

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

**In the Matter of:**

**ELECTRONIC APPLICATION OF LOUISVILLE  
GAS AND ELECTRIC COMPANY FOR AN  
ADJUSTMENT OF ITS ELECTRIC AND GAS  
RATES AND FOR CERTIFICATES OF PUBLIC  
CONVENIENCE AND NECESSITY**

**CASE NO. 2016-00371**

**DIRECT TESTIMONY**

**OF**

**THOMAS J. PRISCO**

**ON BEHALF OF**

**THE DEPARTMENT OF DEFENSE AND ALL OTHER  
FEDERAL EXECUTIVE AGENCIES**

**Due Date: March 3, 2017**

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

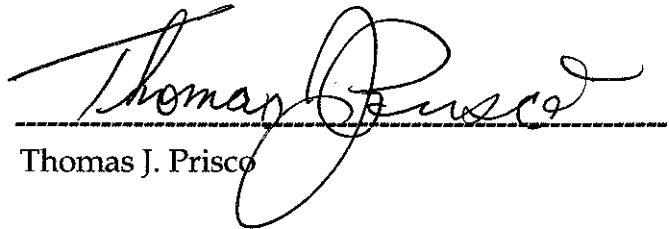
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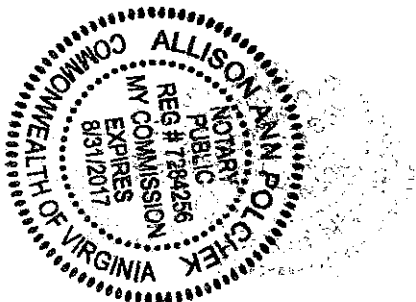
**STATE OF VIRGINIA** )  
 ) **SS**  
**COUNTY OF FAIRFAX** )

**VERIFICATION OF THOMAS J. PRISCO**

Thomas J. Prisco, being first duly sworn, states the following: The prepared Direct Testimony constitutes the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.

  
\_\_\_\_\_  
Thomas J. Prisco

SUBSCRIBED and SWORN to before me this 3rd day of March, 2017.



  
\_\_\_\_\_  
Notary Public

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**I. INTRODUCTION**

**Q. PLEASE STATE YOUR FULL NAME, OCCUPATION, AND BUSINESS ADDRESS?**

A. My name is Thomas J. Prisco. I am an accountant specializing in utility regulation, working for the Regulatory Law and Intellectual Property Division, Office of The Judge Advocate General, Department of the Army. My business address is United States Army Legal Services Agency (USALSA), 9275 Gunston Road, Attn: JALS/RL, Fort Belvoir, VA 22060.

**Q. IN WHAT CAPACITY ARE YOU APPEARING BEFORE THIS COMMISSION?**

A. I am appearing as a witness on behalf of the United States Department of Defense and all Other Federal Executive Agencies, hereinafter referred to as "DoD" or "Government". The Secretary of Defense, besides providing representation for the military, has delegation authority from the General Services Agency (GSA) to represent the consumer interest of all other federal executive civilian agencies. The DoD is principally interested and affected by the revenue, cost of service, and rate increases being sought in this proceeding before the Kentucky Public Service Commission ("KPSC" or the "Commission"), as it purchases large quantities of electricity supplied by Louisville Gas and Electric (LG&E). As annual installation budgets continue to shrink, local military commanders and federal managers need to take appropriate measures to insure their scarce resources are utilized in the most efficient and economical manner to accomplish their missions.

1

2 **Q. PLEASE SUMMARIZE YOUR PAST WORK EXPERIENCE.**

3 A. I have worked for the Army Regulatory Law Division for almost 30 years as a  
4 regulatory accountant/financial advisor starting in October 1987. Previously, I was  
5 employed by the United States Army Computer Systems Command (USACSC) as a  
6 Systems Accountant. Duties included 1) development of a computer cost recovery  
7 system for the Army's VIABLE project; 2) supervising and costing of the 25-year Life  
8 Cycle Cost Model for VIABLE and other major military computer systems; 3) Chief,  
9 Accounting Operations Division for the USACSC; and 4) Headquarters Staff  
10 Accountant and Contracting Officer. Before accepting civilian employment with the  
11 Department of the Army, I held a variety of positions with Radio Corporation of  
12 America (RCA). I also served in the United States Air Force with a deployment to  
13 the Republic of Vietnam.

