

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

**In the Matter of:**

**APPLICATION OF KENTUCKY UTILITIES            ) CASE NO.**  
**COMPANY FOR AN ADJUSTMENT OF ITS        ) 2014-00371**  
**ELECTRIC RATES                                 )**

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO**  
**FIRST REQUEST FOR INFORMATION**  
**OF THE KROGER COMPANY**  
**DATED JANUARY 7, 2015**

**FILED: JANUARY 23, 2015**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Chief Financial Officer for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

*K+W Blake*  
\_\_\_\_\_  
**Kent W. Blake**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of January 2015.

*Judy Scholler*  
\_\_\_\_\_  
Notary Public (SEAL)

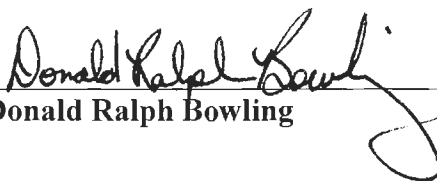
My Commission Expires:

**JUDY SCHOLLER**  
**Notary Public, State at Large, KY**  
**My commission expires July 11, 2018**  
**Notary ID # 512743**

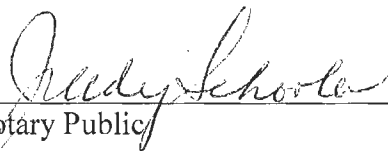
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, Donald Ralph Bowling, being duly sworn, deposes and says that he is Vice President, Power Production, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

  
Donald Ralph Bowling

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of January 2015.

 (SEAL)  
Notary Public

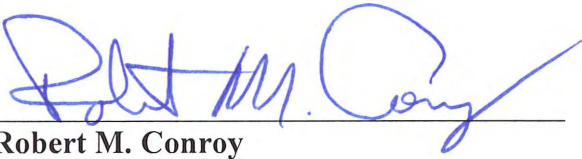
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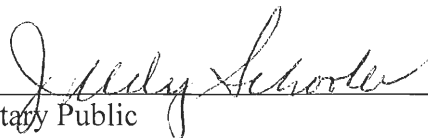
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for Louisville Gas and Electric Company and Kentucky Utilities Company, an employee of 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.

  
Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2015.

 (SEAL)  
Notary Public

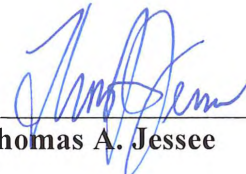
My Commission Expires:

JUDY SCHOOLER  
Notary Public, State at Large, KY  
My commission expires July 11, 2018  
Notary ID # 512743

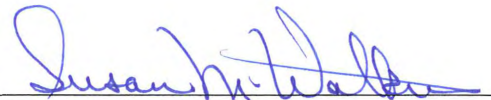
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Thomas A. Jessee**, being duly sworn, deposes and says that he is Vice President, Transmission for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

  
\_\_\_\_\_  
Thomas A. Jessee

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19<sup>th</sup> day of January 2015.

  
\_\_\_\_\_  
Notary Public (SEAL)

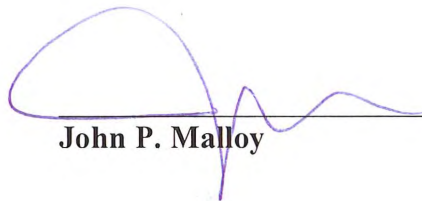
My Commission Expires:

SUSAN M. WATKINS  
Notary Public, State at Large, KY  
My Commission Expires Mar. 19, 2017  
Notary ID # 485723

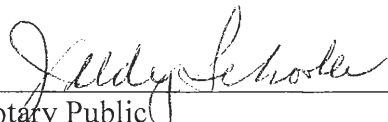
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **John P. Malloy**, being duly sworn, deposes and says that he is Vice President, Customer Services for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

  
\_\_\_\_\_  
**John P. Malloy**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20<sup>th</sup> day of January 2015.

