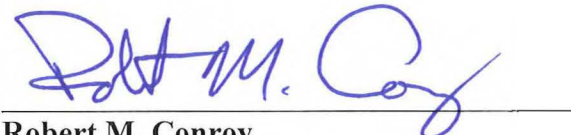


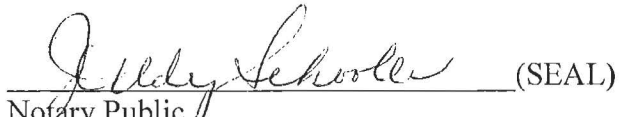
VERIFICATION

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 27th day of March 2015.

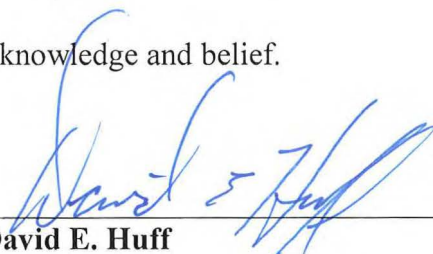

Notary Public (SEAL)

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

VERIFICATION

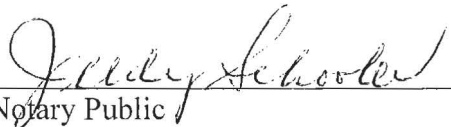
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **David E. Huff**, being duly sworn, deposes and says that he is Director – Customer Energy Efficiency Smart Grid Strategy for Louisville Gas and Electric Company and Kentucky Utilities 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.



David E. Huff

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of March 2015.

 (SEAL)

Notary Public

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

Notary ID # 512743

KENTUCKY UTILITIES COMPANY

CASE NO. 2014-00371

**Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Supplemental Response Dated March 27, 2015

Question No. 62

Responding Witness: Robert M. Conroy / David E. Huff

- Q-62. Refer to page 26 of the November 14, 2014 Order in Case No. 2014- 00003¹ wherein the Commission stated that, during KU's next general rate cases, the Commission would review KU's definition of industrial customers by North American Industry Classification System ("NAICS") codes for reasonableness. KU's Demand Side Management ("DSM") tariff states "For purposes of rate application hereunder, non-residential customers will be considered 'industrial' if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as 'commercial.'"
- a. Explain how each of the NAICS sections cited in the DSM tariff was determined to be the sections applicable in determining the definition of an industrial customer.
 - b. Explain why other sections of the NAICS are not applicable.
 - c. KU's response to Item 7 of the Supplement Information Request of Wallace McMullen and the Sierra Club in Case No. 2014-00003 stated that KU had 2,965 customers receiving service under industrial tariffs.²
 - 1) If this number is no longer accurate, provide an updated number of customers receiving service under industrial tariffs.
 - 2) State the rate classes under which these customers are currently receiving service and the number of customers served under each rate class.
 - 3) State the number of these customers by rate class that is exempt from the DSM charge.
 - 4) Provide a breakdown of the industrial customer number by NAICS under which they are exempt from the DSM charge (for example, 245 are exempt under section 21, 300 are exempt under Section 22, etc.).

¹Case No. 2014-00003, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs (Ky. PSC Nov. 14, 2014).

²Response filed April 3, 2014.

- 5) For the 25 industrial customers with the highest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.
- 6) For the 25 industrial customers with the lowest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

- A-62. a. The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

NAICS was developed under the auspices of the Office of Management and Budget (OMB), and adopted in 1997 to replace the Standard Industrial Classification (SIC) system. It was developed jointly by the U.S. Economic Classification Policy Committee (ECPC), Statistics Canada, and Mexico's Instituto Nacional de Estadística y Geografía to allow for a high level of comparability in business statistics among the North American countries.

The primary business functions explained by NAICS sections 21, 22, 31, 32, and 33 most objectively classify customers primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product.

- b. The remaining NAICS sections are comprised predominately of customers that are not primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product.

ORIGINAL RESPONSE

- c. 1) There are currently 1,982 industrial accounts receiving service under electric tariffs as of 12/31/2014 excluding company owned accounts.

2)

| <u>Electric Rate Category</u> | <u># Accounts</u> |
|--------------------------------------|--------------------------|
| General Service | 817 |
| Power Service | 792 |
| Time-of-Day | 330 |
| Retail Transmission Service | 23 |
| Informational Meter | 19 |
| Fluctuating Load Service | 1 |
| Total | 1,982 |

3) Please see the response to part c(2) above.