14

15 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.**

16 A. I received a Bachelor of Science degree with a major in accounting from the  
17 University of Scranton. I have taken numerous professional development courses  
18 throughout my career including numerous regulatory studies programs and  
19 seminars.

20

21

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN RATE PROCEEDINGS BEFORE**  
23 **REGULATORY COMMISSIONS?**

1 A. Yes. I have presented testimony and/or taken part in negotiations before numerous  
2 regulatory commissions in Arizona, the District of Columbia, Florida, Georgia,  
3 Indiana, Kansas, Kentucky, Louisiana, Maryland, Missouri, New Jersey, New York,  
4 North Carolina, Pennsylvania, South Carolina, Texas, Washington, Wisconsin,  
5 FERC, and the Surface Transportation Board (formerly the ICC). My participation in  
6 these jurisdictions is outlined on Exhibit TJP-1.

7

8 **Q. WOULD YOU OUTLINE THE SUBJECT MATTER OF THE EXPERT TESTIMONY**  
9 **YOU HAVE PRESENTED BEFORE REGULATORY COMMISSIONS?**

10 A. My testimony has encompassed overall revenue requirements, depreciation, capital  
11 structure, cost of capital, valuation, integrated resource planning, rate design,  
12 incentive rates, abandonment, rate base and appropriate tariffs of communications,  
13 electric, gas, and water utilities.

14

15 **Q. PLEASE DESCRIBE THE TYPICAL ELECTRIC DISTRIBUTION SYSTEM THE**  
16 **MILITARY INSTALLATIONS AND LARGE FEDERAL GOVERNMENT AGENCIES**  
17 **UTILITZE ON THEIR SITES.**

18 A. Large military facilities incur the total cost (either utilizing in-house resources or  
19 through privatization contracts) to support a huge on-post electrical distribution  
20 system. These extensive distribution systems distribute energy throughout the  
21 installation. Similar to FERC-jurisdictional municipal utilities, they provide service to  
22 residential, commercial, and industrial type customers, which includes family

1 housing, machine shops, restaurants, clubs, hospital, fire houses, motor pools,  
2 warehouses, office buildings, police, etc.

3  
4 **Q. EXPLAIN HOW THE FORT KNOX INSTALLATION PURCHASES ELECTRIC**  
5 **SERVICE FROM LG&E?**

6 A. Fort Knox is the largest federal customer on LG&E's system. The Fort currently  
7 purchases the majority of its electricity service from LG&E under tariff rates approved  
8 by the Commission. LG&E meters electricity delivered to Fort Knox at the low side  
9 of its 138/34.5 kV Tip Top Substation and then transmits electric power over its sub-  
10 transmission loop to five 34.5 kV substations constructed by the Government and  
11 located on the installation. The entire electric distributions system downstream of  
12 these substations was also constructed by the Government. The on-post electric  
13 distribution system has been privatized to Nolin Rural Electric Cooperative, but the  
14 Government pays Nolin to enhance, operate and maintain the system. Fort Knox also  
15 has distributed generation capability. LG&E does not share in any of the costs for  
16 operating Fort Knox's electric distribution system beyond the substations.

17  
18  
19 **II. PURPOSE OF TESTIMONY**

20 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
21 **PROCEEDING?**

22 A. The purpose of my testimony is to: 1) detail the economic benefits the military  
23 community provides to the local region and other LG&E rate payers; 2) discuss

1 LG&E's request to the KPSC to permit LG&E to provide Fort Knox electric service  
2 under the Standard Rate Time of Day Primary Service ("TODP"); and 3) require  
3 LG&E to work with Fort Knox to find ways to retain load.

### 4 5 **III. ECONOMIC IMPACT**

#### 6 7 **Q. MR. PRISCO, PLEASE SPEAK A LITTLE ABOUT THE ECONOMIC BENEFITS** 8 **FORT KNOX BRINGS TO THE LOCAL COMMUNITY.**

9 A. Fort Knox is a proud member of the local community with a significant economic  
10 impact on the region. Fort Knox has an annual payroll of \$750 million for military  
11 and DoD civilian employees. It is estimated that 27,600 jobs are tied to Fort Knox  
12 (direct and indirect/spin-off jobs). Fort Knox also provides a supported population  
13 (within a 40-mile radius of Fort Knox) of dependents, active-/reserve-component  
14 military and military retirees totalling 66,400. During 2016-2017, Fort Knox will  
15 increase its military and civilian personnel by 500 and 50 respectively. Not only is  
16 the Fort a major economic driver in the community, it also helps to lower electric  
17 costs for all LG&E customers by enticing thousands to move to the area. This  
18 allows LG&E an opportunity to spread the cost of its generation, transmission and  
19 distribution over a much larger customer base.

