

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF KENTUCKY UTILITIES</b>	<b>)</b>	<b>CASE NO.</b>
<b>COMPANY FOR AN ADJUSTMENT OF</b>	<b>)</b>	<b>2012-00221</b>
<b>ITS ELECTRIC RATES</b>	<b>)</b>	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO THE**  
**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S**  
**SUPPLEMENTAL REQUESTS FOR INFORMATION**  
**DATED AUGUST 28, 2012**

**FILED: SEPTEMBER 12, 2012**



VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Sidney L. "Butch" Cockerill**, being duly sworn, deposes and says that he is Director – Operating Services and Business Process Management for 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.

*Sidney L. "Butch" Cockerill*  
Sidney L. "Butch" Cockerill

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10<sup>th</sup> day of September 2012.

*Lois A. Henry* (SEAL)  
Notary Public

My Commission Expires:

July 21, 2015



VERIFICATION

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF CUMBERLAND )

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Senior Vice President, Valuation and Rate Division, for Gannett Fleming, Inc., 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.

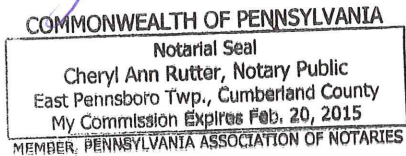
*John J. Spanos*  
\_\_\_\_\_  
JOHN J. SPANOS

Subscribed and sworn to before me, a Notary Public in and before said County and Commonwealth, this 30th day of August 2012.

*[Signature]* (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

February 20, 2015





**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2012-00221**

**Response to Lexington-Fayette Urban County Government's  
Supplemental Requests for Information  
Dated August 28, 2012**

**Question No. 1**

**Responding Witness: Sidney L. "Butch" Cockerill**

- Q-1. Refer to your response to LFUCG's Initial Request for Information No. 4.
- a. How much revenue has KU received from Fayette County customers for each of the last 5 years? If available, please provide this information broken out by each class of customer.
  - b. What percentage of KU's overall revenues for each of the last 5 years is the above?
- A-1. a-b. See attached. The Company did not maintain files segregated according to the requested parameters until April 2009 when the Customer Care System was implemented.

Kentucky Utilities Company				
Case No. 2012-00221				
Fayette County Revenue and				
Total Company Retail Revenue by Customer Class				
Customer Class	Jan - Jul 2012	2011	2010	Apr - Dec 2009
Fayette County Revenue				
Residential	\$ 79,913,078	\$ 136,437,200	\$ 140,422,215	\$ 82,906,728
Small Commercial	27,938,034	45,943,617	45,031,341	29,252,800
Large Commercial	33,044,171	58,739,086	61,197,776	46,293,691
Industrial	19,477,450	31,665,908	29,098,485	18,119,297
Mine Power	68,750	126,721	168,830	66,734
Street/Highway Lighting	2,772,796	4,659,573	4,426,571	2,839,568
Other Public Authorities	19,355,583	34,726,003	34,809,211	24,617,040
Municipal Pumping	-	-	106,481	95,827
Total Fayette County Revenue	\$ 182,569,862	\$ 312,298,108	\$ 315,260,910	\$ 204,191,685
Kentucky Utilities Retail Revenue				
Residential	\$ 290,533,818	\$ 499,281,495	\$ 517,180,766	\$ 302,920,531
Small Commercial	107,475,065	176,373,716	171,358,380	111,568,266
Large Commercial	85,225,863	153,391,074	160,405,124	118,194,143
Industrial	198,430,402	335,595,760	322,095,152	211,234,748
Mine Power	15,485,530	31,128,553	33,507,278	27,307,056
Street/Highway Lighting	5,906,893	10,145,926	10,699,899	7,201,758
Other Public Authorities	59,973,130	103,684,579	99,610,711	68,560,911
Municipal Pumping	2,754,007	4,688,414	4,658,018	3,185,445
Total Company Retail Revenue	\$ 765,784,708	\$ 1,314,289,517	\$ 1,319,515,328	\$ 850,172,858
Fayette County Revenue as a Percentage of Total Company Retail Revenue				
	23.841%	23.762%	23.892%	24.018%



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**Question No. 2**

**Responding Witness: Robert M. Conroy**

- Q-2. Refer to your response to LFUCG's Initial Request for Information No. 6.
- a. What is the amount of annual rental income that KU receives from third party attachments to its poles?
  - b. Are the majority of KU's poles located within the public right-of-way?
  - c. How is this revenue "credited"? Is the "credit" allocated to all classes of customers?
- A-2.
- a. The test year revenues KU received from third party attachments to its poles was \$1,067,374.
  - b. No.
  - c. Pole attachment revenue is included with "Rent from Electric Property" on pages 23-24 of Conroy Exhibit C4. The revenue is allocated to all classes of customers on the basis of total utility plant. See also the response to PSC 3-1 for a reference to KU's revised cost of service study.

