

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY	)	
UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS	)	CASE NO.
ELECTRIC RATES AND FOR CERTIFICATES OF	)	2016-00370
OF PUBLIC CONVENIENCE AND NECESSITY	)	

COMMISSION STAFF'S SECOND 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 and six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before January 25, 2017. 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 paper containing personal information, KU shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to the Application, page 4, paragraph 6, which states that KU has a special contract with a customer receiving service under the Retail Transmission Service tariff wherein the customer is not charged the energy charge, fuel adjustment charge, and demand-side management (“DSM”) cost recovery mechanism. Identify the customer referenced in this paragraph and explain why the customer does not pay these charges.

2. Refer to the Application, page 8, paragraph 14; and the Direct Testimony of Victor A. Staffieri (“Staffieri Testimony”), page 2, lines 7–8; and the Direct Testimony of Paul W. Thompson (“Thompson Testimony”), page 22, lines 10–11. The Application states that KU will replace a total of 530,000 meters in its territory. The Staffieri Testimony states that KU serves 546,000 customers while the Thompson Testimony states that KU serves approximately 519,000 customers.

a. Explain the discrepancy in the number of customers served as stated in the testimonies.

b. Reconcile the number of meters being replaced as stated in the Application with the number of customers served by KU as stated in the testimonies.

3. Refer to the Application, page 16, paragraph 36. The last sentence of the paragraph states, “[a]ccordingly, KU requests a permanent deviation from 807 KAR 5:006, Section 14(3) for its AMS meters that allow for remote data communication.” State whether there are Advanced Metering System (“AMS”) meters that do not allow for remote data communication. If so, explain.

4. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet Nos. 35 and 35.1, Lighting Service. State whether KU considered decreasing the rate for each of the following lights that exceed the cost support provided in the Direct Testimony of William Steven Seelye (“Seelye Testimony”), Exhibit WSS-4: 464, 465, 488, 451, 491, 492, 497, 498, and 499. If not, explain.

5. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet Nos. 36, 36.1 and 36.2, Restricted Lighting Service. State whether KU considered decreasing the rate for each of the following lights that exceed the cost support provided in the Exhibit WSS-4: 455, 490, 493, and 360.

6. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet No. 36.1. Explain why KU is proposing to eliminate light 434, whether there are any customers with this light, and if so, the effect the elimination will have on those customers.

7. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet No. 41. Provide supporting calculations for the increase in the rates for EVSE, Electric Vehicle Supply Equipment, shown on this page.

8. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet No. 42. Provide supporting calculations for the increase in the Electric Vehicle Charging rate.

9. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet No. 75. Provide supporting calculations for the increase in the rates for EVSE-R, Electric Vehicle Supply Equipment, shown on this page.

10. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet No. 86.10, Demand-Side Management Cost Recovery Mechanism. State whether the current rates will change as a result of new base rates. If so, explain how they will change.

11. Refer to Tab 5 of the Application, proposed P.S.C. No. 18, Original Sheet No. 97, Application for Service section, first paragraph. Outside of the date of birth requirement as discussed on page 31 of the Direct Testimony of Robert M. Conroy ("Conroy Testimony"), explain whether the changes to this paragraph represent a change from KU's current practice. If so, identify the changes and explain the reason for each change.

12. Refer to Tab 16 of the Application, A. Page 7 of 18, which states that rate case revenue requirements impacts are calculated using expected Return on Equity ("ROE") based on past rate case settlements. Provide the ROE used for each year of the 2017 business plan.

13. Refer to Tab 67 of the Application, Typical Bill Comparison Under Present and Proposed Rates.

a. Refer to page 4 of 22. Provide the largest rate impact the proposed changes to this rate class will have on a single customer taking service under All Electric School Single-Phase.

b. Refer to page 5 of 22. Provide the largest rate impact the proposed changes to this rate class will have on a single customer taking service under All Electric School Three-Phase.

c. Refer to page 14 of 22 and to P.S.C. No. 18, Original Sheet No. 30. Explain the basis for the proposed changes to the Fluctuating Load Service Primary rates.

14. Refer to Filing Requirement – 807 KAR 5:001, Section 16(8)(d) (“FR 16.8.d”), Schedule D-1, page 1 of 8.

a. Refer to line 4, Commercial Sales of Electricity. The description of the (\$2,145,637) adjustment from the base period to the forecasted test period reads, “Variance reflects forecasted decrease in billing determinates from the base period to the forecasted period at current tariff rates.” Provide the reason(s) for the decrease in the billing determinants and explain how the amount of decrease was determined.

b. Refer to line 7, Other Sales to Public Authorities. The description of the (\$962,804) adjustment from the base period to the forecasted test period reads, “Variance reflects forecasted decrease in billing determinates from the base period to the forecasted period at current tariff rates.” Provide the reason(s) for the decrease in the billing determinants and explain how the amount of decrease was determined.

c. Refer to line 13, Late Payment Charges. The description of the (\$198,073) adjustment from the base period to the forecasted test period reads, "Variance reflects trend in this account and is based on a historic average." Provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment, along with any necessary narrative explanation.

d. Refer to line 14, Electric Service Revenues. The description of the (\$68,919) adjustment from the base period to the forecasted test period reads, "Variance reflects trend in this account and is based on a historic average." Provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment, along with any necessary narrative explanation.

e. Refer to line 15, Rent from Electric Property. The description of the (\$103,511) adjustment from the base period to the forecasted test period reads, "Variance reflects trend in this account and is based on a historic average." Provide supporting workpapers, spreadsheets, etc. which show the derivation of this adjustment along with any necessary narrative explanation.

15. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 24, Steam Expenses. The description of the \$626,149 adjustment from the base period to the forecasted test period reads, "Base period understated for limestone for Trimble County 2 that should have been allocated to KU." Confirm that this cost was originally allocated to Louisville Gas and Electric Company ("LG&E") ("collectively Companies") and that it made a corresponding adjustment to its base year to correct the misallocation.

16. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 26. Also refer to the Direct Testimony of Daniel K. Arbough ("Arbough Testimony") at page 5, which states

that, "The resulting change in average wage rates between the previous test year ending June 30, 2016 and the forecasted test year ending June 30, 2018 is 3.6% over a two-year period, or 1.8% on an average annual basis." The description of the \$435,956 adjustment from the base period to the forecasted test period reads, "Labor increases for Trimble County 2." The adjustment represents an approximate 6.4 percent increase in labor expenses at Trimble 2. Explain why this increase in labor expense is so much larger than the average wage increase discussed in the Arbough Testimony.

17. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 27, Misc Steam Power Expenses. The description of the \$1,152,865 adjustment from the base period to the forecasted test period reads, "Base period understated for ammonia, hydrated lime and mercury mitigation agents for Trimble County 2 that should have been allocated to KU." Confirm that this cost was originally allocated to LG&E and that LG&E made a corresponding adjustment to its base year to correct the misallocation.

18. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 30, Maintenance Supervision and Engineering. The description of the \$1,757,375 adjustment from the base period to the forecasted test period reads, "Forecasted test year labor for Trimble County budgeted to FERC 510 instead of FERC 511." Explain why the proposed adjustment is not reflected as a negative adjustment due to the forecasted test year labor cost is being overstated in this account. Also, provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment along with any necessary narrative explanation.

19. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 31, Maintenance of Structures. The description of the (\$1,369,345) adjustment from the base period to the forecasted test period reads, "Forecasted test period labor for Trimble County budgeted to FERC 510 instead of FERC 511." Explain why the proposed adjustment is not reflected as a positive adjustment due to the forecasted test year labor cost is being understated in this account. Also, provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment along with any necessary narrative explanation.

20. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 32, Maintenance of Boiler Plant. The description of the \$5.542 million adjustment from the base period to the forecasted test period reads, "Major planned generator overhauls in forecasted test period for Trimble County unit 2 and EW Brown Units."

a. Provide the year(s) in which the most recent generator overhauls were performed on Trimble County unit 2 and the E.W. Brown units.

b. Provide the existing cycles for generator overhauls of Trimble County unit 2 and the E.W. Brown units.

c. State in what year(s) generator overhauls will be planned for Trimble County unit 2 and the E.W. Brown units after the test period.

d. Provide the projected cost of the overhaul at each unit.

e. Explain whether there will be similar overhauls on other units during the base period. If there are such overhauls, identify the unit(s) and provide the actual or projected cost thereof.

21. Refer to FR 16.8.d, Schedule D-1, page 2 of 8, line 33, Maintenance of Electric Plant. The description of the \$500,325 adjustment from the base period to the forecasted test period reads, "Major planned turbine overhauls in forecasted period for EW Brown units."

a. Provide the year(s) in which the most recent turbine overhauls were performed on the E.W. Brown units.

b. Provide the existing cycles for turbine overhauls of the E.W. Brown units.

c. State in what year(s) turbine overhauls will be planned for the E.W. Brown units after the test period

d. Provide the projected cost of the overhaul at each unit.

e. Explain whether there will be similar overhauls on other units during the base period. If there are such overhauls, identify the unit(s) and provide the actual or projected cost thereof.

22. Refer to FR 16.8.d, Schedule D-1, page 3 of 8, line 52, Generation Expenses. The description of the \$228,970 adjustment from the base period to the forecasted test period reads, "Minor consumables (grease, oil, etc.) small tools and equipment analysis needed for operation of Cane Run 7." Explain why an approximate 60 percent increase in this cost is necessary over this period of time.

23. Refer to FR 16.8.d, Schedule D-1, page 3 of 8, line 56, Maintenance of Structures. The description of the \$1,001,478 adjustment from the base period to the forecasted test period reads, "Major planned overhaul in forecasted test period for Cane Run 7."

a. Explain the need for the major overhaul of Cane Run 7 in the forecasted test period.

b. Provide the year(s) in which the most recent such overhauls were performed on Cane Run 7.

c. Provide the existing cycle for such overhauls for Cane Run 7.

d. State in what years such overhauls will be planned after the test period.

e. Explain whether there will be similar overhauls on other units during the base period. Identify the unit(s) and provide the actual or projected cost thereof.

24. Refer to FR 16.8.d, Schedule D-1, page 3 of 8, line 57, Maintenance of Generation and Electric Plant. The description of the \$1,131,055 adjustment from the base period to the forecasted test period reads, "Major planned overhaul in forecasted test period for EW Brown Unit 6 and unit 10."

a. Explain the need for major planned overhauls of E.W. Brown units 6 and 10 in the forecasted test period.

b. Provide the year(s) in which the most recent such overhauls were performed on E.W. Brown units 6 and 10.

c. Provide the existing cycles for such overhauls for E.W. Brown units 6 and 10.

d. State in what years such overhauls will be planned after the test period.

e. Explain whether there will be similar overhauls on other units during the base period. Identify the unit(s) and provide the actual or projected cost thereof.

25. Refer to FR 16.8.d, Schedule D-1, page 3 of 8, line 58, Maintenance of Misc Other Power Generation Plant. The description of the \$1,004,976 adjustment from the base period to the forecasted test period reads, "Increase in process water treatment maintenance." Identify and describe the reason(s) for the proposed increase to process water maintenance expense and provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment.