  
\_\_\_\_\_  
Notary Public (SEAL)

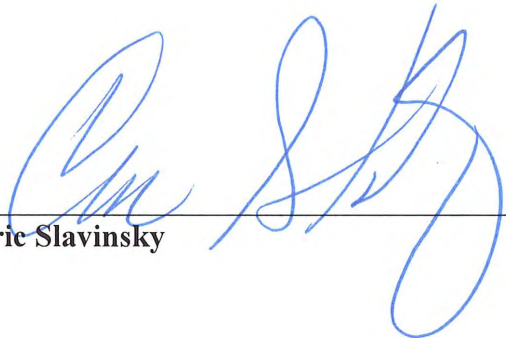
My Commission Expires:

**JUDY SCHOOLER**  
**Notary Public, State at Large, KY**  
~~My commission expires July 11, 2018~~  
**Notary ID # 512743**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Eric Slavinsky**, being duly sworn, deposes and says that he is Chief Information Officer for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

  
Eric Slavinsky

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of January 2015.

 (SEAL)  
Notary Public

My Commission Expires:  
JUDY SCHOOLER  
Notary Public, State at Large, KY  
My commission expires July 11, 2018  
Notary ID # 512743

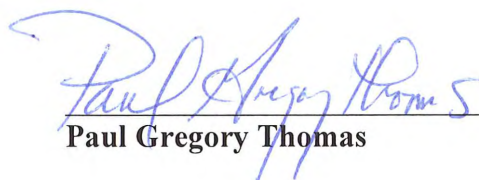




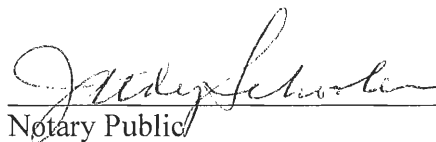
VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Paul Gregory Thomas**, being duly sworn, deposes and says that he is Vice President, Electric Distribution, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

  
Paul Gregory Thomas

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26<sup>th</sup> day of January 2015.

 (SEAL)  
Notary Public


My Commission Expires:

JUDY SCHOOLER  
Notary Public, State at Large, KY  
My commission expires July 11, 2018  
Notary ID # 512743


VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is Chief Operating Officer for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of 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.

  
\_\_\_\_\_  
Paul W. Thompson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2015.

  
\_\_\_\_\_  
Notary Public (SEAL)

My Commission Expires:

JUDY SCHUELER  
Notary Public, State at Large, KY  
My commission expires July 11, 2018  
Notary ID # 512743

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company**  
**Dated January 7, 2015**

**Question No. 1**

**Responding Witness: Edwin R. "Ed" Staton**

- Q-1. Please provide an electronic version of the Company's filing and workpapers in this case. This should include the documents listed in parts a) through e) below. In supplying these materials please remove any passwords or other restrictions that may otherwise be required to open or modify the files:
- a) The Company's Application, Testimony, Exhibits and Schedules in their native electronic formats, i.e., Word, Excel, etc. with working formulas and references included where applicable.
  - b) All workpapers utilized in the preparation of the Company's filing in this case, preferably in Excel format with all working formulas and links included to the extent practicable.
  - c) A working copy of the Company's Base Year and Forecast Test Year Revenue Requirement model(s) and supporting workpapers in Excel format with working formulas included. If there is any supporting documentation on the use/operation of these models, please include the documentation with this response.
  - d) A working copy of the Company's Class Cost of Service model and all supporting workpapers in Excel format with working formulas included.
  - e) A working copy of the Company's Rate Design model and all supporting workpapers in Excel format with working formulas included.
- A-1. a) The request seeks the production of a voluminous amount of information which is difficult to provide in the requested native electric format within the time available to provide this response. See the response to PSC 1-59, PSC 2-25, PSC 2-35, PSC 2-60, and AG 1-187. The Commission's electronic filing procedures do not permit the electronic filing of Word documents. Therefore, the Application and Testimony of each witness is being provided in Microsoft Word to the Kroger Company under separate cover. As discussed between

counsel for the applicant and the Kroger Company, the Company will provide the intervenor schedules in native format that are not produced with the production of electronic documents on January 23, 2015 upon reasonable informal request.

