to the response to Item 24 of the Kentucky Cable Telecommunications Association's First Data Request. Provide the supporting calculation for the \$.10502 per kWh shown in this response.

28. Refer to the response to Item 11 of the First Request for Information of the KSBA (Kentucky School Boards Association.)

a. Refer to page 5 of 11. Explain why KU is proposing to increase the Basic Service Charge from \$170 to \$200 for Power Service-Primary customers when this response shows that the cost-of-service study justifies a customer charge of \$173.20 for these customers.

b. Refer to pages 10 and 11 of 11. Explain why both of these pages are titled "Rate LE."



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DATED _____

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