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**Question No. 3**

**Responding Witness: Paul Gregory "Greg" Thomas / Frank R. Bryant**

- Q-3. Refer to your response to LFUCG's Initial Request for Information No. 13.
- a. How many public street lights (i.e., lights for which LFUCG pays a monthly tariff) were installed in Fayette County by KU in the last 5 years? Provide the information on an annual basis.
  - b. How many public street lights in Fayette County were replaced by KU in the last 5 years? Provide the information on an annual basis.
  - c. How many public street lights in Fayette County required a service or maintenance call in the last 5 years? Provide the information on an annual basis.

A-3. a. Street lights installed for LFUCG by year:

2011	2010	2009	2008	2007
360	350	533	500	695

- b. KU does not track the number of street lights replaced.
- c. KU's completed street light repair orders by year:

2011	2010	2009	2008	2007
3,027	2,426	2,267	2,537	2,589

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**Question No. 4**

**Responding Witness: Paul Gregory "Greg" Thomas / Frank R. Bryant**

- Q-4. Refer to your response to LFUCG's Initial Request for Information No. 14.
- a. How many street lights did KU maintain or repair in the last 5 years based upon the patrol program described in the response to subpart a.? Provide the information on an annual basis.
  - b. How many repair orders were generated in the last 5 years based upon the outage reporting program described in the response to subpart a.? Provide the information on an annual basis.
  - c. How many repair orders were generated in the last 5 years based upon the LexCall/311 reporting program described in the response to subpart a.? Provide the information on an annual basis.
- A-4.
- a. KU does not track street light repairs by reporting source.
  - b. KU does not track street light repairs by reporting source.
  - c. See below for the LexCall/311 reported street light outages based on the reporting information provided to KU by LexCall/311.

2011	2010	2009	2008	2007
1,044	783	1,025	996	678

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**Question No. 5**

**Responding Witness: Paul Gregory "Greg" Thomas / Robert M. Conroy / Frank R. Bryant**

- Q-5. Refer to your response to LFUCG's Initial Request for Information No. 16.
- a. Does your response include private outdoor lights? Provide the average number of street lights and private outdoor lights repaired by KU in Fayette County for each of the last 5 years.
  - b. It is LFUCG's understanding, based upon monthly outage reports provided to it by KU, that in 2011 KU "repaired" 1044 street lights for which LFUCG paid a tariff. Please explain whether and how these monthly outage reports are consistent with your responses to RFI No. 16.
  - c. Do the operation and maintenance costs for lighting provided in your cost of service study include private outdoor lights? Provide a breakdown of the O&M costs between street lights and private outdoor lights.
- A-5.
- a. No, the response does not include private outdoor lights. KU repaired an average of 2,569 street lights and 888 private outdoor lights for each of the last 5 years in Fayette County. Repairs include changing the light bulb.
  - b. The outages reported to LFUCG are only those originating from LexCall. The 1,044 refers only to those outages reported from LexCall, not total outages reported from all sources.
  - c. Yes, the operation and maintenance cost for lighting in the cost of service study includes private outdoor lights.

For the test period ending March 31, 2012, the O&M costs broken out between street lights and private outdoor lights is shown below:

Private Outdoor Lights	
Account	Amount
583001	\$ 9,886
593002	\$ 234,409
Total	\$ 244,295
Street Lights	
Account	Amount
583001	\$ 6,574
585100	\$ 21,918
593002	\$ 475,674
Total	\$ 504,166

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**Question No. 6**

**Responding Witness: John J. Spanos**

Q-6. Refer to your response to LFUCG's Initial Request for Information No. 19. Please explain the difference between the definition of the terms "average service life" and "average remaining life".

A-6. The average service life is the life of the assets in a group of property from the time installed (or when new) until retired. The average remaining life is the amount of time a group of assets is expected to remain in service measured from a given point in time (e.g. December 31, 2011 in the depreciation study).