- b) See the response to part a).
- c) See the response to PSC 1-59.
- d) See the response to PSC 2-60.
- e) See the response to PSC 2-60.

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company  
Dated January 7, 2015**

**Question No. 2**

**Responding Witness: Edwin R. "Ed" Staton**

- Q-2. To the extent the Company files corrections, revisions, amendments, supplemental information and/or errata to its originally filed case, please provide all updated materials including the Company's testimony, exhibits, schedules, workpapers and models, preferably in Excel format, with working formulas included where applicable.
- A-2. The Company will provide the requested information as applicable.

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company  
Dated January 7, 2015**

**Question No. 3**

**Responding Witness: Kent W. Blake**

- Q-3. In preparing its filing, please indicate whether the Company considered the revenue requirement impact of the Tax Increase Prevention Act of 2014, which extends 50% bonus tax depreciation for qualified property placed into service before January 1, 2015.
- A-3. No, the Company did not consider the revenue requirement impact of the Tax Increase Prevention Act of 2014. This law was passed in December 2014, after the Company's filing of this case.

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company  
Dated January 7, 2015**

**Question No. 4**

**Responding Witness: Kent W. Blake**

- Q-4. Given the recent enactment of Tax Increase Prevention Act of 2014, which extends 50% bonus tax depreciation for qualified property placed into service before January 1, 2015, does the Company agree that the impact of extended bonus tax depreciation should be reflected in the Company's revenue requirement? If the Company disagrees, please explain the basis for the disagreement.
- A-4. The Company agrees that the impact of extended bonus tax depreciation should be considered in this case. The revenue requirement would be impacted by the change.

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company  
Dated January 7, 2015**

**Question No. 5**

**Responding Witness: Kent W. Blake**

- Q-5. If not included in its filing, please specify the expected Base Year and Forecast Test Year jurisdictional revenue requirement impact of including bonus tax depreciation allowance in the Company's overall cost of service for qualified property placed into service before January 1, 2015, as provided by the Tax Increase Prevention Act of 2014.
- A-5. See the response to AG 1-27.



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company  
Dated January 7, 2015**

**Question No. 6**

**Responding Witness: Kent W. Blake**

- Q-6. a) Please provide all of the adjustments that would be necessary to produce the Company's Base Year and Forecast Test Year jurisdictional revenue requirements that include the impact of bonus tax depreciation for qualified property placed in service prior to January 1, 2015 as provided by the Tax Increase Prevention Act of 2014, summarized for all applicable rate base and expense categories presented in the Company's Filing Requirements schedules.
- b) The adjustments referenced in part a) above should allow for a complete assessment of the revenue requirement impact of inclusion of bonus tax depreciation in the overall cost-of-service. As part of this response, please include all electronic workpapers with formulas intact used in the derivation of the bonus tax depreciation impact.
- A-6. a) See the response to AG 1-27.
- b) See the response to AG 1-27.

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company**  
**Dated January 7, 2015**

**Question No. 7**

**Responding Witness: Paul W. Thompson**

- Q-7. The Direct Testimony of Paul W. Thompson, page 9, line 17 lists “general inflation” as a factor contributing to increased costs.
- a) Please indicate whether any inflation, price escalation, or unit cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses for the estimated portion of the base period (September 1, 2014 to February 28, 2015) or the forecasted test period.
  - b) If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please explain how the inflation or cost escalation factors were derived, and provide the inflation or cost escalation factors applicable to each affected FERC account for both the estimated portion of the Base Period (September 1, 2014 to February 28, 2015) and the Forecasted Test Period, if applicable.
  - c) If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please provide detailed workpapers in Excel format with intact formulas which apply the inflation or cost escalation factors to the actual historical data. For each affected FERC account, please provide the actual historical non-labor, non-fuel O&M expense amount to which the inflation/escalation is applied, the amount of the inflation/escalation, and the projected O&M expense amount after inflation/escalation.
  - e) If not otherwise provided in the Company’s response to part (c), please provide workpapers in Excel format which link the inflation/escalation amounts to the Filing Requirements schedules and/or revenue requirement model, or otherwise demonstrate how these inflation/escalation amounts are integrated into the Base Period and Forecasted Test Period revenue requirements.
- A-7. a) When the Company prepares its business plans there is a 2.0% annual increase assumed for non-labor costs in those segments of the Business Plan (BP) where better information is not available. This is explained further in part b

