

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

IN THE MATTER OF: THE APPLICATION OF LOUISVILLE :  
GAS & ELECTRIC COMPANY FOR CERTIFICATES OF : **Case No. 2016-00027**  
PUBLIC CONVENIENCE AND NECESSITY AND APPROVAL :  
OF ITS 2016 COMPLIANCE PLAN FOR RECOVERY BY :  
ENVIRONMENTAL SURCHARGE :

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**SECOND SET OF DATA REQUESTS OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.  
TO LOUISVILLE GAS & ELECTRIC COMPANY**

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

**Dated: April 8, 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" or "LG&E" means Louisville Gas & Electric Company 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.2-1 Refer to the Company’s response to KIUC 1-3, which indicates that the Company does not intend to reflect the Section 199 deduction in the income tax rate used to calculate income tax expense on the proposed projects.

- a. Please confirm that the Company proposes to use the following calculation of the income tax rate to calculate the income tax expense for the proposed projects as shown in the spreadsheet attachment to the response to KIUC 1-3:  $(35+6*.65)/100$ .
- b. Please confirm that LG&E agreed with KIUC in Case No. 2004-00421 to include the Section 199 deduction in the calculation of the income tax rate and that this was memorialized by the Commission in its Order in that proceeding as follows:

**LG&E has noted the need to recognize a “gross up” of the cost rates for its preferred stock and common equity to reflect the effects of income taxes. KIUC and LG&E agreed that the gross up factor needed to reflect the impact of the new Internal Revenue Code Section 199 Domestic Manufacturing Deduction and the reduction in the Kentucky corporate income tax rate. LG&E recalculated the gross up factor to reflect these tax changes, resulting in a gross up factor of 61.5558 percent.**

**Applying this gross up factor to the weighted average costs of preferred stock and common equity results in an overall rate of return on capital of 10.39 percent. The Commission finds this is the reasonable rate of return for LG&E’s entire environmental compliance Rate Base as of the date of this Order. (Footnotes omitted).**

- c. Please confirm that the elimination or reduction of the Section 199 deduction in the calculation of the income tax rate used to calculate income tax expense for the proposed projects is a change in methodology from that previously ordered by the Commission in prior proceedings. If this is not the case, then please identify and cite the relevant provisions of each Commission order that specifically revised the methodology adopted in Case No. 2004-00421.

- d. Please identify where, in the Company's application and/or its witness' testimony in this proceeding, the Company identified and requested the change in methodology described in part (c) of this question.

Q.2-2 Please indicate whether the Company has eliminated or reduced the Section 199 deduction in the calculation of the income tax rate used to calculate income tax expense on projects presently or previously included in the surcharge. If so, please provide the following:

- a. Each month in which the Company eliminated or reduced the Section 199 deduction in the calculation of the income tax rate used to calculate income tax expense on projects presently or previously included in the surcharge.
- b. In each such month, the calculation of the income tax rate used to calculate income tax expense on projects presently or previously included in the surcharge.
- c. A copy of each request submitted to the Commission to eliminate or reduce the Section 199 deduction in the calculation of the income tax rate used to calculate income tax expense on projects presently or previously included in the surcharge.
- d. A copy of each notice provided to the Commission that the Company had eliminated or reduced or proposed to eliminate or reduce the Section 199 deduction in the calculation of the income tax rate used to calculate income tax expense on projects presently or previously included in the surcharge.
- e. All authorities relied on by the Company as authorization from the Commission to eliminate or reduce the Section 199 deduction in the calculation of the income tax rate used to calculate income tax expense on projects presently or previously included in the surcharge.



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