26. Refer to FR 16.8.d, Schedule D-1, page 4 of 8, line 70, Overhead Line Expenses. The description of the \$393,153 adjustment from the base period to the forecasted test period reads, "Variance primarily due to enhanced wood and steel pole/tower inspection program, as well as higher aerial patrol expense." Describe in detail the enhancements made to the wood and steel pole/tower inspection program and how their cost was determined.

27. Refer to FR 16.8.d, Schedule D-1, page 5 of 8, line 78, maintenance of Overhead Lines. The description of the \$5,026,655 adjustment from the base period to the forecasted test period reads, "Variance is driven by change to 'Cycle' based line clearing, enhanced corrosion prevention, and switch maintenance programs." Provide a breakdown of the adjustment which shows the amount of these three items.

28. Refer to FR 16.8.d, Schedule D-1, page 5 of 8, line 90, Meter Expenses. The description of the \$1,344,442 adjustment from the base period to the forecasted test period reads, "Increase is due primarily to Advanced Meter System project expenses associated with removing, shipping, tracking, and testing the existing meters that are being removed." Provide the amount of the adjustment if KU's deviation request to eliminate the requirement to test the meters is granted.

29. Refer to FR 16.8.d, Schedule D-1, page 6 of 8, line 101, Maintenance of Meters. The description of the \$1,371,953 adjustment from the base period to the forecasted test period reads, "Test year includes Advanced Meter System expenses associated with repairs to the customer-owned bases of the meters that are attached to the customer's property." Provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment, along with any necessary narrative explanation.

30. Refer to FR 16.8.d, Schedule D-1, page 6 of 8, line 102, Maintenance of Misc Distribution Plant. The description of the \$237,656 adjustment from the base period to the forecasted test period reads, "Increase is due to buildings & grounds costs previously charged to 921 and 923, which are budgeted to 598. 2016 YTD August costs were reclassified to 598, but the forecast for the remainder of the year was not adjusted. Storm costs are also higher in the test year." Explain the determination of the increase in storm costs in the test year and provide any supporting documentation.

31. Refer to FR 16.8.d, Schedule D-1, page 6 of 8, line 108, Uncollectible Accounts. The description of the \$675,506 adjustment from the base period to the forecasted test period reads, "Actual bad debt expense in the base year is less than the 5-year average ratio (0.35% of revenues) used in the budget/test year." Explain why KU chose to use a higher amount of bad debt expense when the trend appears to be decreasing and the overall economy appears to be improving.

32. Refer to FR 16.8.d, Schedule D-1, page 7 of 8, line 124, Administrative and General Salaries. The description of the \$2.345 million adjustment from the base period to the forecasted test period reads, "Variance reflects changes in headcount, wage inflation, and less allocated to capital in 2018."

a. Provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment, along with any necessary narrative explanation.

b. Explain why the amount allocated to capital in 2018 is a component of this adjustment.

33. Refer to FR 16.8.d, Schedule D-1, page 7 of 8, line 130, Employee Pension and Benefits. The description of the \$4.451 million adjustment from the base period to the forecasted test period reads, "Variance reflects higher pension expense due to a decrease in the discount rate and higher medical costs." Provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment, along with any necessary narrative explanation.

34. Refer to FR 16.8.d, Schedule D-1, page 8 of 8, line 140, Depreciation and Amortization. The description of the \$42.1 million adjustment from the base period to the forecasted test period reads, "Variance is due to increase in plant-in-service and higher proposed depreciation rates."

a. Provide supporting work papers, spreadsheets, etc., which show the derivation of this adjustment, along with any necessary narrative explanation.

b. Provide a work paper, spreadsheet, etc., which quantifies separately the portion of the adjustment due to the increase in plant-in-service and the portion due to higher proposed depreciation rates.

35. Refer to the Staffieri Testimony, page 4, lines 15–17, that states, "He also provides his recommendation that an ROE of 10.23 percent is a reasonable ROE for both LG&E's electric and gas operations and KU's electric operations." KU last

adjusted its base rates in July 2015.<sup>1</sup> Beginning with the month of July 2015 to the most current month's financial statements, provide by month in electronic Excel spreadsheet format, with formulas intact and cells unprotected, the 13-month average ROE for KU. This should be considered an ongoing request.

36. Refer to the Staffieri Testimony, page 8.

a. Provide both a description of *Site Selection* magazine and the September 2016 article recognizing the Companies as top utilities for support of economic growth.

b. Describe in detail the \$2.7 billion in corporate projects and the 9,400 jobs for which the Companies' economic development team was honored.

37. Refer to the Staffieri Testimony, page 11, lines 9–13. Referring to KU and LG&E, the testimony reads, "Finally, the Companies are prepared to offer a Business Solar option to business and industrial customers who prefer to have an onsite solar facility. Under such an arrangement and subject to Commission approval, the Companies would build, own and operate a solar facility on the customer's property which would provide the customer with some or all of its power needs."

a. Clarify that this reference in the Staffieri Testimony is the only mention of a Business Solar option in KU's rate filing.

b. Confirm, with this reference in the Staffieri Testimony, that KU is not seeking Commission approval of either a specific solar project or any tariff provision related, generally, to a Business Solar option.

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<sup>1</sup> Case No. 2014-00371, *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* (Ky. PSC, June 30, 2015).

c. State whether and if so when KU intends to seek Commission approval of either a specific solar project or any tariff provision related, generally, to a Business Solar option.

