

Application of Kentucky Utilities Company
For an Adjustment of its Electric Rates
Case No. 2014-00371
Attorney General's Responses to Request for Information from PSC Staff

WITNESS RESPONSIBLE:

Frank Radigan

QUESTION No. 1

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Refer to the Testimony of Frank W. Radigan ("Radigan Testimony"), page 7, lines 4-5. It states, "The table below summarizes the revenue requirement impact of my adjustments." However, there is no table such as that described in the sentence. Provide the missing table.

RESPONSE:

Impact of AG Recommended Adjustments	
KU - Electric Operations	
	\$ Millions
AG Operating Income Adjustments	
Retirement of Green River	\$ (8.4)
Lack of Support for Forecast Headcount	\$ (1.9)
Pension at 2014 Level	\$ (9.4)
50 Life Span at Cane Run 7	\$ (1.9)
Slippage Factor	\$ (0.9)
Total Operating Income Adjustments	\$ (22.5)
Gross Revenue Conversion Factor	1.5918
Revenue Requirement Impact	\$ (35.8)
Impact from Changing ROE	\$ (60.9)
Total Adjustments	\$ (96.7)

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QUESTION No. 2

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Refer to the Radigan Testimony, page 13, lines 6-8, and page 17, lines 26-27. The sentence on page 13 states, "Given that some of the important variables will not be decided until after the rates are set in this case, I would suggest that this emphasizes the need for caution." The sentence on page 17 states, "This issue points to a potential danger in future test years in that it relies on forecasts." As the Commission's statutes and regulations provide for use of a forecasted test period consisting of the first 12 months after the end of the suspension period, such a test period may reflect changes that (1) occur after new rates become effective, and (2) are based on forecasts. Explain whether Mr. Radigan is generally opposed to the recognition of cost changes that occur during a forecasted test period and/or changes based on forecasts.

RESPONSE:

Mr. Radigan is not opposed to a forecast test period, but a key underlying assumption in setting forecast test year rates is an expectation of reasonable accuracy in the forecast. Here, the forecast shows a large change in test year expense. One of the biggest reasons for the change in test year expense is the replacement of the actuarial table to be used in the calculation of pensions; however, it is unknown at this time whether the Internal Revenue Service will adopt the proposed actuarial tables. Compounding this problem, is the fact that we won't have any more knowledge regarding the IRS decision until after the rates in this case are set. Additionally, the Companies are proposing a massive increase in staffing levels during the forecasted test year. The threat facing rate payers is that once the rates are set "the Company will charge the rates approved by the Commission and it will not deviate from those approved rates in the way of refunds for any expense that are less than projected" (See response to AG 1-28). Given the uncertainty of the IRS ruling, the significant departure from historical staffing levels, and the fact that the Company would plan on keeping any deviations from the forecast, Mr. Radigan urged caution in adopting this forecasted change.

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WITNESS RESPONSIBLE:

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QUESTION No. 3

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Refer to the Radigan Testimony, page 17, lines 27-29, where he states, "Here there has been no presentation of past forecast and budget accuracy so we have no way to gauge how well the Company is truly performing with regard to headcount." Explain whether Mr. Radigan is familiar with Kentucky Utilities Company's responses to the data requests of the Kentucky School Boards Association ("KSBA") regarding variances in headcounts, which were used by KSBA witness Willhite in his direct testimony.

RESPONSE:

Yes, Mr. Radigan is familiar with the responses to KSBA Questions 13-14. However they provide marginal value as there is no accompany underlying data to the forecast and there are very few data points, thus limiting their usefulness in analysis.

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WITNESS RESPONSIBLE:

Frank Radigan

QUESTION No. 4

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Refer to the Radigan Testimony, page 26, lines 17-21, where he refers to combined cycle units much more closely resembling a steam production facility than a combustion turbine. He also states, "Thus their capacity factor is like a steam unit in the 40-85% range rather than a 3%-5% range typical of a combustion turbine."

- a. Explain whether the 40-85 percent capacity factor referenced by Mr. Radigan reflects:
 - (1) Publicly available information on the capacity factors of existing steam production facilities;
 - (2) Publicly available information on the capacity factors of existing combined cycle units; or
 - (3) Mr. Radigan having ascribed the capacity factor range of steam production facilities to combined cycle units.
- b. If the 40-85 percent capacity factor range is based on publicly available information on existing combined cycles units, provide the public information on which Mr. Radigan relied.

RESPONSE:

- a(1). Yes. As described on its website, the North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the reliability of the bulk power system in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the bulk power system through system awareness; and educates, trains, and certifies industry personnel. NERC's area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization for North America, subject to oversight by the Federal Energy Regulatory Commission and governmental authorities in Canada. NERC's jurisdiction includes users, owners, and operators of the bulk power system, which serves more than 334 million people. NERC keeps and maintains a database of electric generation availability known as the Generating Availability Data Systems ("GADs"), which is publically available at <http://www.nerc.com/pa/RAPA/gads/Pages/Reports.aspx>.

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Attached are four excerpts from the NERC GADS database entitled "All Fossil", "Jet Engines", "Fossil Coal Statistics" and "Combined Cycle Units." The files may be opened with Notepad. As reported to NERC the Net Capacity Factor ("NCF") for All Fossil units sized between 400-599 MW for the period 2007-2011 was 52.33%. For Jet Engines (i.e. combustion turbines) sized greater than 50 MW for 2007-2011 the NCF was 2.8%. For Coal Units sized 400-599 MW for the 2007-2011 period, the NCF was 68%. For Combined Cycle units, all sizes, for the period 2007-2011 the NCF for combined cycle units was 40% and the 2011 value was 47%. The New York Independent System Operator also publishes data on load and capacity in New York known as the Gold Book. For 2014, the Gold Book contains data that shows the NCF for large combined cycle units in the range of 50-65% (see pages 34, 35 and 37 which show NCFs for Empire Generating at 56%, Astoria Energy at 65%, Astoria East at 57% and Athens Generating at 51%).

- a(2). See reply to 4a(1) above
- a(3). See reply to 4a(1) above
- b. Please see NYISO 2014 Gold Book attached and files provide in response to 4a(1) above.

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QUESTION No. 5

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Refer to the Radigan Testimony, pages 27-28. State whether the AG is proposing the establishment of a tariff mechanism similar to the Tariff S.S.C. (System Sales Clause) of Kentucky Power Company. If so, provide the specific format and details of the tariff mechanism proposed.

RESPONSE:

Yes, a tariff mechanism similar to the S.S.C. Tariff of Kentucky Power would be appropriate. However, Kentucky Power tariff S.S.C. is composed almost exclusively of data relevant and pertaining solely to that company. As the data necessary to draft such a tariff pertaining to LG&E-KU lies in the exclusive possession of LG&E-KU, the OAG is unable to provide this information. Moreover, crafting a specific tariff for the Companies is outside the scope of Mr. Radigan's contract with the OAG.