

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR AN ADJUSTMENT OF ITS)	CASE NO.
ELECTRIC RATES AND FOR CERTIFICATES)	2016-00370
OF PUBLIC CONVENIENCE AND NECESSITY)	

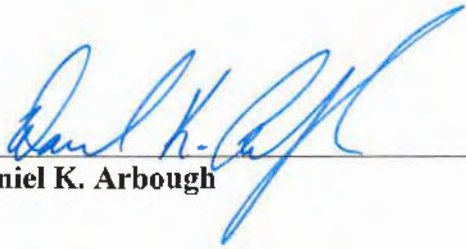
RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
SUPPLEMENTAL REQUESTS FOR INFORMATION OF
KROGER
DATED FEBRUARY 7, 2017

FILED: FEBRUARY 20, 2017

VERIFICATION

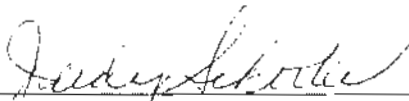
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer 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.



Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February 2017.



Notary Public (SEAL)

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

VERIFICATION

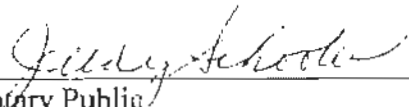
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Senior Vice President – Operations 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.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of February 2017.



Notary Public (SEAL)

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

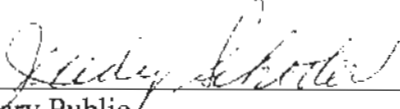
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Gregory J. Meiman**, being duly sworn, deposes and says that he is Vice President, Human Resources 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.


Gregory J. Meiman

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of February 2017.

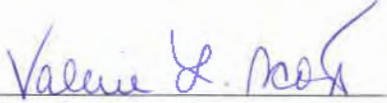

Notary Public (S.F.A.I.)

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

VERIFICATION

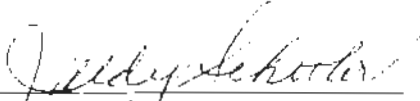
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is Controller for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.



Valerie L. Scott

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February 2017.



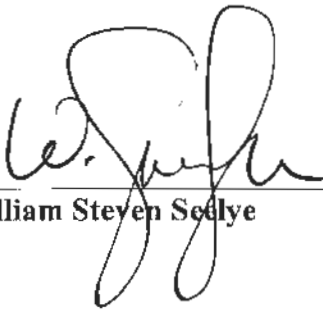
Notary Public (SEAL)

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

VERIFICATION

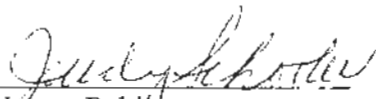
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal of The Prime Group, I.L.C, 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.



William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 13th day of February 2017.


_____(SEAL)
Notary Public

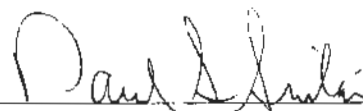
My Commission Expires:

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

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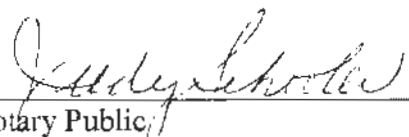
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **David S. Sinclair**, being duly sworn, deposes and says that he is Vice President, Energy Supply and Analysis 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.



David S. Sinclair

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of February 2017.



_____(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. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 1

Responding Witness: Counsel

- Q-1. Please provide KU's responses to other parties' requests for information in this proceeding that contain confidential information, including any confidential attachments provided with KU's responses. This is an ongoing request. Kroger, its expert and counsel, are willing to provide KU with an appropriate non-disclosure agreement.
- A-1. KU will provide the confidential information pursuant to the executed confidentiality agreement with Kroger.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 2