#### 20 21 **Q. HOW WILL LG&E'S PROPOSED RATE INCREASE IMPACT THE DOD AND** 22 **SPECIFICALLY FORT KNOX?**



1 A. All DoD activities in LG&E's service territory, both small and large like Fort Knox,  
2 have annual budgets, which are justified and set well in advance of the fiscal year.  
3 When large increases occur, usually additional funds are not available and the  
4 commander/manager must divert scarce resources from mission essential needs to  
5 pay for base operations. LG&E's 8.95% proposed rate change for electric service  
6 will increase Fort Knox's electric bill by \$605,000 and require the Fort to transfer  
7 funds from essential mission needs.

8

9 **Q. LG&E'S TESTIMONY IS BASED ON COST OF SERVICE, ASSIGNING THE**  
10 **APPROPRIATE COST TO CUSTOMERS. DOES DOD BELIEVE THERE**  
11 **SHOULD BE A MODIFICATION TO THE COMPANY'S PROPOSAL?**

12 A. Yes. I recommend the Commission consider the valid arguments presented by the  
13 DoD's return on equity and cost of service experts to insure the rates are just and  
14 reasonable for service to Fort Knox.

15

16 **IV. ANALYSIS**

17

18 **Q. LG&E IS REQUESTING THE KPSC IN ITS APPLICATION TO MOVE FORT**  
19 **KNOX TO THE TIME OF DAY PRIMARY RATE. DOES THE DOD INTEND TO**  
20 **CONTEST THE TRANSFER OF THE INSTALLATION TO THE TIME OF DAY**  
21 **PRIMARY RATE?**

22 A. No. Our client has no objection to transferring to the "TODP" standard rate.  
23 However, as DoD witness Mr. James T. Selecky recommends in his direct

1 testimony, those customers taking service at 34 kV should get “a 25% reduction in  
2 the Basic Demand Period charge.” The DoD does not object to paying fair and  
3 reasonable prices, but it should only pay for those services used.

4  
5 **Q. MR. PRISCO, OVER THE PAST SEVERAL YEARS FORT KNOX HAS BEEN**  
6 **MOVING MORE OF ITS LOAD TO DISTRIBUTED GENERATION. WHY WOULD**  
7 **THE ARMY MAKE A DECISION TO SELF GENERATE?**

8 A. The simple answer is the cost of electric service, as the price of electric power  
9 continues to go up, self-generation becomes cost-effective.

10  
11 **Q. YOU MENTIONED IN YOUR TESTIMONY THAT THE DOD BELIEVES IN FAIR**  
12 **AND REASONABLE ELECTRIC RATES. DOES THE GOVERNMENT BELIEVE**  
13 **LG&E’S ELECTRIC RATES TO THE INSTALLATION ARE FAIR AND**  
14 **REASONABLE?**

15 A. No. DoD would argued that if Fort Knox can produce electric power cheaper (for the  
16 installation), then LG&E’s electric rates are not fair and reasonable. In other words,  
17 if LG&E’s cost of electric power was at a level that Fort Knox could not produce the  
18 electricity cheaper, the projects would not go forward. Understandably, as the cost  
19 of LG&E’s electric power for Fort Knox continues to rise, the easier it will be to justify  
20 adding new generation.

1 **Q. MR. PRISCO, WHAT ACTION COULD THE COMMISSION AND/OR LG&E TAKE**  
2 **TO RETAIN MORE OF FORT KNOX'S ELECTRIC LOAD?**

3 A. The best way to retain load is not to raise the installation's rates, rather work with the  
4 Fort's Department of Public Works (DPW) to discover ways to retain the load. As  
5 mentioned earlier, DoD witness Mr. James T. Selecky recommends in his direct  
6 testimony, those customers taking service at 34 kV should get "a 25% reduction in  
7 the Basic Demand Period charge." A second option is to work with the DPW to see  
8 what would be required to move Fort Knox from a distribution tariff to a transmission  
9 tariff. Currently, as mentioned earlier in my testimony, the Government provides all  
10 distribution facilities on Fort Knox. It receives power from LG&E at 34.5 kV at  
11 government-owned substations and distributes the power throughout the facility over  
12 its own distribution lines. LG&E, working with the DPW, could determine what it  
13 would take to provide service at 69 kV, qualifying Fort Knox for the transmission  
14 service. Most military installations nationwide receive power at transmission level.  
15 Actually, Jersey Central Power and Light in New Jersey provides transmission  
16 service to Pickatinny Arsenal at the 34.5 kV level. Options are available for retaining  
17 the electric load. If efforts like these were taken earlier, it's highly possible the cost  
18 analysis which justified the original distributed generation would have failed.