below. The 2.0% rate for non-labor is based on a combination of tracking recent historical Consumer Price Index rates, as well as economic projections that the Company follows. As a point of reference, the Congressional Budget Office projects Consumer Price Index annual inflation growth from 2014 to 2015 and from 2015 to 2016 to be 2.1% each year. This 2.0% rate is included in the estimated portion of the base period and the forecasted test period when better information is not available, with the following caveats that are further described in part b below.

- b) When the Company prepares its BP, there are many factors taken into consideration, including the following:
- Known contracts are factored into the BP. For example if contracts are already in place for certain segments of the business, the escalation rates that can be derived from those contracts are included.
  - Specific scopes of work are factored into the BP. For example there is a power plant planned outage schedule for each year in the BP. This is based on the historical and estimated run-times and operating hours of each unit, and the work to be done is a function of where each unit is in its outage cycle, as well as other scopes of work that have been identified to address known or trending issues on that particular generating unit. The specific scopes of work for each of those segments of the outage plan are estimated by the outage planners, using the most current cost estimates for each particular scope of work. For the Electric and Gas Distribution areas, the work order backlog at the time that the BP is prepared also factors into their costs. Depending on the extent of the backlog, contractor costs can be increased or decreased in a particular BP. Another example for Electric Distribution is the emerald ash borer and its impact on the trees in the service territories of each company. The scope of work for Electric Distribution has changed to now include additional costs for clearing dead or dying trees as a result of that insect.
  - Variable costs are factored in based on levels of production. For example the Generation forecast includes generation by unit by month. Each unit has a variable cost of production to cover costs such as limestone and ammonia usage. The Gas Business has variable costs related to underground storage production levels as well.
  - Storm outage restoration costs are based on a 10-year average of historical costs, which is then brought into “current dollars” based on a Consumer Price Index projection.
  - Bad debt expense is based on a combination of recent history on the percent of uncollectible activity and known and anticipated trends in the local economies.

In those remaining components that do not have better information sources, the 2.0% general non-labor inflation assumption is applied.

- c) Although there are no workpapers, given how the BP is prepared and as further described in part b), there is not a set process that takes the historical data and applies the 2.0% general non-labor inflation rate. The BP is based much more on expected work scopes and planned events, and not on historical spend increased by general inflation. The general inflation rate is only applied in those situations where better information is not available.
  
- d) Although there are no workpapers, the Company's revenue requirements model pulls data from PowerPlant, the budgeting system that is used, at a summary level by FERC account. The PowerPlant budgeting system itself does not have links back to a specific inflation assumption. As noted in more detail in part b), each business unit and function, and as a result each FERC account, are budgeted based on the best information available as to expected costs, and only in those situations where better information does not exist is the general inflation rate used.