Responding Witness: William S. Seelye

- Q-2. Please provide the workpapers, in Excel format with formulas intact, that derive KU's proposed rates for each rate schedule. The workpapers provided in response to this Request for Information should show how each proposed rate component was derived, including the underlying cost basis or revenue target for each component, if applicable. These workpapers should show how KU arrived at its proposed Demand Base, Intermediate and Peak rate components for applicable rate schedules, demonstrating the relationship of Demand Base charges to transmission and distribution-related costs, and Demand Intermediate and Peak charges to generation fixed costs, as described in the Direct Testimony of William Steven Seelye, page 40. Att_KU_PSC_1-53_ElecScheduleM_Forecasted, provided in KU's response to Commission Staff's First Requests for Information, Nos. 1-53, does not appear to show the derivation of proposed rates, as the rates consist largely of pasted values.
- A-2. The charges were developed within the spreadsheet Att_KU_PSC_1-53_ElecScheduleM_Forecasted.xlsx using unit cost information included in Unit Cost tabs included in the cost of service studies. No other spreadsheets or workpapers were used to derive the proposed rates. The values shown were not "pasted values" but were manually entered values designed to produce the targeted revenue increase for the class and to reflect charges generally corresponding to the unit costs from the cost of service studies.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 3

Responding Witness: Gregory J. Meiman

- Q-3. Please refer to KU's response to KIUC's First Set of Data Requests, Nos. 1-18.
- a. Has KU eliminated the Net Income goal in its incentive compensation plan effective in 2017? If not, please provide the percentage weighting applicable to the Net Income goal in 2017.
 - b. Does KU anticipate including a Net Income goal in its incentive compensation plan in 2018? If so, please provide the percentage weighting that KU anticipates applying to the Net Income goal in 2018.
 - c. Are the amounts provided in response to KIUC's First Set of Data Requests Nos. 1-18 Total Company or Kentucky Jurisdictional amounts? If the former, please provide the Kentucky Jurisdictional Amounts for each goal. If the latter, please provide the Total Company amounts for each goal.
 - d. Please provide the workpapers, in Excel format with formulas intact, that derive KU's Test Period incentive compensation expense as presented in KU's response to KIUC's First Set of Data Requests, Nos. 1-18, including the derivation of the expense applicable to each goal.
- A-3.
- a. Yes, it is eliminated.
 - b. No.
 - c. The amounts in KIUC 1-18 were Total Company. The amounts shown below are Kentucky Jurisdictional amounts.

	2015	2016	Base Period	Test Period
Total Team Incentive Award				
Net Income	6,584,295	3,342,481	2,545,288	-
Cost Control	-	-	201,687	1,447,255
Customer Reliability	-	-	201,687	1,447,255
Customer Satisfaction	1,796,639	1,822,208	1,665,126	1,447,255
Safety	-	1,713,353	1,565,655	1,447,255
Individual / Team Effectiveness	4,057,335	4,237,694	3,872,387	4,631,216
Total	12,438,269	11,115,736	10,051,830	10,420,237

d. See attachment being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 4

Responding Witness: Gregory J. Meiman

Q-4. Please refer to KU's Attachment to Response to the Attorney General's Initial Data Requests, Question No. 210. Do the goal weightings presented in the "TIA CALCULATION EXAMPLE" on page 4 represent the actual 2017 incentive compensation plan goal weightings? If not, please provide the 2017 weighting for each incentive compensation goal.

A-4. Yes.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 5

Responding Witness: David S. Sinclair

Q-5. For the Forecasted Test Period, for KU rate schedules TODS, TODP, RTS, and FLS, separately, please provide the following information:

- a. The number of customers whose primary source of power is their own generating resources.
- b. The kWh sales supplied by the Company to customers whose primary source of power is their own generating resources.
- c. The Demand Base billing kW (assuming a 100% ratchet) applicable customers whose primary source of power is their own generating resources.

If the Company does not possess this information, please provide the Company's best estimate.

A-5.

- a. The company is unaware of any customers on these rate schedules whose primary source of power is their own generating resources.
- b. See the response to Item a. above.
- c. See the response to Item a. above.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 6

Responding Witness: Valerie L. Scott

- Q-6. Please refer to KU's response to KIUC's First Set of Data Requests, Nos. 1-27.
- a. Please provide the information in the Attachment to the Response of KU to KIUC's First Set of Data Requests, Question No. 27 in Excel format.
 - b. Please explain the difference between the assets listed in parts 1A-8A and those in 1B-8B.
 - c. Does the Annual Activity column in the Forecast Base Period (3/16 - 2/17) and Forecast Test Period (7/17 - 6/18) sections represent the net of additions/deductions to the regulatory asset and amortization in the period?
 - d. Please provide the Annual Activity and Amortization separately for Forecast Base Period (3/16 - 2/17) and Forecast Test Period (7/17 - 6/18), in the same format as this information is presented for the 2012 through 2016 periods.
- A-6.
- a. See the response to KIUC 2-8(a).
 - b. Assets listed in parts 1A-8A are assets with a specific amortization period. Assets listed in parts 1B-8B are primarily assets with ongoing activity.
 - c. Yes.
 - d. See the response to KIUC 2-8(b).