19  
20  
21 **V. CONCLUSION**  
22

23  
24 **Q. DO YOU HAVE ANY FINAL STATEMENT?**

25  
26 A. Yes, the overall purpose of DoD's testimony in this proceeding is to insure that the  
27 rates for the electric service it purchases from LG&E are just and reasonable and

1 are based on the type of service consumed. Our witnesses have made valid  
2 arguments related to rate of return and cost of service. I would also recommend that  
3 the Commission require LG&E to work with Fort Knox to see what would be required  
4 to move the installation to a transmission type service.

5

6

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.



COMPANY	PROCEEDING	JURISDICTION
MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY	Docket No. E-1051-88-146	ARIZONA
TUCSON ELECTRIC POWER COMPANY	Docket No. U1993-90-270	ARIZONA
TUCSON ELECTRIC POWER COMPANY	Docket No. U1933-95-317	ARIZONA
POTOMAC ELECTRIC POWER COMPANY	Case No. 912	DISTRICT OF COLUMBIA
POTOMAC ELECTRIC POWER COMPANY	Case No. 929	DISTRICT OF COLUMBIA
WASHINGTON GAS LIGHT COMPANY	Formal Case No. 1054	DISTRICT OF COLUMBIA
UNITED GAS PIPELINE COMPANY (KOCH)	Docket No. RS-92-26-000	F.E.R.C.
RECOVERY OF STRANDED COSTS BY PUBLIC AND TRANSMITTING UTILITIES	Docket No. RM 94-007-000	F.E.R.C.
INVESTIGATION OF ALTERNATIVE POWER POOLING SOLUTIONS	Docket No. RM 94-20-000	F.E.R.C.
NOI, PROPOSED RULE MAKING, CAPACITY RESER-VATION, OPEN ACCESS TRANSMISSION TARIFFS	Docket No. RM 96-11-000	F.E.R.C.
DEMAND SIDE OPTIONS AND CONSERVATION RULES	Docket No. 900834-EI	FLORIDA
UNITED CITIES GAS COMPANY	Docket No. 4188-U	GEORGIA
ATLANTA GAS LIGHT COMPANY	Docket No. 4451-U	GEORGIA
ECONOMIC DEVELOPMENT INCENTIVE POLICY (GAS, ELECTRIC, TELECOMMUNICATIONS)	Docket No. 4697-U	GEORGIA

COMPANY	PROCEEDING	JURISDICTION
NOI, NATURAL GAS COMPETITION AND DEREGULATION ACT OF 1997 FILING REQUIREMENT	Docket No. 7656-U	GEORGIA
GEORGIA POWER COMPANY	Docket No. 183000-U	GEORGIA
GEORGIA POWER COMPANY	DOCKET NO. 31958	GEORGIA
WHEELING & LAKE ERIE RAILROAD COMPANY, LINE ABANDONMENT	Docket No. AB-277 (Sub No. 2X)	I.C.C.
INDIANAPOLIS POWER AND LIGHT COMPANY	Case no. 39,938	INDIANA
SOUTHERN STAR CENTRAL GAS PIPELINE, INC.	KCC Docket No. 99-GIMG-068-GIG	KANSAS
KANSAS GAS SERVICE A DIVISION OF ONEOK, INC.	KCC Docket No. 03-KGSG-602-RTS	KANSAS
LOUISVILLE GAS AND ELECTRIC COMPANY	Case No. 10,064	KENTUCKY
LOUISVILLE GAS AND ELECTRIC COMPANY	Case No. 2000-080 & 2000-137	KENTUCKY
LOUISVILLE GAS AND ELECTRIC COMPANY	Docket No. 2003- 00433	KENTUCKY
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8190	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8278	MARYLAND
POTOMAC ELECTRIC POWER COMPANY	Case No. 8251	MARYLAND
POTOMAC ELECTRIC POWER COMPANY	Case No. 8466	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8487	MARYLAND