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company**

**Dated January 7, 2015**

**Question No. 8**

**Responding Witness: D. Ralph Bowling**

- Q-8. According to the Direct Testimony of Paul W. Thompson, page 20, lines 1-2, "Major steam turbine overhauls were completed recently on Mill Creek 1 and 2, Ghent 2, and Brown 3."
- a) How much of the \$684.1 million Base Period Jurisdictional total production O&M expense listed on Schedule C-2.1, page 3, line 65 is related to generation overhaul expense?
  - b) Please identify the Base Period generation overhaul expense included in the Base Period revenue requirement by individual generation unit.
  - c) Is any portion of the Base Period generation overhaul expense recoverable through the ECR proceedings? If so, please identify the amount of Base Period ECR-eligible generation overhaul expense.
  - d) Please identify the actual generation overhaul expense incurred by the Company in each year from 2009 through 2013 by individual generation unit.
  - e) How much of the \$721.7 million Forecasted Period Jurisdictional total production O&M expense listed on Schedule C-2.1, page 9, line 65 is related to generation overhaul expense?
  - f) Is any portion of the Forecasted Period generation overhaul expense recoverable through the ECR proceedings? If so, please identify the amount of Forecasted Period ECR-eligible generation overhaul expense.
  - g) Does the \$721.7 million Forecasted Period production O&M expense assume the same amount of generation overhaul expense as the Base Period, with the exception of assumed higher labor costs? If not, please explain.
- A-8. a) Generation overhaul expenses are \$23.1 million of the \$684.1 million Base Period Jurisdiction total production O&M expense listed on Schedule C-2.1.

b)

<b>Generating Unit</b>	<b>\$000</b>
E W Brown Unit 1	919
E W Brown Unit 2	458
E W Brown Unit 3	1,565
Ghent Unit 1	4,752
Ghent Unit 2	1,337
Ghent Unit 3	3,374
Ghent Unit 4	6,301
Green River Unit 3	1,195
Green River Unit 4	709
Trimble County 2	2,003
Ku Generation - Common	205
Paddys Run GT 13	12
Haefling Unit 1	30
Haefling Unit 2	15
E W Brown Combustion Turbine Unit 6	40
E W Brown Combustion Turbine Unit 7	64
Trimble County #5 Combustion Turbine	13
Trimble County #6 Combustion Turbine	13
Trimble County #7 Combustion Turbine	12
Trimble County #8 Combustion Turbine	12
Trimble County #9 Combustion Turbine	12
Trimble County #10 Combustion Turbine	12
<b>Total</b>	<b>23,051</b>

c) None of the overhaul expense identified in a) above is recoverable through ECR.

d)

Generating Unit	\$000				
	2009	2010	2011	2012	2013
E W Brown Unit 1	304	1,216	425	712	409
E W Brown Unit 2	3,468	980	1,440	576	1,190
E W Brown Unit 3	1,076	2,073	1,962	7,933	564
Ghent Unit 1	2,915	2,867	1,766	3,614	2,469
Ghent Unit 2	3,066	1,311	520	8,771	646
Ghent Unit 3	1,385	313	10,116	3,604	970
Ghent Unit 4	1,113	3,663	424	1,460	976
Green River Unit 3	519	1,870	(0)	1,017	262
Green River Unit 4	778	274	1,802	317	1,052
Trimble County 2	-	-	167	798	3
Tyrone Unit 3	5	0	-	-	-
Dix Dam	-	13	-	-	-
Paddys Run GT 13	-	1,901	474	(5)	34
Haefling Unit 1	31	41	2	2	6
Haefling Unit 2	17	40	2	-	6
Haefling Unit 3	26	7	2	-	135
E W Brown Combustion Turbine Unit 5	-	59	86	0	-
E W Brown Combustion Turbine Unit 6	80	359	4	14	23
E W Brown Combustion Turbine Unit 7	(464)	15	5	131	(35)
E W Brown Combustion Turbine Unit 8	137	-	11	-	-
E W Brown Combustion Turbine Unit 9	-	122	187	0	247
Trimble County #8 Combustion Turbine	10	-	-	-	-
Trimble County #9 Combustion Turbine	583	-	(2)	-	-
Total	15,048	17,127	19,394	28,944	8,958

e) Generation overhaul expenses are \$20.1 million of the \$721.7 million Forecasted Period Jurisdictional total production O&M expense listed on Schedule C-2.1.

f) None of the overhaul expense included in part e) above is recoverable through ECR.