Please refer to NARUC's Public Utility Depreciation Practices (1996) for a more formal discussion of average service and remaining lives. This text defines the terms as follows:

**Average Life** - the average expected life of all units of a group when new. It is determined as the arithmetic average of the lives of the units. It is equal to the area under the survivor curve divided by the original placements.

**Average Service Life** - Average service life is the same as average life when a single group is involved. When two or more groups, such as vintages, categories, or plant accounts are involved, the average service life is the reciprocal or harmonic average of the lives of the groups.

**Average Remaining Life** - the future expected service in years of survivors at a given age.

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**Question No. 7**

**Responding Witness: Robert M. Conroy**

- Q-7. Refer to your response to LFUCG's Initial Request for Information No. 26. Can a customer who has been "grandfathered" into one of these rates be placed into another rate category without the consent of the customer?
- A-7. No, KU will not migrate any "grandfathered" customer from one rate to another without the consent of the customer.

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**Question No. 8**

**Responding Witness: Robert M. Conroy**

- Q-8. Refer to your response to LFUCG's Initial Request for Information No. 30. LFUCG is interested in non-lighting uses (i.e., accessory uses of the street light poles or facilities) by third parties of public street lights for which LFUCG pays a tariff. Please answer the original question in the context of the above clarification.
- A-8. An agreement with LFUCG describes what is allowed to be temporarily attached to poles specifically set for lighting. System poles, however, may have lighting and third party agreements for attachments. Generally, these agreements are made with telephone and cable television companies but may include other companies. Any revenues received by KU for "non-lighting" use of its facilities reduce the charges for electric service.



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**Question No. 9**

**Responding Witness: Robert M. Conroy**

- Q-9. Refer to your response to Commission Staff's Second Request for Information No. 6.
- a. With respect to the LS terms and conditions, what is the basis for all repair work being done during regular working hours of the business?
  - b. With respect to the LS terms and conditions, please list all types of instances in which KU bills the customer for the cost of fixture replacement or repairs. Does this include automobile or other types of accidents? How does KU determine whether an act is willful?
    - i. Why should the customer bear the cost of damage to a light that it did not damage?
    - ii. How often has KU billed the customer under this tariff provision for each of the last 5 years.
  - c. With respect to the LS terms and conditions pertaining to street light installation after removal, please explain how the various term lengths were determined (i.e., 20 years and 5 years).
- .
- A-9.
- a. The current tariff and proposed tariffs both specify service and maintenance be performed only during regular scheduled working hours to control costs. However, Trouble Technicians are scheduled 24/7 and are the first to respond to lighting outages.
  - b. KU bills the responsible party, not the customer, for repairs associated with accidental damage to lighting. These instances include but are not limited to vehicle accidents, tree work with a limb falling on a fixture or a pole, digging into an underground line, tearing down an overhead line, etc. Willful damage

could include throwing rocks at a fixture, shooting at a fixture with a gun, violently shaking a pole until the fixture comes loose, etc.

- i. Maintenance resulting from accidental damage is billed to the entity causing the damage. In circumstances of repeated willful damage or vandalism, the customer is given an option of having light removed or paying for the repairs. Expenses associated with willful damage or vandalism to lighting facilities due to location should not be borne by the entire lighting class.
  - ii. KU has not billed the customer under this tariff provision.
- c. The term lengths are unrelated to depreciation time frames which would justify much longer but administratively unrealistic time periods. The proposed five (5) year term is consistent with the current tariff and is intended to discourage the customer that, being unwilling commit to five years, may decide to have the unit removed after a few months. Similarly, the twenty (20) year term is directed to entire lighting systems. Unlike other services provided, lighting requires disproportionately high capital investment at the customer level. There must be some reasonable expectation of stability.

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**Question No. 10**

**Responding Witness: Robert M. Conroy**

Q-10. Refer to your response to Commission Staff's Second Request for Information No. 14. What is the relationship between a rate increase in this case and the DSM factor? Will the DSM factor increase if there is a rate increase in this case?

A-10. The Company is allowed to collect lost sales (DRLS) generated from the deployment of energy efficiency measures through its approved DSM Programs for a period up to 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. The lost sales component of the DSM Mechanism is included under KRS 278.285(1)(c) to encourage utilities to pursue demand-side management activities without negatively impacting their financial position.

Upon conclusion of this case, the DRLS component of the DSM Mechanism will be reduced to include only the lost sales resulting from energy efficient measures deployed after the end of the test year. This will result in a lower overall DSM Mechanism Rate. All other DSM charges will remain consistent with Commission approved DSM cases.