38. Refer to the Staffieri Testimony, pages 12–14.

a. Provide the annual community contributions from the LG&E and KU Foundation and directly from the Companies for each year from 2012 through 2016.

b. Provide a breakdown, by year, of the \$2.5 million raised through customer contributions and the Companies' matching funds over the last seven years as part of the WinterCare Energy Fund.

c. Provide a breakdown, by year, of the disbursements from WinterCare Energy Fund for the last seven years.

39. Refer to the Testimony of Kent W. Blake ("Blake Testimony"), the table at the top of page 5 which shows amounts spent or to be spent through the end of the proposed forecasted test period on capital projects.

a. Provide a breakdown, by account number, of the \$152.1 million in generation spend shown for KU and identify how much of the \$152.1 million will be spent prior to, and during, the proposed forecasted test period.

b. Provide a breakdown, by account number, of the \$222.8 million in electric distribution spend shown for KU and identify how much of the \$222.8 million will be spent prior to, and during, the proposed forecasted test period.

c. Provide a breakdown, by account number, of the \$88.2 million in customer services and metering spend for KU and identify how much of the \$88.2 million will be spent prior to, and during, the proposed forecasted test period.

40. Refer to the Blake Testimony, page 9.

a. Identify, by account number, all categories of expense included in the \$55,000 lower expense in the proposed forecasted test period for the Companies' Human Resources department compared to the level currently embedded in rates from the last rate case.

b. Provide the total expenses for the Companies' Human Resources department in the proposed forecasted test period and explain why the expenses have decreased by \$55,000 since the test year in the last rate case.

c. Of the \$55,000, identify the amount applicable to KU.

d. For all financial and administrative functions, provide the projected full-time employee headcount for the proposed forecasted test period.

e. Provide the headcount level projected in the proposed forecasted test period for KU, along with the comparable headcount level currently embedded in rates based on KU's last rate case.

41. Refer to the Thompson Testimony, page 11.

a. Prior to the 2015 audit by the North American Electric Reliability Corporation ("NERC"), when had NERC most recently audited the Companies?

b. Explain whether NERC conducts audits on a set schedule or if the entities being audited and the timing of the audits are chosen at random.

c. If NERC's 2015 audit of the Companies resulted in a report, provide the report. If no report was produced by NERC, explain how the audit's findings were communicated to the Companies.

42. Refer to the Thompson Testimony, pages 11–12, and Exhibit PWT-1. Of the generating facilities in which KU has an ownership interest, identify any plants which are scheduled for retirement by the end of calendar year 2021.

43. Refer to the Thompson Testimony, page 17, lines 3–7. Provide separately the capacity factors at which each of the Paddy's Run units operated for 2015 and 2016.

44. Refer to the Thompson Testimony, page 38, lines 23–24. State whether this statement indicates that only 50 percent of KU's customers will benefit from the Distribution Automation ("DA") program.

45. Refer to the Thompson Testimony, pages 40–41.

a. Refer to page 41, lines 9–17. Explain how it was determined that the benefits listed are significant enough to justify an investment of \$112 million in the proposed DA program.

b. Refer to lines 19–22. Provide the analysis discussed in this paragraph.

46. Refer to Thompson Testimony, Exhibit PWT-5, page 5 of 29. State whether the chart on the bottom half of the page indicates that DA is needed more by KU's sister company, LG&E, than by KU to improve customer satisfaction.

47. Refer to the Thompson Testimony, pages 38–43, and Exhibit PWT-6.

a. Page 41, lines 1–2 indicate that \$23 million in capital expenditures on the proposed DA program will be incurred by the end of the proposed forecasted test period. Provide the amount of such expenditures expected to be incurred prior to, and during, the proposed forecasted test period.

b. Page 41, lines 4–5 indicate that \$1.16 million in DA-related operation and maintenance (“O&M”) expenses will be incurred by the end of the proposed forecast test period. Provide the amount of DA-related O&M expenses to be incurred prior to, and during, the proposed forecasted test period.

c. Page 41, lines 3–4 indicate that \$6 million in DA-related O&M expenses is expected to be incurred over the seven-year implementation period. Exhibit PWT-6, page 1 of 1, contains a side-by-side comparison of the annual O&M expenses and O&M savings from the DA program for the period 2023 through 2051.

1) Provide the \$6 million in DA-related O&M expenses for the seven-year implementation period on an annual basis for each of the seven years.

2) Explain how the expected annual O&M savings shown in Exhibit PWT-6 were developed.

3) Explain whether DA-related savings have been quantified for the seven-year implementation period. If they have been quantified, provide them. If they have not been quantified, explain why.

48. Refer to the Arbough Testimony, pages 12–13, and Exhibit DKA-6, page 1 of 1. Explain whether the peer group against which the Companies compare their debt costs is selected by the Companies, by another party on the Companies’ behalf, or by an independent third party.

49. Refer to the Arbough Testimony, Exhibit DKA-1, page 1 of 1, regarding the financial planning software utilized by the Companies. Under the UI Planner, there is a calculation for Interest & Dividends.

a. Explain how dividends, if any, were reflected in the base year and test year.

b. Provide, by date, the amount of dividends KU has paid since 2010.

Consider this an ongoing request throughout this proceeding

50. Refer to the Direct Testimony of Adrien M. McKenzie, CFA (“McKenzie Testimony”), page 11, line 3, and Exhibit No. 4, page 1. Confirm that only three of the 22 proxy group utilities have higher year-end 2015 common equity ratios, and only two have higher projected common equity ratios than the 53.28 percent common equity ratio used by KU.

51. Refer to the McKenzie Testimony, pages 20–21.

a. Explain why Duke Energy Corporation is not included in the proxy group.

b. Explain why including KU’s parent company, PPL Corporation, in the proxy group is not circular.

c. The following companies had acquisition activity in the past year.

