

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

In the Matter of:

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

Supplemental Direct Testimony

of

JEFFRY POLLOCK

On Behalf of

Kentucky League of Cities

April 14, 2017



J . P O L L O C K
I N C O R P O R A T E D

GLOSSARY OF ACRONYMS

Term	Definition
CCOSS	Class Cost-of-Service Study
KIUC	Kentucky Industrial Utility Consumers
KLC	Kentucky League of Cities
KU	Kentucky Utilities Company

SUPPLEMENTAL DIRECT TESTIMONY OF JEFFRY POLLOCK

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Jeffry Pollock; 12647 Olive Blvd., Suite 585, St. Louis, MO 63141.

3 **Q ARE YOU THE SAME JEFFRY POLLOCK WHO PREVIOUSLY SUBMITTED**
4 **DIRECT TESTIMONY ON BEHALF OF KENTUCKY LEAGUE OF CITIES (KLC)?**

5 A Yes.

6 **Q WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

7 A My Supplemental Direct testimony addresses how the Commission can use the
8 results of Kentucky Utilities Company's (KU) class cost-of-service study (CCOSS)
9 notwithstanding the need to address possible errors in both the original and revised
10 study as asserted by the Kentucky Industrial Utility Consumers (KIUC).

11 **Q DID THE CLASS COST-OF-SERVICE STUDY RESULTS CHANGE**
12 **DRAMATICALLY AS A RESULT OF THE CORRECTIONS MADE THUS FAR?**

13 A No. The CCOSS results, both before and after the corrections, are summarized in
14 the table below.

Kentucky Utilities Company Rate of Return at Present Rates			
Customer Class	Original CCOSS	Corrected CCOSS	Change
Residential Rate RS	4.35%	3.96%	-0.39%
General Service Rate GS	9.18%	9.12%	-0.05%
All Electric Schools Rate AES	6.74%	6.13%	-0.61%
Power Service Secondary Rate PS	9.22%	9.31%	0.09%
Power Service Primary Rate PS	10.51%	11.17%	0.66%
Time of Day Secondary Rate TODS	6.07%	6.47%	0.40%
Time of Day Primary Rate TODP	4.03%	4.61%	0.58%
Retail Transmission Service Rate RTS	4.45%	4.77%	0.32%
Fluctuating Load Service Rate FLS	1.22%	3.41%	2.18%
Lighting	9.30%	9.22%	-0.08%
Total KY Jurisdiction	5.56%	5.56%	0.00%

1 **Q WHAT DOES THIS DEMONSTRATE?**

2 A The corrections had differing impacts on different customer classes. This is shown in
 3 the third column of the table which measures the change in the rate of return at
 4 present rates. For example, the change in rate of return varied from less than 10
 5 basis points (*i.e.*, General Service, Power Service Secondary and Lighting) to over
 6 200 basis points (Fluctuating Load Service). Thus, the Lighting class was one of the
 7 least affected by the corrections made to the originally-filed CCOSS.

8 **Q ARE THERE ANY SPECIFIC REASONS WHY THE LIGHTING CLASS IS NOT**
 9 **AFFECTED BY CHANGES TO CORRECT THE CLASS COST-OF-SERVICE**
 10 **STUDY?**

11 A Yes. Unlike other classes, 75% of the investment serving the Lighting class is
 12 directly assigned. In other words, the Lighting class is not as affected by changes in

1 demand allocation factors as other customer classes. Thus, to the extent that further
2 corrections to the demand allocation factors are required, this should not change the
3 fact that the Lighting class is providing a higher rate of return at present rates than
4 KU's proposed system-wide rate of return.

5 **Q WOULD YOU CHARACTERIZE THE CHANGE IN THE RESULTS OF THE CLASS**
6 **COST-OF-SERVICE STUDY AS SUFFICIENT IN MAGNITUDE TO WARRANT**
7 **REJECTING THE STUDY FOR USE IN DETERMINING AN APPROPRIATE**
8 **CLASS REVENUE ALLOCATION IN THIS PROCEEDING?**

9 A No. With one exception, the corrected CCOSS results are directionally similar to the
10 original study. Those customer classes that were above cost in the original CCOSS
11 are still above cost. Similarly, those customer classes that were below cost in the
12 original CCOSS are still below cost.

13 Further, as discussed in my Direct testimony, KU's proposed class revenue
14 allocation gave only token recognition to correcting the rate-of-return disparities that
15 currently exist even in the corrected CCOSS.

16 **Q KIUC ALLEGES THAT THE CORRECTED CLASS COST-OF-SERVICE STUDY IS**
17 **STILL FLAWED. DOES THIS SUPPORT KIUC'S POSITION THAT ANY**
18 **REVENUE INCREASE AUTHORIZED FOR KU SHOULD BE SPREAD EQUALLY**
19 **AMONG ALL CUSTOMER CLASSES?**

20 A No. First, it is important that the Commission be provided with a proper and accurate
21 CCOSS to determine a class revenue allocation that moves all rates closer to cost.
22 Second, if KIUC's further allegations are corroborated, KU should further revise its
23 CCOSS to correct any remaining errors. However, unless the results are

1 dramatically changed, the Commission should not ignore the CCOSS by adopting an
2 equal percentage allocation. As stated in my Direct testimony, cost-based rates
3 send proper price signals, encourage conservation and efficiency and provide more
4 equitable treatment for all consumers.

5 **Q WHAT DO YOU RECOMMEND?**

6 A The corrected CCOSS demonstrates that rates do not reflect cost. Even if further
7 corrections are necessary, it is highly unlikely that it would show a different result for
8 the Lighting class. The Lighting class has a rate of return that far exceeds the
9 system-wide rate of return that KU is proposing. Accordingly, no rate increase
10 should be assigned to the Lighting class.

11 **Q DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

12 A Yes.

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AFFIDAVIT OF JEFFRY POLLOCK

State of Missouri)
) SS
County of St. Louis)

Jeffry Pollock, being first duly sworn, on his oath states:

1. My name is Jeffry Pollock. I am President of J. Pollock, Incorporated, 12647 Olive Blvd., Suite 585, St. Louis, Missouri 63141. We have been retained by Kentucky League of Cities to testify in this proceeding on its behalf;

2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony which has been prepared in written form for introduction into evidence in the Public Service Commission of Commonwealth of Kentucky, Case No. 2016-00370; and,

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.


Jeffry Pollock

Subscribed and sworn to before me this 14th day of April 2017.

KITTY TURNER
Notary Public - Notary Seal
State of Missouri
Commissioned for Lincoln County
My Commission Expires: April 25, 2019
Commission Number: 15390610


Kitty Turner, Notary Public
Commission #: 15390610

My Commission expires on April 25, 2019.