

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 KU

Data Requests Relating to Testimony of Frank Radigan

WITNESS RESPONSIBLE:

Frank Radigan

QUESTION No. 1

Page 1 of 1

Please provide all schedules in electronic format with cells intact and all workpapers, source documents, and electronic spreadsheets used in the development of Mr. Radigan's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

Excel versions of Mr. Radigan's schedules were filed on March 13, 2015. Mr. Radigan has no additional workpapers.

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WITNESS RESPONSIBLE:

Frank Radigan

QUESTION No. 2

Page 1 of 1

Please provide support for amounts listed in Exhibit AG-3 Schedule FWR-4, page 3 of 6.

RESPONSE:

Please see attached worksheet "Labor Book 4-1-15.xlsx."

Data Requests Relating to Testimony of Dr. Woolridge

WITNESS RESPONSIBLE:

Dr. Randall Woolridge

QUESTION No. 3

Page 1 of 1

Please provide all schedules in electronic format with cells intact and all workpapers, source documents, and electronic spreadsheets used in the development of Mr. Woolridge's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

Excel versions of Dr. Woolridge's schedules were filed on March 10, 2015. Dr. Woolridge's work papers, data and work sheets, and source documents are provided as attachments. The attachments include copies of articles and studies used and cited in the testimony, exhibits, and appendices, listed by authors name and date of publication; copies of *Value Line* reports used in Exhibits JRW-4, 7, 10, and 11; and copies of data and worksheets used in the development of Dr. Woolridge's Exhibits, including copies of Exhibits JRW-1 through JRW-14.

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WITNESS RESPONSIBLE:

Dr. Randall Woolridge

QUESTION No. 4

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Reference page 32, lines 3-4. Please provide copies of all documents supporting Dr. Woolridge's position that the "three-stage DCF" is a "common application" for investment firms.

RESPONSE:

Dr. Woolridge has not performed an analysis of the DCF models of individual investment firms. His observations on this issue are based on years of teaching and research on issues related to Wall Street practices, including overseeing the placement of about 50 students per year in full-time and summer internship positions in analyst positions on Wall Street.

All investment valuation books include details of DCF valuation models, including the multi-stage DCF model. Dr. Woolridge has provided two chapters on DCF valuation in the response to LGE/KU question 3 from Aswath Damodaran, a very well-known finance professor from NYU who has written extensively on stock valuation. Also, valuation websites include multi-period growth DCF models, which provide for the estimation of different growth rate for different time periods in the future, which are therefore multi-stage DCF models.

Damodaran's (<http://people.stern.nyu.edu/adamodar/>),

LundholmSloan (<http://www.lundholmandsloan.com/index.html>) and

ValuePro (<http://www.valuepro.net/index.shtml>)

Finally, in the response to LGE/KU question 3, Dr. Woolridge also provides two recent studies by Green, Hand, and Zhang on the use of DCF valuation models by Wall Street firms. In the article entitled, "The Dual Use of Residual Income and Discounted Cash Flow Valuation Methods by U.S. Sell-Side Equity Analysts," on pages 4-5, the authors provide a summary literature review on the use of the DCF model by investment analysts. In the other article entitled, "A New Perspective on Analyst Sophistication: Errors and Dubious Judgments in Analysts' DCF Valuation Models," the authors highlight DCF application errors by Wall Street analysts based on their review of 120 analysts' reports over the 2012-13 time period. In both of these articles, the authors discuss alternative approaches to the estimation of terminal values in DCF valuations. The inclusion of a terminal value in a DCF valuation approach is a multi-stage model.

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WITNESS RESPONSIBLE:

Dr. Woolridge

QUESTION No. 5

Page 1 of 1

Reference page 57, lines 13-15. Please provide all analyses conducted by Dr. Woolridge to compare or evaluate KU's rate adjustment mechanisms against those available for the utilities in his proxy group.

RESPONSE:

Dr. Woolridge has not performed a specific analysis or comparison of KU's rate adjustment mechanisms against those available for the utilities in his proxy group.

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WITNESS RESPONSIBLE:

Dr. Woolridge

QUESTION No. 6

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Please provide Appendixes A, B, and C to Mr. Woolridge's Direct Testimony in pdf and their native format.

RESPONSE:

Appendices A, B, and C to Dr. Woolridge's Direct Testimony were filed on March 23, 2015.