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 7

Responding Witness: Lonnie E. Bellar

- Q-7. Please provide the information provided in KU's Attachment to Response to KIUC-1 Question No. 34 in Excel format.
- A-7. See the response to KIUC 2-15.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 8

Responding Witness: Lonnie E. Bellar

- Q-8. Please refer to Schedule D-1, lines 32, 33, 56, and 57. Please explain in detail what constitutes a major generator overhaul and a major turbine overhaul as contemplated in these adjustments to the base period.
- A-8. 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. The planned outages for all generation units in the fleet are interconnected, coordinated, and dependent, so as to maintain an adequate operating margin at all times. 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/generator balance of plant outages typically occur every two years and are charged to FERC 512. The scope associated with the generator includes total disassembly of the machine, electrical component testing and repair, and restoration of all bearing and sealing clearances. 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 and are charged to FERC 513. The normal scope of a turbine overhaul is the total disassembly of the machines to inspect, repair/replace rotating and stationary blades, recondition bearing surfaces to restore required clearances, and restore all steam seal clearances. Additionally, all steam control and isolation valves are disassembled and reconditioned. This type of outage typically lasts six to eight weeks.

The combustion turbine units, both simple and combined cycle, have planned overhauls based on unit operating hours and number of starts. Costs related to these overhauls are included in FERC 552 and 553. There are three types of overhauls: Combustor Inspections (CI), Hot Gas Path Inspections (HGP) and Major Overhauls. In the case of Cane Run 7, a CI will normally occur every two years, a HGP every four years and a Major every eight years, subject to change based on operating hours. Outage durations vary from 3 weeks for a CI to 8 weeks for a Major.

A CI includes, but is not limited to, multiple inspections of inlet and compressor section, combustor section, turbine section, and exhaust section. An HGP includes, but is not limited to, inspections required in a CI plus removal, evaluation, and installation services on the turbine section. In addition, inspections and evaluations are completed on the rotor section. A Major includes, but is not limited to, inspections required in a HGP plus removal, evaluation, and installation services on the inlet and compressor section, combustor section, turbine section and exhaust section.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 9

Responding Witness: Lonnie E. Bellar

- Q-9. For each year 2012 through 2016, please provide in Excel format, by generating unit and FERC account, the actual major generator and major turbine overhaul expense incurred, on a Total Company and Kentucky jurisdictional basis. If actual data is not yet available for 2016, please provide the Company's best estimate.
- A-9. See attachment being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 10

Responding Witness: Lonnie E. Bellar

Q-10. For the Base Period and Forecasted Test Period separately, please provide in Excel format, by generating unit and FERC account, the major generator and major turbine overhaul expense included in this case, on a Total Company and Kentucky jurisdictional basis.

A-10. See the response to Question No. 9.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 11

Responding Witness: Lonnie E. Bellar

Q-11. For each year 2017 through 2020, please provide in Excel format, by generating unit and FERC account, the projected major generator and major turbine overhaul expense, on a Total Company and Kentucky jurisdictional basis.

A-11. See the response to Question No. 9.

KENTUCKY UTILITIES COMPANY

CASE NO. 2016-00370

**Response to Supplemental Requests for Information of Kroger
Dated February 7, 2017**

Question No. 12

Responding Witness: Daniel K. Arbough

- Q-12. Please refer to Schedule D-1. Please provide a workpaper, in Excel format, that derives the total projected wage inflation included in the Base Period Jurisdictional and Forecasted Period Jurisdictional expense amounts by FERC account. Please identify the amount of each projected wage increase, the projected effective date of each wage increase, and show the application of each projected wage increase and resulting dollar impact.
- A-12. See the response to AG 1-60 for a detailed explanation of the company's labor forecasting process. The PowerPlan system compiles data by FERC account, but not by the type of cost within each FERC account. Consequently, we are not able to provide the wage inflation by FERC account number.