COMPANY	PROCEEDING	JURISDICTION
POTOMAC ELECTRIC POWER COMPANY	Case No. 8466	MARYLAND
POTOMAC ELECTRIC POWER COMPANY	Case No. 8565	MARYLAND
INVESTIGATION OF ELECTRIC SERVICE COMPETITION AND REGULATORY POLICIES	Case No. 8678	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8697	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY MERGER WITH POTOMAC ELECTRIC POWER CO.	Case No. 8725	MARYLAND
COMMISSION'S INQUIRY INTO PROVISION AND REGULATION OF ELECTRIC SERVICE	Case No. 8738	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8780	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8794	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 8829	MARYLAND
WASHINGTON GAS LIGHT COMPANY	Case No. 8920	MARYLAND
WASHINGTON GAS LIGHT COMPANY	Case No. 8959	MARYLAND
BALTIMORE GAS & ELECTRIC	Case No. 9036	MARYLAND
WASHINGTON GAS LIGHT COMPANY	Case No. 8920	MARYLAND
BALTIMORE GAS & ELECTRIC COMPANY	Case No. 8829	MARYLAND



COMPANY	PROCEEDING	JURISDICTION
BALTIMORE GAS & ELECTRIC COMPANY	Case No. 8804 & 8794	MARYLAND
BALTIMORE GAS & ELECTRIC CO.	Case No. 8780	MARYLAND
INQUIRY REGARDING ELECTRIC COMPETITION AND REGULATORY POLICY	Case No. 8678	MARYLAND
BALTIMORE GAS AND ELECTRIC COMPANY	Case No. 9230	MARYLAND
WASHINGTON GAS LIGHT COMPANY	Formal Case No. 9104	MARYLAND
SOUTHWESTERN BELL TELEPHONE COMPANY	Case No. TC 89-14	MISSOURI
JERSEY CENTRAL POWER AND LIGHT COMPANY	BRC Docket No. ER 89110912J.	NEW JERSEY
NEW JERSEY AMERICAN WATER COMPANY	BRC Docket No. WR 91081399J	NEW JERSEY
NEW JERSEY AMERICAN WATER COMPANY	BRC Docket No. WR92090908J	NEW JERSEY
NIAGARA MOHAWK POWER CORPORATION	Case Nos. 94-E-0098; 94-E-0099, and 94-E-100	NEW YORK
NIAGARA MOHAWK POWER CORPORATION	Docket Nos. 96-E-0134 and 135	NEW YORK
NIAGARA MOHAWK POWER CORPORATION	Case No. 08-G-0609	NEW YORK
INVESTIGATION OF SELF GENERATION AND ECONOMIC INCENTIVE RATES RULE MAKING	Docket No. E-100 (Sub 73)	NORTH CAROLINA
CAROLINA POWER & LIGHT COMPANY D/B/A PROGRESS ENERGY CAROLINAS	Docket No. E-2, Sub 868	NORTH CAROLINA

COMPANY	PROCEEDING	JURISDICTION
INVESTIGATION INTO ELECTRIC POWER COMPETITION	Docket No. I-94-0032	PENNSYLVANIA
PENNSYLVANIA POWER AND LIGHT COMPANY	Docket No. R-00943271	PENNSYLVANIA
PENNSYLVANIA POWER AND LIGHT COMPANY, RETAIL ACCESS PILOT PROGRAM	Docket No. P-00971183	PENNSYLVANIA
PG ENERGY	Docket No. R 0098-4280	PENNSYLVANIA
PPL ELECTRIC UTILITIES CORPORATION	Docket No. R- 00049255 & C0001-5	PENNSYLVANIA
PG ENERGY	Docket No. R0000- 5119	PENNSYLVANIA
PENNSYLVANIA POWER AND LIGHT COMPANY, RESTRUCTURING PROCEEDING	Docket No. R-00973954	PENNSYLVANIA
INTEGRATED RESOURCE PLANNING RULE MAKING FOR GAS UTILITIES	Docket No. 91-677-G	SOUTH CAROLINA
ENERGY POLICY ACT OF 1992 SECTION 115 CONSERVATION EFFORTS OF GAS UTILITIES	Docket No. 83-730-G	SOUTH CAROLINA
SOUTH CAROLINA ELECTRIC AND GAS COMPANY	Docket No. 2006-157- G	SOUTH CAROLINA
EL PASO ELECTRIC COMPANY	Docket No. 12,700	TEXAS
NORTHER STATES POWER COMPANY, A	Docket No. 4220-UR- 114	WISCONSIN