Explain why it is appropriate to include them in the proxy group.

1) Black Hills Corporation<sup>2</sup>

2) Southern Company<sup>3</sup>

3) DTE Energy Company<sup>4</sup>

52. Refer to the McKenzie Testimony, page 44, and Exhibit No. 7 to the McKenzie Testimony.

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<sup>2</sup> October 28, 2016 issue of *The Value Line Investment Survey* at 2226.

<sup>3</sup> November 18, 2016 issue of *The Value Line Investment Survey* at 151.

<sup>4</sup> December 16, 2016 issue of *The Value Line Investment Survey* at 908.

a. Explain why it was necessary to weight the firms in the calculations as described on page 44, lines 3–4, as opposed to performing the calculations on an unweighted basis.

b. Provide a copy of Table 7.3 referenced in footnote (f) on pages 1 and 2 of Exhibit No. 7.

53. Refer to the McKenzie Testimony, page 52, and to Exhibit No. 9.

a. State whether triple-B utility bond yields were used in the Risk Premium analysis, as stated on page 52, or whether Baa utility bond yields were used as indicated in Exhibit 9, pages 1 and 2.

b. Refer to Exhibit No. 9, page 1. Provide an update to the Risk Premium Cost of Equity using the average bond yield on public utility bonds and Baa subset for the most current three months.

c. Refer to Exhibit No. 9, page 3. Provide an update of the Risk Premium calculation when Allowed ROEs are available from Regulatory Research Associates for calendar year 2016.

54. Provide the most current ROE awarded by each respective regulatory agency and the date of the award for the proxy group of gas and electric utilities or for the utility subsidiary if the proxy group member is a holding company.

55. Refer to the Direct Testimony of David S. Sinclair (“Sinclair Testimony”), page 25, lines 6–8. Explain why eight curtailment events were included in the annual generation forecast when no curtailments have been called since January 2014.

56. Refer to the Sinclair testimony, pages 24–25. These pages refer to a curtailment that happened on January 30, 2014.

a. Explain how a combustion turbine (“CT”) is categorized as either a primary CT or a secondary CT.

b. State the load level at which KU’s and LG&E’s secondary combustion turbines operated during the curtailment event.

c. In general, explain how KU and LG&E determine which of their Curtailable Service Rider (“CSR”) customers are curtailed.

57. Refer to the Sinclair Testimony, Exhibit DSS-2. Provide the Excel spreadsheets containing the inputs, model specifications, outputs, and adjustments to support Exhibit DSS-2.

58. Refer to KU’s application, paragraph 14, the Testimony of John P. Malloy (“Malloy Testimony”), and Exhibit JPM-1 (“Ex. 1”).

a. The last sentence in paragraph 14 of the application refers to the forecasted amount of incremental O&M expenses, \$13.7 million, that is expected to be incurred during the deployment phase of the proposed AMS. Provide the amount and derivation of such incremental O&M expenses forecasted to be incurred during the proposed test year.

b. The Malloy Testimony, page 17, and Ex. 1, pages 30–44, reference the long-term benefits and costs related to the proposed AMS systems. Provide the amounts, if any, of such benefits and costs that are included in the proposed test year.

59. Refer to the Malloy Testimony, page 14, lines 20–22. By account number, provide a breakdown of the \$60 million to be spent for KU in customer service capital investments related to the AMS.

60. Refer to the Malloy Testimony, page 17, lines 8–15. Provide the basis for the 20-year estimated useful life for the AMS meters.

61. Refer to the Malloy Testimony, page 18, lines 18–20. State whether the meters installed under the AMS Customer Offering included in KU's DSM program are the same meters to be installed as part of the proposed AMS. If not, explain.

62. Refer to the Malloy Testimony, pages 23–24, concerning the retirement of existing meters and the cost-benefit analysis's assumption of a five-year recovery period for the proposed regulatory asset.

a. Explain how the Companies determined the five-year cost recovery assumption for the proposed regulatory asset.

b. Provide the remaining useful life of the meters to be retired.

c. Explain whether the Companies were aware that in Case No. 2011-00096<sup>5</sup> the Commission found that a regulatory asset associated with retired meters was to be amortized over the life of the new meters for ratemaking purposes.

63. Refer to the Malloy Testimony, page 26, lines 17–23.

a. The testimony states that customers will not be allowed to opt out of the AMS deployment. Provide the initial upfront cost and monthly cost that a customer would incur if opt-outs were allowed. Include the supporting calculations in the response.

b. Explain how the removal of a single meter affects the ability of surrounding meters to consistently report their readings.

64. Refer to the Malloy Testimony, Exhibit JPM-1.

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<sup>5</sup> Case No. 2011-00096, *Application of South Central Kentucky Rural Electric Cooperative Corporation for an Adjustment to Rates* (Ky. PSC Mar. 30, 2012).

