

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

IN THE MATTER OF: THE APPLICATION OF KENTUCKY :
UTILITIES COMPANY FOR CERTIFICATES OF PUBLIC : **Case No. 2016-00026**
CONVENIENCE AND NECESSITY AND APPROVAL OF ITS :
2016 COMPLIANCE PLAN FOR RECOVERY BY :
ENVIRONMENTAL SURCHARGE :

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

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202
Ph: (513) 421-2255, Fax: (513) 421-2765
E-Mail: mkurtz@BKLawfirm.com
kboehm@BKLawfirm.com
jkylercohn@BKLawfirm.com

**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.**

Dated: March 11, 2016

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.1-1 Refer to pages 16-18 of Mr. Volyes' Direct Testimony wherein he addresses KU Project 39, the proposed surface impoundment projects for the retired Tyrone 3, Green River 3, and Pineville 3 plant sites. Mr. Volyes asserts that the projects are not required by CCR, but that they are "prudent" for various reasons and "that compliance with ELG could lead to the mandatory closure of these impoundments under state law." Please confirm that these projects are not presently required by state law. If that is not correct, then cite the specific requirement pursuant to state law that mandates these projects and on the timetable proposed by the Company.
- Q.1-2 Please refer to the testimony of Mr. Revlett at pages 20-21 with respect to KU Project 39.
- a. Please confirm that under Kentucky state law there is no current legal requirement to construct the closure of impoundments at Green River, Pineville and Tyrone.
 - b. Mr. Revlett states that "it is possible that compliance with ELG could lead to the mandatory closure of these impoundments under state law." Please confirm that as of today that possibility has not occurred and that there is no mandatory closure requirement under state law.
 - c. Mr. Revlett lists four reasons why he believes that it is prudent to proceed with closure at this time. Assuming that environmental surcharge recovery is not permissible because there is no current "environmental requirement" to construct the closure of impoundments, would KU nevertheless proceed with Project 39 and seek base rate recovery?
- Q.1-3 Please indicate if the Company has recorded asset retirement obligations ("ARO") for any of the new projects proposed in this proceeding. If so, then please provide the actual accounting entries for each project and all of the supporting documentation relied on to determine the scope of the legal obligation and the calculation of the ARO amounts. If the Company has not recorded an ARO for any of the proposed projects, then please provide a detailed explanation of why it has not done so.

Q.1-4 Refer to page 5 of Mr. Rahn's Direct Testimony wherein he states:

ES Form 3.00 will be modified to change the name of column (4) from "Fuel Clause Revenues," to "Fuel Clause Revenues Including Off-System Sales Tracker." Similarly, ES Form 3.10 Item (2) "Fuel Adjustment Clause" is being renamed "Fuel Adjustment Clause including Off System Sales Tracker." These changes reflect the settlement agreement in KU's 2014 base-rate case (Case No. 2014-00371), which implemented the off-system sales adjustment clause factor as a credit to customers through the Fuel Adjustment Clause.

Please provide a detailed explanation of this change and a description of the step by step process employed to include the effects of the off-system sales tracker. In addition, please indicate if this will change the calculation of the ES rate, and if so, please describe how it will change.

Q.1-5 Q. Refer to Exhibit DAR-5.

- a. Please provide this exhibit in electronic spreadsheet format with all formulas intact. In addition, please provide all supporting calculations and electronic spreadsheets with all formulas intact, including, but not limited to, the calculation of the accumulated deferred income tax ("ADIT") amounts subtracted from rate base.
- b. Please provide the calculation of the 9.99% rate of return for each project reflected in this exhibit. Show the calculation of all gross-ups applied to each capitalization component for income taxes and other expenses. In addition, provide the calculation of the income tax rate(s) used for this purpose, including the effects of the Section 199 deduction.

Q.1-6 Refer to Project 39 on Exhibit DAR-5.

- a. Please provide a schedule showing projected monthly expenditures for each plant site and each impoundment closure project at each plant site and the expected completion date for each closure project.
- b. Please confirm that the Company's proposal will recover expenditures before they are incurred and before the projects are completed until late 2018.
- c. Please confirm that the Company will deduct the closure costs for income tax purposes in the year that the expenditures are made. If this is not correct, then describe the timing of the income tax deductions for these costs.
- d. Please confirm that the Company's proposal to collect costs before they are incurred results in taxable income and income tax expense, and thus, an increase in the revenue requirement.

Q.1-7 Refer to page 6 of Mr. Spanos' Direct Testimony wherein he proposes an amortization period of 4 years for the impoundment closure costs at the retired plant sites. Please provide all documentation relied on for the proposed 4 year amortization period, including, but not limited to, all studies, analyses, and correspondence with KU.

Q.1-8 Refer to Exhibit JJS-2 showing how the proposed depreciation rates were developed for the active and retired plants.

- a. Please describe the nature of the original cost investment shown for unit in each plant account. For example, the exhibit shows \$4.563 million for Trimble County Unit 2 in plant account 311 and \$4.611 million for Trimble County Unit 2 in plant account 312. What are the original costs reflected in each plant account and how do the projected impoundment closure costs relate to the costs for this unit reflected in each plant account?
- b. Please confirm that the depreciation accruals for the active plants reflect recovery of the remaining net plant before the proposed impoundment closure costs plus the recovery of the impoundment closure costs.
- c. Please confirm that the depreciation rates for the active plants are calculated by dividing the proposed depreciation accruals by the *existing* gross plant investment recorded in plant accounts 311 and 312.
- d. Please confirm that these depreciation rates will be applied to all *plant additions* to these accounts as well as the *existing* plant. If this is not correct, then please describe how the gross plant investment recorded in plant accounts 311 and 312 will be separated between *plant additions* and *existing* plant. In addition, please provide the depreciation rates that will be applied to plant accounts 311 and 312 for all plant additions to these accounts in the future.
- e. Please confirm that if the Company is not required to incur the impoundment closure costs or if they are less than projected that the depreciation rates will be overstated.
- e. Please indicate if the Company would oppose the deferral of actual impoundment closure costs and subsequent amortization of those costs in lieu of recovery through depreciation rates. If so, then please provide all reasons for opposing this approach.



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