g) The Forecasted Period does not assume the same amount of generation overhaul expense as the Base Period. The Company routinely plans to take its generating units off-line or “out of service” for scheduled repairs and maintenance. These are planned outages and each generating unit has a long term multi-year maintenance plan. Non-labor expenses are assigned to planned outages for each generation unit. The planned outage costs thus represent the Company’s cyclical maintenance costs. There are two primary types of planned outages for the coal-fired units. Firstly, as a general rule, the boiler and non-turbine/generator balance of plant outages typically occur every two years. These outages generally last three weeks, but can be shortened or extended based on the total scope of work required. Secondly, the turbine/generator outages typically occur every seven to eight years. This

type of outage typically lasts six to eight weeks and other balance of plant work is done at this time also. The planned outages for all generation units in the fleet are interconnected, coordinated, and dependent, so as to maintain an adequate reserve margin at all times.



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2014-00371**

**Response to First Request for Information of The Kroger Company**  
**Dated January 7, 2015**

**Question No. 9**

**Responding Witness: D. Ralph Bowling**

- Q-9. Please refer to the Thompson Direct Testimony, page 23, forecasting a Generation headcount increase of 50 or 5%:
- a) Provide a breakdown of the increase in Generation headcount as between KU and LGE;
  - b) For each company, provide the dollar increase in payroll cost attributable to the headcount increase;
  - c) For each company, provide a breakdown in new positions between salaried and hourly;
  - d) For each company, provide the off-setting reduction in number of contractors and contractor expense attributable to the headcount increase;
  - e) For each company, provide the net increase or decrease in payroll cost attributable to the headcount increase;
  - f) How many of the 50 positions have been filled as of the date of your response?
  - g) For each company, provide the anticipated net reduction in headcount and decrease in payroll cost due to the retirement of the Cane Run coal-fired units when CR7 achieves commercial operation.
- A-9 a) The Generation workforce includes LG&E and KU Services Company ("LKS"), LG&E and KU employees. LKS employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the Cost Allocation Manual ("CAM"). The full time equivalent headcount, including the portion related to LKS, is an increase of 64 at KU and a decrease of 14 at LG&E.

- b) The annual increased payroll cost on a non-jurisdictional basis is \$5,846,501 for KU offset by a decrease of \$1,705,278 for LG&E.
- c) Of the 64 additional full-time equivalent headcount at KU, 52 are salaried and 12 are hourly. Of the 14 decrease at LG&E, 12 are attributable to an increase in salaried offset by a decrease in hourly of 26.
- d) There is no off-setting reduction in the number of contractors.
- e) The amount is the same as the response to part b), as there is no-offsetting reduction in contractor costs.
- f) 70 of the positions have been filled as of December 31, 2014. An additional 20 positions are anticipated to be filled by the end of the forecasted test period offset by a reduction of 40 employees estimated to retire in conjunction with the closure of the Cane Run and Green River power plants.
- g) The Cane Run coal-fired units are owned 100% by LG&E. Upon their retirement, it is estimated that 25 employees will retire from LG&E with a decrease in payroll costs of \$2,203,555. Once CR7 is placed in commercial operation, its ownership percentage will be 78% KU and 22% LG&E, employing 43 headcount in total.

**KENTUCKY UTILITIES COMPANY**

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**Response to First Request for Information of The Kroger Company**

**Dated January 7, 2015**

**Question No. 10**

**Responding Witness: Thomas A. (“Tom”) Jessee**

- Q-10. Please refer to the Thompson Direct Testimony, page 31, forecasting a Transmission headcount increase of 19 or 14%:
- a) Provide a breakdown of the increase in Transmission headcount as between KU and LGE;
  - b) For each company, provide the dollar increase in payroll cost attributable to the headcount increase;
  - c) For each company, provide a breakdown in new positions between salaried and hourly;
  - d) For each company, provide the off-setting reduction in number of contractors and contractor expense attributable to the headcount increase;
  - e) For each company, provide the net increase or decrease in payroll cost attributable to the headcount increase;
  - f) How many of the 19 positions have been filled as of the date of your response?
- A-10. a) All Transmission positions are employees of LKS. Employees’ labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. Based on this cost allocation the full time equivalent headcount attributable to KU is 13 and LG&E is 6.
- b) The annual increased payroll cost on a non-jurisdictional basis is \$1,178,200 for KU and \$529,089 for LG&E.
  - c) All of the incremental positions are salaried positions for LKS.

