

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

IN THE MATTER OF: THE APPLICATION OF KENTUCKY :
UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS : **Case No. 2014-00371**
ELECTRIC RATES :

**SECOND SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO KENTUCKY UTILITIES COMPANY**

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UTILITY CUSTOMERS, INC.**

Dated: February 6, 2015

DEFINITIONS

1. “Document” means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. “Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. “Person” means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company’s possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. “You” or “your” means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, “you” or “your” may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness’ testimony.
11. “Company” means Kentucky Utilities Company (KU) and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed, and affiliates including PPL Corporation.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

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- Q.2-1. The Companies presently use the RP-2000 scale AA mortality table to quantify pension and other post-retirement benefits expense. The Society of Actuaries issued the Mortality Improvement Scale BB Report in September 2012 reflecting improved mortalities (longer lives). The Companies considered switching to the scale BB for year-end 2013, but apparently opted not to do so, according to the emails provided in response to KIUC 1-17 (page 25 of 101). Please explain why the Companies did not change to the scale BB once it became available for 2013 and 2014 pension and OPEB expense. In addition, please identify the person(s) and their positions who made this decision.
- Q.2-2. Is it the Company's position that it is required to adopt utilize the RP-2014 mortality table to quantify pension and OPEB expense starting in 2014? If so, please provide all support for this requirement.
- Q.2-3. Is it the Company's position that it is required to adopt utilize the RP-2014 mortality table to quantify pension and OPEB expense starting in 2015? If so, please provide all support for this requirement. In addition, please provide all support for the proposition that the Company is required to utilize the RP-2014 mortality table starting in 2015, but not in 2014.
- Q.2-4. Please indicate whether the Companies' actual pension and OPEB expense for 2014 as well as the related balance sheet assets and liabilities recorded as of December 31, 2014 reflected the RP-2014 mortality table. If not, please explain why not. In addition, identify all authorities relied on for the delay in adopting the RP-2014 mortality table for 2014 accounting and financial reporting purposes.
- Q.2-5. Please provide the Companies' pension and OPEB expense recorded in their accounting books for January 2015 and the basis for the expense that was recorded, including the mortality table that was used for the expense. Please reconcile the amounts that were recorded to the Towers Watson actuarial costs for 2015.
- Q.2-6. Refer to the Company's response to KIUC 1-20. The question was as follows:

Please provide the Company's pension cost calculations for each year 2008 through 2014, the base year, and the test year, showing for each of those years the vintage year gains and losses and the calculation of the amortization of the gains and losses associated with each of those vintage years.

In its response, the Company provided a schedule that had only a single line for (gain)/loss amortizations and did not provide the information requested in KIUC 1-20. Please provide the information that was requested and in the format that was requested in sufficient detail to replicate the calculation of the amounts reflected in each year referenced in the question. In addition, please provide this information in electronic format.

Q.2-7. Refer to the Company's response to KIUC 1-21(a). The question was as follows:

Please confirm that the IRS determines the minimum pension funding requirements pursuant to ERISA, but does not determine the amount of pension expense pursuant to GAAP.

In its response, the Company neither confirmed nor denied. Please respond to the question that was posed and confirm or deny. If denied, then please explain your response.

Q.2-8. Refer to the Company's response to KIUC 1-21(b). The question was as follows:

Please describe the status of any guidelines or requirements by the SOA or any other authoritative agency or industry association to use the RP-2014 Mortality Improvement Scale MP-2014.

In its response, the Company simply referred to its response to AG 1-15(c). In its response to AG1-15(c), the Company stated:

In 2014, KU's actuary, Towers Watson, performed an Experience and Demographic Assumptions Review of the Company's plan. Towers Watson reviewed the actual mortality experience for retirees and surviving spouses in the qualified pension plan. Based on the results of this study, KU determined that the RP-2014 mortality table was the best estimate of actual experience available.