- a. Refer to page 14 of 169.
  - 1) Refer to the bullet point titled "Reading frequency" which states that energy consumption data is typically transmitted three to four times a day. State the number of times consumption data will be transmitted per day.
  - 2) Refer to footnote 9. State whether the MV90 meters are read remotely.
- b. Refer to page 15 of 169, the fourth bullet point. Provide details of, and plans for, Zigbee communication through in-home devices.
- c. Refer to page 28 of 169, which states that KU is developing detailed plans and will begin negotiation with all of its partners. State whether KU plans to issue a Request for Proposals for the AMS. If not, explain.
- d. Refer to page 31 of 169. Confirm that the \$166 million ePortal Benefit shown on the graph is revenue loss to KU and LG&E.
- e. Refer to page 36 of 169, Section 7.1.6., which states that "non-AMS meters taken out of service can be retired or used as replacements in areas that AMS has not been made available." Explain whether this statement indicates that some areas will remain in which AMS will not be made available.
- f. Refer to page 38 of 169, middle of the page.
  - 1) Provide the supporting calculations for the amounts that appear in the row "Meters and Network" in the Operating Costs section.
  - 2) Provide the supporting calculations for the amounts that appear in the row "Total Benefits."

g. Refer to pages 152–158 of 169. Provide all assumptions, calculations and spreadsheets used to support the savings calculated on these pages.

h. Refer to pages 159–166 of 169, Appendix A-6. Provide an explanation of the evaluation performed in this appendix.

i. State whether all of the proposed AMS meters will be capable of measuring demand. If not, state which rate classes will have AMS meters capable of measuring demand.

65. Refer to the Conroy Testimony, page 4. Provide the Edison Electric Institute report referenced on lines 18–19.

66. Refer to page 10 of the Conroy Testimony, which states that KU is proposing to increase its residential electric basic service charge in a direction that will more accurately reflect the actual cost of providing service. Explain how the proposed 105 percent increase in the electric residential service charge (from \$10.75 to within \$1.93 of the \$23.93 customer-related cost from the cost-of-service study) can be considered simply moving in the direction of reflecting the fully allocated cost. The explanation should include how the proposed 105 percent increase in the customer charge comports with the ratemaking principle of gradualism referenced on page 7, line 2, of the Conroy Testimony.

67. Refer to the Conroy Testimony, page 19.

a. Refer to lines 4–5. Provide the effect the proposed elimination of the Supplemental/Standby Service Rider will have on the customer taking service under the tariff.

b. Refer to lines 8–11. Explain why KU would have no knowledge of the customer making use of its system.

c. Refer to lines 15–23. Provide the largest rate impact the proposed changes will have on a single customer taking service under any of the affected rate classes (TODS, TODP, RTS, and FLS).

68. Refer to the Conroy Testimony, page 20, lines 17–18. Describe the circumstances under which service under the General Service tariff would need to be unmetered.

69. Refer to the Conroy Testimony, page 21, which states that KU intends to offer four new LED lighting options. Also refer to the Seelye Testimony, page 56, which lists five distinct lighting options of 50 watts, 68 watts, 80 watts, 134 watts, and 228 watts. Confirm that KU intends to install five types of LED lights instead of four.

70. Refer to the Conroy Testimony, page 23, lines 5–9. Explain the disadvantages of continuing the current practice of the Cable Television Attachment Charge (“CTAC”) tariff applying to cable television system operators and executing license agreements with other entities.

71. Refer to the Conroy Testimony, page 23, line 22, through page 24, line 4. Explain the unique nature and pricing arrangements of the facilities that would not be subject to the proposed Pole and Structure Attachment Charge (“PSA”) tariff.

72. Refer to the Conroy Testimony, page 24, lines 14–17.

a. Provide the rate impact, if any, of the changes to the CTAC tariff on current CTAC tariff customers.

b. Provide the rate impact of the changes to the CTAC tariff on the entities with license agreements.

73. Refer to the Conroy Testimony, page 25.

a. Refer to lines 11–12. Explain the reason for proposing a ten-year term of service.

b. Refer to lines 16–24. Assuming the proposal to eliminate the Meter Data Processing Charge is approved, confirm that KU will continue to provide the paper reports until the customer is able to access the information through KU's website. If this cannot be confirmed, explain.

74. Refer to the Conroy Testimony, pages 26–27 which discuss new proposed charges for customers reconnecting service without authorization.

a. Confirm that KU's tariff currently allows it to collect from a customer all expenses for damage caused due to an unauthorized reconnection.

b. Assuming the proposed charges are approved, explain if KU will be able to recover amounts in excess of the proposed charges, should a higher amount of damage occur.

75. Refer to the Conroy Testimony, pages 26–27. Explain the circumstances giving rise to the proposed change in the Existing Base Load calculation for the Economic Development Rider. State whether KU has experienced problems such as those discussed on page 27 regarding use of the three-year average.

76. Refer to the Conroy Testimony, page 27, line 21, through page 28, line 3. Assuming approval of KU's Application as filed, provide the effect it would have on the Solar Capacity Charge and Solar Energy Credit.

77. Refer to the Conroy Testimony, pages 31–32. Explain the circumstances giving rise to the proposed text change to the Contracted Demands provision at Sheet No. 97, and whether KU has experienced a situation such as that discussed on page 32, lines 5–8.

78. Refer to the Seelye Testimony, page 2, lines 7–10.

a. State whether KU is aware of the Commission's approving a Loss of Load Probability Cost of Service Study ("LOLP COSS") in another proceeding. If so, provide the case number of the proceeding.

b. State whether KU is aware of a LOLP COSS's having been approved in other state jurisdictions. If so, provide the state and docket number.

79. Refer to the Seelye Testimony, page 4, lines 5–9.

a. By rate class, provide the number of customers that have installed distributed generation.

b. Mr. Seelye states on page 15, line 10, of his testimony that distributed generation has not yet created a significant problem for KU. Explain how a movement towards a rate design that more accurately reflects the actual cost of providing service is necessary as opposed to a gradual movement to coincide with a gradual increase in distributed generation.

80. Refer to the Seelye Testimony, page 7. Provide Table 1 with an additional column representing the rate of return on rate base assuming the proposed revenue increase is approved.

81. Refer to the Seelye Testimony, page 13, line 7, through page 14 line 4. Provide a list of other utilities whose residential tariffs include a three- or multi-part rate design.