- d) The off-setting reduction in number of contractors attributable to KU is 6 and LG&E is 2.. The offsetting contractor expense attributable to KU is \$550,921 and to LG&E is \$247,399.
- e) The annual net increase in payroll cost on a non-jurisdictional basis attributable to KU is \$627,279 and to LG&E is \$281,690.
- f) Of the 19 positions, 12 have been filled as of December 31, 2014.

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**Dated January 7, 2015**

**Question No. 11**

**Responding Witness: Paul Gregory “Greg” Thomas**

- Q-11. Please refer to the Thompson Direct Testimony, page 42, forecasting a Electric Distribution headcount increase of 53 or 8%:
- a) Provide a breakdown of the increase in Electric Distribution headcount as between KU and LGE;
  - b) For each company, provide the dollar increase in payroll cost attributable to the headcount increase;
  - c) For each company, provide a breakdown in new positions between salaried and hourly;
  - d) For each company, provide the off-setting reduction in number of contractors and contractor expense attributable to the headcount increase;
  - e) For each company, provide the net increase or decrease in payroll cost attributable to the headcount increase;
  - f) How many of the 53 positions have been filled as of the date of your response?
- A-11. a) The Distribution workforce includes LKS, LG&E and KU employees. LKS employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. Based on this cost allocation the full time equivalent headcount attributable to KU is 12 and LG&E is 41.
- b) The annual increase in payroll cost on a non-jurisdictional basis attributable to KU is \$775,683 and to LG&E is \$2,463,298.
  - c) Of the additional 12 full-time equivalent KU headcount, 10 are salaried and 2 are hourly positions. Of the additional 41 full-time equivalent LG&E headcount, 6 are salaried and 35 are hourly positions.

- d) The off-setting reduction in the number of contractors is attributable to KU is 7 and LG&E is 34. The offsetting contractor expense attributable to KU is \$751,634 and to LG&E is \$2,856,434.
- e) The annual net increase in payroll cost on a non-jurisdictional basis for KU is \$24,049 and for LG&E a decrease of \$393,136.
- f) Of the 53 positions, 24 have been filled through December 31, 2014.

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**Dated January 7, 2015**

**Question No. 12**

**Responding Witness: John P. Malloy**

- Q-12. Please refer to the Thompson Direct Testimony, page 62, forecasting a Customer Service headcount increase of 93 or 16%:
- a) Provide a breakdown of the increase in Customer Service headcount as between KU and LGE;
  - b) For each company, provide the dollar increase in payroll cost attributable to the headcount increase;
  - c) For each company, provide a breakdown in new positions between salaried and hourly;
  - d) For each company, provide the off-setting reduction in number of contractors and contractor expense attributable to the headcount increase;
  - e) For each company, provide the net increase or decrease in payroll cost attributable to the headcount increase;
  - f) How many of the 93 positions have been filled as of the date of your response.
- A-12. a) The Customer Services workforce includes LKS, LG&E and KU employees. LKS employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. The full time equivalent headcount, including the portion related to LKS, for KU is 63 and for LG&E is 30.
- b) The annual increase in payroll cost on a non-jurisdictional basis attributable to KU is \$3,121,263 and to LG&E is \$1,491,206.
- c) Of the additional 63 full-time equivalent KU headcount, 52 are salaried and 11 are hourly positions. Of the additional 30 full-time equivalent LG&E headcount, 27 are salaried and 3 are hourly positions.