This response does not address the question posed by KIUC 1-2(b) as to whether the Company is required or when it is required to adopt the RP-2014 mortality table. Please respond to the question posed.

Q.2-9. Refer to the Company's response to KIUC 1-28. Please provide a copy of the electronic spreadsheet with all formulas intact.

Q.2-10. Refer to the Company's response to KIUC 1-36 regarding property tax expense.

- a. Please indicate if the Company allocates the property taxes assessed between expense and capital for accounting purposes, i.e., capitalizes the property tax expense related to CWIP. If the Company does not do so, then please explain why it does not.
- b. Please indicate if the accumulated depreciation amounts used in the Company's calculation of property tax expense include the net negative salvage reflected in depreciation expense. If not, then please explain why net negative salvage was excluded for that purpose.

Q.2-11. Please indicate the terminal net salvage rates included in the depreciation rates by account for each of the Company's generating plants. Please indicate when terminal net salvage was first included in the depreciation rates for each of the plants.

Q.2-12. Refer to the Company's response to PSC 2-40, which shows the net negative salvage rate applicable to the entirety of the depreciable plant balance.

- a. Please confirm that the entirety of the depreciable plant balance consists of both interim retirements and terminal retirements.
- b. Please provide the calculations of the net negative salvage rate separated into net negative interim salvage and net negative terminal salvage and the weighting that was used to develop a single net negative salvage rate.
- c. Provide this same information for all Cane Run 7 plant accounts.

Q.2-13. Refer to the Company's response to PSC 2-41, which states that there is no terminal salvage included in the Cane Run 7 depreciation rates.

- a. Please separate the Cane Run 7 depreciable plant balance into interim retirements and terminal retirements.
- b. Please confirm that the proposed Cane Run 7 net negative salvage rate was applied to the entirety of the depreciable plant balance, including the portion expected to survive to terminal retirement.

Q.2-14. Refer to the Company's response to KIUC 1-12. The question asked the following:

Please provide the incentive compensation expense for 2013, 2014, the base year, and the test year by incentive compensation plan and by goal or target for each plan. This includes incentive compensation expense assigned and allocated to the Company as well as incentive compensation expense incurred directly by the Company.

The Company's response referred to its response to AG 1-150. The response to AG 1-150 does not provide the information requested in KIUC 1-12 by plan and by goal or target for each plan. It also does not provide the information for LKS charged to the Company.

- a. Please provide the information requested in KIUC 1-12. To be clear, this request also includes all stock-based compensation awards, and is not limited only to incentive compensation with cash or deferred payouts.
- b. Please provide the calculation of incentive compensation expense in the historic year, the base year and the test year in electronic format with all formulas intact. This calculation should reflect all performance metrics and goals, the achieved metric or goal, and the calculation of the cost, including the allocation between expense and capital.

Q.2-15. Refer to the Company's response to AG 1-150.

- a. Please explain why the overtime payroll expense in the test year increased by more than \$2 million for each Company even while each Company proposes significantly increased staffing levels. This relationship would appear to be counterintuitive.
- b. Please provide the calculation of overtime expense for the historic year, the base year and the test year.