82. Refer to the Seelye Testimony, page 14, line 21, through page 15, line 8. Explain whether KU has considered proposing a new tariff specific to customers with distributed generation, such as solar panels or wind turbines, in order to address the issues discussed in Mr. Seelye's testimony, as opposed to increasing the customer charge for all customers within a rate class.

83. Refer to the Seelye Testimony, page 22, lines 12–13. Explain why inter-class subsidies are minimally addressed in the proposed rate design.

84. Refer to the Seelye Testimony, pages 32–37.

a. On page 34, lines 6–7 state that without a ratchet, Customer A would be overpaying. Tables 6 and 7 show the demand charge revenue without a ratchet and with a ratchet, respectively. The amount paid by Customer A is the same in both tables. State whether this indicates that Customer A overpays with or without a ratchet.

b. Beginning at the bottom of page 36, line 15, Mr. Seelye states, "Some low-load factor customers will have a maximum demand that coincides with the system peak and others may not."

1. Explain the extent to which KU has given consideration to making changes to the tariffs with demand ratchets so that customers whose peak demand does not coincide with the system peak do not pay ratchet demand rates or pay a reduced ratchet percentage.

2. What consideration has KU given to offering a Power Service Time-of-Day tariff? Explain the advantages and disadvantages of offering such a tariff.

c. State whether all General Service customers currently have meters that measure demand. If not, explain how KU determines whether a customer's 12-month-average monthly maximum load is 50 kW or less, qualifying the customer for the rate schedule.

d. Refer to page 36, lines 12–15.

1. State whether this section indicates that KU would incur less costs if Customer B had the same load as Customer A.

2. State whether there is no benefit to KU when Customer B has a lower load in some months.

85. Refer to the Seelye Testimony, page 44, lines 9–13. Mr. Seelye provides an example that if a customer has installed solar generation, then KU would be called upon to provide backup power when there is not sufficient sunlight to power the solar panels. Mr. Seelye states that this is likely to occur during KU's peak periods, such as during a winter system peak, which usually occurs during nighttime hours. State whether customers with solar generation are less likely to need backup power during the summer peak.

86. Refer to the Seelye Testimony, page 46, lines 6–20.

a. For a hypothetical customer with distributed generation taking service under each of the rate schedules TODS, TODP, RTS, and FLS, state the

amount the customer would be billed if it uses KU power during only one month of the year. Include in the response a breakdown of the billing components.

b. For a hypothetical customer with distributed generation taking service under each of the rate schedules TODS, TODP, RTS, and FLS, state the amount the customer would be billed if it does not use KU power during any month of the year. Include in the response a breakdown of the billing components.

87. Refer to the Seelye Testimony, page 49, lines 8–16.

a. State whether KU expects that the customer bill increases and decreases due to the proposed change to the Base Demand Charge demand ratchet will net to, or near, zero.

b. Provide the largest effect the proposed change to the Base Demand Charge demand ratchet will have on a single customer in each affected rate class.

88. Refer to the Seelye Testimony, page 52, lines 10–14. State whether KU owns any CTs that are not considered “large-frame” CTs. If so, provide the following:

a. The name of each CT.

b. The location of each CT in the dispatch order.

c. The number of hours each CT operated in 2015 and 2016.

d. The amount of CSR credits that would result if the calculation used the CTs that are highest in the dispatch order (regardless of whether they qualify as large-frame).

89. Refer to the Seelye Testimony, page 55, lines 19–21. These lines state that mercury vapor and incandescent lights are no longer being replaced. Explain

whether this statement means that the bulbs are not being replaced, or whether the fixtures are not being replaced.

90. Refer to the Seelye Testimony, page 56, lines 16–20. Explain why the average service life of a light emitting diode fixture is expected to be lower than other lights.

91. Refer to the Seelye Testimony, page 59, lines 4–15.

a. State whether entities currently being charged only the annual pole attachment charge of \$7.25 could also be charged the proposed additional new charges if approved by the Commission. If so, explain.

b. State whether new attachments by entities with an existing contract will be charged the proposed PSA rates for the new attachment or at the contract rates.

92. Refer to the Seelye Testimony, page 60, line 20, through page 61, line 1. Provide a copy of the Federal Communication Commission Report and Order referenced in the testimony.

93. Refer to the Seelye Testimony, page 63, lines 1–11.

a. Explain why the charge listed as (2) would be necessary given the proposed AMS.

b. Explain why the charge listed as (3) would be necessary given the proposed AMS.

94. Refer to the Seelye Testimony, page 63, lines 16–22.

a. Given that KU is currently recovering its out-of-pocket costs from customers who tamper with their meters, explain the necessity of establishing the proposed Unauthorized Reconnection Charges.

b. Explain whether this testimony indicates that the forecasted test year includes both expenses associated with tampering as well as revenues collected from customers, and in amounts identical to what is proposed through the Unauthorized Reconnection Charges.

95. Refer to the Seelye Testimony, page 64, lines 15–17. State whether all balance sheet and income statement accounts in the modified Base-Intermediate-Peak (“BIP”) COSS, including the jurisdictional separation study, have been allocated using the same methodology and allocation factors as used in the most recent base rate proceeding. If not, provide the changes and the reasons for the changes.

96. Refer to the Seelye Testimony, page 67. For the most recent five-year period, provide the summer and winter peaks for KU, LG&E, and the Companies combined.

97. Refer to the Seelye Testimony, page 69, lines 4–7. Explain in detail how the LOLP was calculated for each rate class using one hour of the test year as an example.