4) NAICS codes are one of many criteria used by the Company to classify customers as industrial, and are one of two criteria used in determining exemption from the DSM charge. The table below provides the number of DSM exempt industrial accounts by NAICS, where available.

| <u>NAICS</u> | <u># Accounts</u> |
|--------------|-------------------|
| 33 | 294 |
| 42 | 227 |
| 44 | 202 |
| 72 | 175 |
| 32 | 162 |
| 23 | 83 |
| 21 | 72 |
| 62 | 68 |
| 53 | 66 |
| 31 | 59 |
| 45 | 54 |
| 81 | 54 |
| 52 | 35 |
| 54 | 28 |
| 11 | 26 |
| 51 | 21 |
| 48 | 20 |
| 22 | 19 |
| 92 | 14 |
| 71 | 13 |
| 56 | 12 |
| 61 | 9 |
| 49 | 3 |
| 55 | 2 |
| Unavailable | 264 |
| Total | 1,982 |

- 5) The table below includes the 25 industrial accounts with the highest average monthly kWh usage and their associated NAICS, where available. Blank NAICS codes in the table below represent industrial accounts where there are no values within the Companies' system.

| <u>Customer Rank</u> | <u>NAICS</u> | <u>kWh</u> | <u>kVA</u> |
|----------------------|--------------|------------|------------|
| 1 | | 40,438,286 | 140,641 |
| 2 | | 39,862,667 | 72,490 |
| 3 | 32 | 26,122,800 | 42,729 |
| 4 | 42 | 14,490,000 | 23,202 |
| 5 | 33 | 11,824,200 | 23,133 |
| 6 | 32 | 8,395,292 | 16,510 |
| 7 | 33 | 6,372,860 | 17,588 |
| 8 | 21 | 6,340,800 | 11,683 |
| 9 | 33 | 5,640,369 | 13,892 |
| 10 | 32 | 5,633,200 | 10,199 |
| 11 | 31 | 5,568,000 | 11,199 |
| 12 | 21 | 5,492,000 | 15,414 |
| 13 | 42 | 4,821,400 | 10,172 |
| 14 | 33 | 4,662,800 | 8,644 |
| 15 | 21 | 4,662,000 | 10,234 |
| 16 | 42 | 4,144,071 | 8,549 |
| 17 | 32 | 4,118,800 | 7,720 |
| 18 | 42 | 4,085,082 | 7,022 |
| 19 | 32 | 3,932,585 | 8,531 |
| 20 | 42 | 3,822,000 | 11,674 |
| 21 | 21 | 3,766,000 | 10,981 |
| 22 | 42 | 3,739,429 | 8,335 |
| 23 | 31 | 3,696,133 | 6,833 |
| 24 | | 3,654,000 | 7,356 |
| 25 | 33 | 3,598,400 | 6,922 |

- 6) Concerning NAICS codes, see the response to Question No. 62-c4 above. The table below includes the 25 industrial accounts with the lowest average monthly kWh usage, at least 12 months of account activity, and whose average monthly kWh usage is greater than 1,000.

| <u>Customer Rank</u> | <u>NAICS</u> | <u>kWh</u> | <u>kW</u> |
|----------------------|--------------|------------|-----------|
| 1 | 23 | 1,211 | - |
| 2 | 21 | 1,200 | 21 |
| 3 | 81 | 1,193 | - |
| 4 | 22 | 1,188 | - |
| 5 | 21 | 1,185 | - |
| 6 | 52 | 1,178 | - |
| 7 | | 1,173 | - |
| 8 | 11 | 1,167 | - |
| 9 | 44 | 1,157 | - |
| 10 | 21 | 1,133 | - |
| 11 | 33 | 1,112 | - |
| 12 | 44 | 1,105 | - |
| 13 | 44 | 1,097 | - |
| 14 | 33 | 1,095 | - |
| 15 | 53 | 1,091 | - |
| 16 | 21 | 1,079 | - |
| 17 | 23 | 1,079 | - |
| 18 | 33 | 1,077 | - |
| 19 | 42 | 1,058 | - |
| 20 | 52 | 1,053 | - |
| 21 | 23 | 1,037 | - |
| 22 | 33 | 1,027 | 125 |
| 23 | 53 | 1,026 | - |
| 24 | | 1,016 | - |
| 25 | 81 | 1,008 | - |

SUPPLEMENTAL RESPONSE

- c. Please note that KU’s response to the cited data request in Case No. 2014-00003 and its original response to this request provided numbers of customer contracts classified as industrial in KU’s databases for non-DSM reasons.

Please also note that the information provided in the responses contains the results from the Companies’ recent data and process review, not the Companies’ current billing data, concerning the classification of customer contracts as industrial for DSM purposes, which KU’s supplemental response to PSC 3-15 explains in detail.

- 1) The total number of KU customer contracts that currently are classified as industrial for DSM purposes is 1,637, excluding KU-owned accounts. Following its data and business process review, the total number of KU customer contracts that should be classified as industrial for DSM purposes is 1,417, excluding KU-owned accounts.

Please note that customer contracts classified as industrial for DSM purposes are not exempt from DSM charges; rather, there are no DSM charges for such customer contracts because KU currently does not offer industrial DSM programs.