- d) The off-setting reduction in the number of contractors attributable to KU is 20 and LG&E is 4. The offsetting contractor expense attributable to KU is \$764,672 and to LG&E is \$260,813.
- e) The annual net increase in payroll cost on a non-jurisdictional basis for KU is \$2,356,591 and \$1,230,393 for LG&E.
- f) Of the 93 positions, 56 have been filled through December 31, 2014.



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**Question No. 13**

**Responding Witness: Eric Slavinsky**

Q-13. Please refer to the K. Blake Thompson Direct Testimony, page 9 (KU) and page 11 (LGE), forecasting an Information and Technology headcount increase of 53:

- a) Provide a breakdown of the increase in Information and Technology headcount as between KU and LGE;
  - b) For each company, provide the dollar increase in payroll cost attributable to the headcount increase;
  - c) For each company, provide a breakdown in new positions between salaried and hourly;
  - d) For each company, provide the off-setting reduction in number of contractors and contractor expense attributable to the headcount increase;
  - e) For each company, provide the net increase or decrease in payroll cost attributable to the headcount increase;
  - f) How many of the 53 positions have been filled as of the date of your response.
  - g) Provide the percent increase represented by the 53 new positions.
- A-13. a) All incremental information technology positions are employees of LKS. Employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. Based on this cost allocation the full time equivalent headcount attributable to KU is 28 and LG&E is 25.
- b) The annual payroll cost on a non-jurisdictional basis for KU is attributable to the headcount increase is \$2,654,080 for KU and \$2,453,811 for LG&E.
  - c) Of the additional 28 KU headcount, 25 are salaried and 3 are hourly positions. Of the 25 additional LG&E headcount, 22 are salaried and 3 are hourly positions.

- d) There is no off-setting reduction in number of contractors and contractor expense attributable to the headcount increase.
- e) The amount is the same as part b, as there is no-offsetting reduction in contractor costs.
- f) Of the 53 positions, 35 have been filled through December 31, 2014.
- g) The 53 new positions represent an increase of 21%.

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**Dated January 7, 2015**

**Question No. 14**

**Responding Witness: Kent W. Blake**

Q-14. Please refer to the K. Blake Thompson Direct Testimony, page 10 (KU) and page 12 (LGE), forecasting an Administrative Services headcount increase of 17:

- a) Provide a breakdown of the increase in Administrative Service headcount as between KU and LGE;
- b) For each company, provide the dollar increase in payroll cost attributable to the headcount increase;
- c) For each company, provide a breakdown in new positions between salaried and hourly;
- d) For each company, provide the off-setting reduction in number of contractors and contractor expense attributable to the headcount increase;
- e) For each company, provide the net increase or decrease in payroll cost attributable to the headcount increase;
- f) How many of the 17 positions have been filled as of the date of your response.

A-14. a) All incremental administrative positions are employees of LKS. Employees' labor costs are allocated to LG&E or KU. The labor costs are allocated consistent with the CAM. Based on this cost allocation the full time equivalent headcount attributable to KU is 9 and LG&E is 8.

- b) The annual payroll cost on a non-jurisdictional basis for KU is attributable to the headcount increase is \$832,572 for KU and \$736,421 for LG&E.
- c) Of the additional 9 KU headcount, 8 are salaried and 1 is hourly positions. Of the 8 additional LG&E headcount, all 8 are salaried positions.
- d) There is no off-setting reduction in number of contractors and contractor expense attributable to the headcount increase.

- e) The amount is the same as part b), as there is no-offsetting reduction in contractor costs.
  
- f) Of the 17 positions, 12 have been filled through December 31, 2014.

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Dated January 7, 2015**

**Question No. 15**

**Responding Witness: Paul W. Thompson**

Q-15. Please identify and provide copies of all internal or external studies supporting your decision to increase employee headcount and decrease contractor labor. Is the decision financially driven or necessitated, in your business judgment, by other factors? If the latter, please provide the documents relied on by the companies in making this judgment.

A-15. Please see the response to PSC 2-17