98. Refer to the Seelye Testimony, Exhibit WSS-2.

a. Provide the supporting calculation for the “ECR Base Rates” of \$.006770.

b. Provide the “Unit Cost of Service Based on the Cost of Service Study” for each rate class using the BIP COSS. Provide the response in Excel spreadsheet format with the formulas intact and unprotected.

c. Provide the "Unit Cost of Service Based on the Cost of Service Study" for each rate class using the LOLP COSS. Provide the response in Excel spreadsheet format with the formulas intact and unprotected.

99. Refer to the Seelye Testimony, Exhibit WSS-3. Explain what is meant by "Non-Burdened" and "Burdened" non-fuel operation and maintenance expenses, and how the amounts were calculated.

100. Refer to the Seelye Testimony, Exhibits WSS-4 and WSS-5.

a. Explain how the "Fixed Charges (\$/yr)" of 16.27 percent was calculated.

b. Explain why the "Distribution Energy per kWh (\$/yr)" is equal to the Lighting Energy Service ("LE") tariff rate. Include in the response how the LE rate was calculated.

c. Explain how the "Operation and Maintenance (\$/yr)" amount was calculated.

101. Refer to the Seelye Testimony, Exhibit WSS-8. Provide the basis for the space usage factor of .50.

102. Refer to the Seelye Testimony, Exhibit WSS-13, page 4 of 4. Explain how the split of Primary 65.21 percent and Secondary 34.79 percent was determined.

103. Refer to the Seelye Testimony, Exhibit WSS-14, page 4 of 4. Explain how the split of Primary 91.81 percent and Secondary 8.19 percent was determined.

104. Refer to the Seelye Testimony, Exhibits WSS-16 and WSS-17. Confirm that these two exhibits are the same, as there is no difference in the Functional

Allocation and Classification under the BIP COSS and LOLP COSS. If this cannot be confirmed, identify the differences.

105. Refer to the Seelye Testimony, Exhibits WSS-18 and WSS-19, pages 37–38 of 38 for each exhibit. Explain the difference in the Interruptible Credit Allocator between the BIP COSS and LOLP COSS.

106. Refer to the Garrett Testimony, page 30, the journal entry at the bottom of the page.

a. State the date in 2019 the journal entry is expected to be made.

b. Confirm that the journal entry represents projected balances at full deployment of the AMS. If this cannot be confirmed, explain.

107. Refer to the Garrett Testimony, pages 31–32. Beginning at the bottom of page 31, Mr. Garrett discusses KU's request for amortization of a regulatory liability related to reservation or termination fees received by KU for refined coal production facilities at certain generating stations. The testimony also references Case No. 2015-00264.<sup>6</sup> The final Order in that proceeding states that KU and LG&E could receive up to \$19.6 million of site licensing and coal yard services fees, and that the terms of the agreements were expected to run to the fourth quarter of 2021 unless the tax credit was extended. State the amount of fees related to the refined coal production facilities that are included as revenue in KU's test year.

108. Refer to KU's response to Commission Staff's Initial Request for Information ("Staff's First Request"), Item 27.

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<sup>6</sup> Case No. 2015-00264, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company Regarding Entrance into Refined Coal Agreements, for Proposed Accounting and Fuel Adjustment Clause Treatment, and for Declaratory Ruling* (Ky. PSC Nov. 24, 2015).

a. The Rate Schedules listed on this page include “Street Lighting” and “Private Outdoor Lighting” but do not include “Lighting Service” and “Restricted Lighting Service” as set forth in KU’s tariff. Reconcile the two lighting classes listed in the response to the two lighting schedules included in KU’s tariff.

b. Identify the Kentucky jurisdictional special contract customer shown on this page for 2015 and the base period.

109. Refer to the letter/request to intervene filed on December 6, 2016, by the Greater Muhlenberg Parks and Recreation System.

a. State whether the customer’s account was transferred from the General Service tariff to the Power Service tariff in May 2015. If so, explain why the customer was transferred.

b. Provide the customer’s usage and amount billed for each month of 2014, 2015, and 2016.

110. Refer to the comment letter filed on January 4, 2017, by Fredonia Food & More, the third paragraph. Provide a detailed explanation for the change in rate schedule discussed in this paragraph.

111. Refer to the Cadmus Industrial Sector DSM Potential Assessment for 2016-2035 – Final Report (“CADMUS Study”) filed by the Companies into the post-case file in Case No. 2014-00003.<sup>7</sup> Refer also to the KU/LG&E DSM Energy Efficiency

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<sup>7</sup> Case No. 2014-00003, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs* (Ky. PSC Nov. 14, 2014).

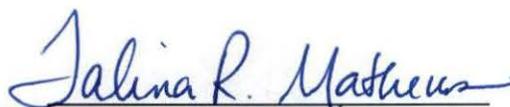
Advisory Group's October 14, 2016 report to the Commission filed into the post-case files in Case Nos. 2014-00371 and 2014-00372.<sup>8</sup>

a. Explain whether Kentucky Industrial Utility Customers, Inc. ("KIUC") has been invited to participate in the Companies' DSM Advisory Group, and if so, whether any KIUC member has attended any meetings of the DSM Advisory Group.

b. Based on the findings of the CADMUS Study, identify and describe any actions undertaken by KU regarding industrial DSM since the study's completion.

c. Based on the findings of the CADMUS Study, explain whether KU has any plans to include industrial programs in its DSM portfolio in the future.

d. Explain whether any of KU's customers that participated in the CADMUS Study have expressed interest in an industrial DSM program.



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DATED JAN 11 2017

cc: All parties

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<sup>8</sup> Case Nos. 2014-00371, *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* and 2014-00372, *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates* (Ky. PSC June 30, 2015).

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