- 2)

| <u>Electric Rate Category</u> | <u># Contracts</u> |
|--------------------------------------|---------------------------|
| General Service | 776 |
| Time-of-Day | 316 |
| Power Service | 297 |
| Retail Transmission Service | 27 |
| Fluctuating Load Service | 1 |
| Total | 1,417 |

- 3) Please see the response to part c(2) above.
- 4) NAICS codes are one of two criteria KU may use to determine whether a customer contract is industrial for DSM purposes. KU’s tariff states, “For purposes of rate application hereunder, non-residential customers will be considered ‘industrial’ if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections

21, 22, 31, 32, and 33.”³ It is important to note that, as developed and defined by the federal government, an NAICS code applies to an entire business, not to an individual utility contract.⁴ Therefore, a business with one of the five NAICS codes listed above might have one or more service contracts with KU that do not qualify as industrial for DSM purposes. For example, consider an automobile manufacturer that owns and operates a daycare center at one of its assembly plants: Contracts related to the assembly facility would qualify as industrial for DSM purposes; the daycare center, though owned and operated by an automobile manufacturer, would not qualify as industrial for DSM purposes. Thus, although NAICS codes inform KU’s classification of a contract for DSM purposes, they do not always dictate the classification.

Please also note that industrial customer contracts are not exempt from DSM charges; rather, there is currently no industrial DSM charge because there are no industrial DSM programs.

The table below lists by NAICS code (where known) the number of customer contracts KU believes should be classified as industrial for DSM purposes following its data and business process review:

| <u>NAICS</u> | <u># Contracts</u> |
|--------------|--------------------|
| 33 | 595 |
| 32 | 385 |
| 21 | 202 |
| 31 | 118 |
| 22 | 30 |
| 23 | 26 |
| 42 | 25 |
| 44 | 8 |
| 48 | 6 |
| 81 | 4 |
| 45 | 2 |
| Unavailable | 16 |
| Total | 1,417 |

- 5) The table below shows the average monthly usage in 2014 of the 25 highest-average-monthly-usage customer contracts that KU believes should be classified as industrial for DSM purposes following its data and business process review, as well as each contract’s associated NAICS code (where known):

³ Kentucky Utilities Company, P.S.C. No. 16, First Revision of Original Sheet No. 86.

⁴ See <http://www.census.gov/eos/www/naics/> (“The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.”) (Viewed on Mar. 18, 2015.)

| <u>Customer Rank</u> | <u>NAICS</u> | <u>kWh</u> | <u>kVA</u> |
|----------------------|--------------|------------|------------|
| 1 | 33 | 47,264,727 | 186,855 |
| 2 | 33 | 40,080,727 | 74,498 |
| 3 | 33 | 31,866,840 | 67,561 |
| 4 | 32 | 30,836,400 | 49,618 |
| 5 | 32 | 14,563,500 | 23,349 |
| 6 | 33 | 11,959,200 | 23,444 |
| 7 | 21 | 11,271,273 | 26,007 |
| 8 | 32 | 8,931,000 | 16,315 |
| 9 | 33 | 6,366,087 | 17,784 |
| 10 | 21 | 6,360,000 | 11,617 |
| 11 | 33 | 6,239,200 | 14,171 |
| 12 | 32 | 6,102,000 | 12,255 |
| 13 | 32 | 5,641,200 | 10,290 |
| 14 | 31 | 5,597,100 | 11,239 |
| 15 | 21 | 5,444,000 | 15,250 |
| 16 | 33 | 4,908,400 | 11,082 |
| 17 | 33 | 4,761,250 | 8,574 |
| 18 | 33 | 4,702,800 | 8,725 |
| 19 | 21 | 4,694,000 | 12,347 |
| 20 | 33 | 4,506,000 | 8,801 |
| 21 | 33 | 4,434,400 | 8,452 |
| 22 | 21 | 4,329,600 | 10,872 |
| 23 | 32 | 4,272,000 | 8,644 |
| 24 | 32 | 4,184,133 | 7,914 |
| 25 | 21 | 3,754,000 | 10,972 |

- 6) The table below shows the average monthly usage in 2014 of the 25 lowest-average-monthly-usage customer contracts with non-zero usage and at least 12 months of account activity that KU believes should be classified as industrial for DSM purposes following its data and business process review, as well as each contract's associated NAICS code (where known):

| <u>Customer Rank</u> | <u>NAICS</u> | <u>kWh</u> |
|----------------------|--------------|------------|
| 1 | 32 | 1 |
| 2 | 32 | 1 |
| 3 | 21 | 2 |
| 4 | 33 | 5 |
| 5 | 32 | 7 |
| 6 | 21 | 11 |
| 7 | 48 | 14 |
| 8 | 31 | 15 |
| 9 | 22 | 16 |
| 10 | 33 | 16 |
| 11 | 32 | 17 |
| 12 | 33 | 20 |
| 13 | 32 | 30 |
| 14 | 48 | 38 |
| 15 | 33 | 38 |
| 16 | 21 | 39 |
| 17 | 23 | 41 |
| 18 | 22 | 48 |
| 19 | 21 | 59 |
| 20 | 33 | 60 |
| 21 | 32 | 61 |
| 22 | 32 | 69 |
| 23 | 33 | 71 |
| 24 | 32 | 78 |
| 25 | 32 | 80 |