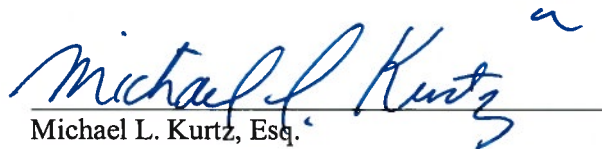
- Q.2-16. Refer to the Company's response to AG 1-75, which sought complete copies of any incentive compensation plan, bonus program or other incentive award program in effect at the Company for each year 2010 through 2014. In its response, the Company provided a single document describing the Team Incentive Award Plan. Based on the PPL Proxy Statement for 2014, it appears that there are other incentive compensation plans applicable to executive and other management positions.
- a. Please confirm that the Team Incentive Award Plan is the only incentive compensation, bonus program or other incentive award program in effect in any of those years that was included in operating expense on the Company's accounting books. If this is not correct, then please supplement the response to AG 1-75.
 - b. Please provide the amount of incentive compensation expense recorded by O&M and A&G expense account by plan and by performance metric for each plan in 2012, 2013, 2014, the base year and the test year. Provide this amount for each utility, showing separately amounts incurred by LKE and/or PPL that were charged to each utility.
- Q.2-17. Refer to the Company's response to AG 1-19 wherein it shows a reduction of 11 positions for "Green River transfer to metering" (due to plant retirement) and its response to AG 1-24 wherein it shows an increase of 11 positions for "meter readers" (due to regulatory compliance). Please provide a detailed explanation why the Company requires an additional 11 meter readers for regulatory compliance.
- Q.2-18. Refer to the Company's response to KIUC 1-10 pages 2-6, which shows the additional positions that KU, LG&E, and LKE are projected to add by the end of the test year. For each position listed and in total for all 293 positions, provide the payroll expense (straight time, overtime, incentive) and all related expenses (payroll taxes, benefits, etc.) included in the base year and the test year in each Company's revenue requirement and on an annualized basis. Provide all assumptions, data, and calculations, including allocations of LKE costs to KU and LG&E and any costs charged from or to the two utilities, as well as the allocation between expense and capital.
- Q.2-19. Refer to the Company's response to KIUC 1-7, which provided historic and projected expenses for the generating plants that will be retired by the end of the test year.
- a. On the tab labeled Q.8 KU Labor, there is an amount of \$1.927 million May 2016 for Green River Common. Please provide a description of this amount and the detailed calculation. Indicate if this includes any abnormal and nonrecurring expenses.
 - b. On the tab labeled KU Summary by FERC by Month, there is an amount of \$1.000 million in March 2015 and an amount of \$0.300 million in February 2016 for Green River 4. Please provide a description of each of these amounts and the detailed calculations. Indicate if these amounts include any abnormal and nonrecurring expenses, and if so, provide the amounts the Company believes are abnormal and nonrecurring.
 - c. On the tab labeled KU Summary by FERC by Month, there is an amount of \$0.3000 million in October 2015 for Green River 3. Please provide a description of this amount and the detailed calculation. Indicate if this includes any abnormal and nonrecurring expenses, and if so, provide the amount the Company believes is abnormal and nonrecurring.

- d. On the tab labeled KU Summary by FERC by Month, there is an amount of \$1.869 million in May 2016 for Green River Common. Please provide a description of this amount and the detailed calculation. Indicate if this includes any abnormal and nonrecurring expenses, and if so, provide the amount the Company believes is abnormal and nonrecurring.
- e. On the tab labeled KU Summary by FERC by Month, there is an amount of \$0.200 million each month May 2016 through December 2016 for Green River Common. Please provide a description of each of these amounts and the detailed calculations. Indicate if these amounts include any abnormal and nonrecurring expenses, and if so, provide the amounts the Company believes are abnormal and nonrecurring.

Q.2-20. Refer to the attachment provided by the Company' in response to KIUC 1-10 and the amounts shown on the attachment. Provide the calculations of each of these amounts in an electronic spreadsheet in sufficient detail to replicate the amounts. Provide all assumptions, the basis for all assumptions, the costs per employee, the costs for contractors, and the loadings for overtime, incentive compensation, payroll taxes, and benefits, as well as all other costs that were included in these amounts.

Q.2-21. Referring to the Company's response to PSC-1 Question No. 7:

- a. Please provide the yearly amounts of long-term purchased power obligations considered by rating agencies in calculating KU's Fixed Charge Coverage Ratios.
- b. Please provide the rating agency financial ratios for KU over that last ten years. Please provide all work papers and supporting calculations with spreadsheets and cell formulas intact. The response should include the ratios used by Standard and Poor's and Moody's used to evaluate KU's bond and credit ratings and show each component part of the ratio is calculated.



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