

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on April 1, 2021. The Commission directs the Attorney General to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-

00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Attorney General shall make timely amendment to any prior response if the Attorney General obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Attorney General fails or refuses to furnish all or part of the requested information, the Attorney General 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 these proceedings in the requested format, reference may be made to the specific location of that information in

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

responding to this request. When filing a paper containing personal information, the Attorney General shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Glenn A. Watkins (Watkins Testimony), page 38, lines 19–26. Explain and provide the specific decision criteria used to determine whether generation is considered to be base, intermediate, or peak. For example, if there is an operating cost threshold, unit size threshold, or nameplate capacity threshold, provide the decision matrix.

2. Refer to the Watkins Testimony, page 57, lines 1–9. A priori is defined as to be relating to or denoting reasoning or knowledge which proceeds from theoretical deduction rather than from observation or experience. Explain if Mr. Watkins agrees or disagrees whether theoretical deductions are inherent to the analysis associated with cost of service and rate design in general.

3. Refer to the Watkins Testimony, page 59, lines 9–12. Provide the case numbers where this Commission did not accept the zero-intercept method as a valid measurement of demand and customer related costs for distribution plant.

4. Refer to the Watkins Testimony, page 68.

a. For Option 1, provide the rates for all customer classes that would result from the proposed allocations in Table 27, assuming that the entire amount of Kentucky Utilities Company's (KU) proposed electric rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

b. For Option 2, provide the rates for all customer classes that would result from the proposed allocations in Table 27, assuming that the entire amount of KU's proposed electric rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

5. Refer to the Watkins Testimony, page 72.

a. For Option 1, provide the rates for all customer classes that would result from the proposed allocations in Table 30, assuming that the entire amount of Louisville Gas and Electric Company's (LG&E) proposed electric rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

b. For Option 2, provide the rates for all customer classes that would result from the proposed allocations in Table 30, assuming that the entire amount of LG&E's proposed electric rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

6. Refer to the Watkins Testimony, page 74, lines 6–11. Provide what, under economic theory, a competitive firm's decision would be if the marginal cost is less than the average total cost of producing a good or service.

7. Refer to the Watkins Testimony, page 75, lines 15–22. Provide examples where utilities and regulatory bodies are not increasing fixed monthly fees.

8. Refer to the Watkins Testimony, page 76, lines 11–18. Here, Mr. Watkins provides an analogy of the competitive pricing structure with product pipelines.

a. Explain how reliability is priced within these product pipelines.

b. Explain whether the cost of reliability should be included in the fixed or variable rate components.

9. Refer to the Watkins Testimony, page 78, lines 10–12. Mr. Watkins states that a rate structure, which is heavily based on a fixed monthly customer charge, sends a price signal to consumers to use more energy.

a. Explain whether Mr. Watkins agrees or disagrees that elasticity measures the amount of the response to a price change.

b. Provide the short-run and long-run price elasticities of demand for electricity.

c. Explain what Mr. Watkins defines as “heavily based.”

10. Refer to the Watkins Testimony, page 83, lines 13–16. Explain how corporate overhead and other indirect business costs are correlated with usage.

11. Refer to the Watkins Testimony, page 83, lines 27–29. Explain how uncollectible expenses are correlated to usage.

12. State whether Mr. Watkins believes that net metering customers pay their full share of customer costs and whether Mr. Watkins believes that customers with distribution generation benefit from intra-class subsidies.

13. Refer to the Watkins Testimony, page 101. Provide the rates for all customer classes that would result from the proposed allocations in Table 38, assuming that the entire amount of LG&E's proposed gas rate increase were approved by the Commission. Provide this in Excel spreadsheet format with all with all formulas, columns, and rows unprotected and fully accessible.

14. Explain whether Mr. Watkins agrees or disagrees whether the 6 CP COSS approach is a more reasonable approach to measuring cost of service as compared to the LOLP COSS.

15. Refer to the Direct Testimony of Paul J. Alvarez (Alvarez Testimony), page 13, lines 2–4. Mr. Alvarez states that that the projected budget for Volt Var Optimization (VVO) is inadequate. Provide what Mr. Alvarez believes to be an adequate budget as well as support for these estimates.

16. Regarding the Universal Peak Time Rebate Program, provide support that the costs associated with maintaining such a program such as labor, record keeping, and billing will be less than the benefits of such a program.

17. Refer to the Alvarez Testimony, page 21, lines 19–20.

a. Provide the rebate paid for Duke Kentucky's pilot Peak Time Rebate Program.

b. Provide a list of Commission approved rebates paid for all Peak Time Rebate Programs.

18. Refer to the Alvarez Testimony, page 22, lines 18–20. Explain how a Peak Time Rebate Program will provide a reason for customers to look forward to smart meters.



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DATED MAR 19 2021
cc: Parties of Record

Case No. 2020-00349
Case No. 2020-00350

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