

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

In the Matter of:

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| ELECTRONIC APPLICATION OF |) | |
| KENTUCKY UTILITIES COMPANY FOR AN |) | CASE NO. 2018-00294 |
| ADJUSTMENT OF ITS ELECTRIC RATES |) | |

**INITIAL DATA REQUESTS OF SIERRA CLUB, ALICE HOWELL, AND CARL VOGEL
TO KENTUCKY UTILITIES COMPANY**

Pursuant to the Kentucky Public Service Commission’s (“Commission”) October 11, 2018, Order (“Scheduling Order”), Sierra Club, Alice Howell, and Carl Vogel (“*Proposed* Intervenors”) hereby propound the following requests for information on Kentucky Utilities Company (“KU” or the “Company”) in the above-captioned proceeding.

The Company shall answer these requests for information in the manner set forth in the scheduling Order, and by no later than ***December 4, 2018***. Please produce the requested documents in electronic format to:

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Wherever the response to an interrogatory or request consists of a statement that the requested information is already available to the *Proposed* Intervenors, provide a detailed citation to the document that contains the information. This citation shall include the title of the document, relevant page number(s), and to the extent possible paragraph number(s) and/or chart(s)/table(s)/figure number(s).

In the event that any document referred to in response to any request for information has been destroyed, specify the date and the manner of such destruction, the reason for such

destruction, the person authorizing the destruction and the custodian of the document at the time of its destruction.

Sierra Club reserves the right to serve supplemental, revised, or additional discovery requests as permitted in this proceeding.

DEFINITIONS

Unless otherwise specified in each individual interrogatory or request, “you,” “your,” the “Company,” or “KU,” refers to Kentucky Utilities Company, and its affiliates, officers, directors, employees, and agents. “LG&E,” refers to Louisville Gas and Electric Company and its affiliates, officers, directors, employees, and agents.

“And” and “or” shall be construed either conjunctively or disjunctively as required by the context to bring within the scope of these interrogatories and requests for production of documents any information which might be deemed outside their scope by another construction.

“Any” means all or each and every example of the requested information.

“Communication” means any transmission or exchange of information between two or more persons, whether orally or in writing, and includes, without limitation, any conversation or discussion by means of letter, telephone, note, memorandum, telegraph, telex, telecopy, cable, email, or any other electronic or other medium.

“Document” refers to written matter of any kind, regardless of its form, and to information recorded on any storage medium, whether in electrical, optical or electromagnetic form, and capable of reduction to writing by the use of computer hardware and software, and includes all copies, drafts, proofs, both originals and copies either (1) in the possession, custody or control of the Company regardless of where located, or (2) produced or generated by, known to or seen by the Company, but now in their possession, custody or control, regardless of where located whether or still in existence.

Such “documents” shall include, but are not limited to, applications, permits, monitoring reports, computer printouts, contracts, leases, agreements, papers, photographs, tape recordings, transcripts, letters or other forms of correspondence, folders or similar containers, programs, telex, TWX and other teletype communications, memoranda, reports, studies, summaries, minutes, minute books, circulars, notes (whether typewritten, handwritten or otherwise), agenda, bulletins, notices, announcements, instructions, charts, tables, manuals, brochures, magazines, pamphlets, lists, logs, telegrams, drawings, sketches, plans, specifications, diagrams, drafts, books and records, formal records, notebooks, diaries, registers, analyses, projections, email correspondence or communications and other data compilations from which information can be obtained (including matter used in data processing) or translated, and any other printed, written, recorded, stenographic, computer-generated, computer-stored, or electronically stored matter, however and by whomever produced, prepared, reproduced, disseminated or made.

Without limitation, the term “control” as used in the preceding paragraphs means that a document is deemed to be in your control if you have the right to secure the document or a copy thereof from another person or public or private entity having actual possession thereof. If a document is responsive to a request, but is not in your possession or custody, identify the person with possession or custody. If any document was in your possession or subject to your control, and is no longer, state what disposition was made of it, by whom, the date on which such disposition was made, and why such disposition was made.

For purposes of the production of “documents,” the term shall include copies of all documents being produced, to the extent the copies are not identical to the original, thus requiring the production of copies that contain any markings, additions or deletions that make them different in any way from the original.

“ICPA” refers to Inter-Company Power Agreement of the Ohio Valley Electric Corporation.

“Identify” means:

- (a) With respect to a person, to state the person’s name, address and business relationship (e.g., “employee”) vis-à-vis the Company;
- (b) With respect to a document, to state the nature of the document in sufficient detail for identification in a request for production, its date, its author, and to identify its custodian. If the information or document identified is recorded in electrical, optical or electromagnetic form, identification includes a description of the computer hardware or software required to reduce it to readable form.

“OVEC” means the Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-Kentucky Electric Corporation.

“OVEC Units” means the Clifty Creek Generating Station (Units 1-6) as well as Kyger Creek Generating Station (Units 1-5).

“Relating to” or “concerning” means and includes pertaining to, referring to, or having as a subject matter, directly or indirectly, expressly or implied, the subject matter of the specific request.

“Workpapers” are defined as original, electronic, machine-readable, unlocked, Excel format (where possible) with formulas intact.

PRIVILEGE

If you claim a privilege including, but not limited to, the attorney-client privilege or the work product doctrine, as grounds for not fully and completely responding to any interrogatory or request for production, describe the basis for your claim of privilege in sufficient detail so as to permit the Proposed Intervenor or the Commission to evaluate the validity of the claim. With respect to documents for which a privilege is claimed, produce a “privilege log” that identifies the author, recipient, date and subject matter of the documents or interrogatory answers for which you are

asserting a claim of privilege and any other information pertinent to the claim that would enable the Proposed Intervenors or the Commission to evaluate the validity of such claims.

TIME

Unless otherwise provided, the applicable time period for each of these requests for information is January 1, 2013, to the present.

DATA REQUESTS

1. Produce an authentic copy of the current OVEC ICPA.
2. Identify, discuss, and provide any study or analysis that the Company has performed or obtained, subsequent to that relied on in Case Nos. 2011-00099 and 2011-00100 before the Commission, regarding the cost-competitiveness of, or need for, its contractual relationship with OVEC or the power and capacity the Company obtains from the OVEC Units.
3. Identify any and all capital investments or projects that the Company anticipates will be needed for each of the OVEC Units to comply with (while continuing to be able lawfully to operate) all current, anticipated or foreseeable environmental laws, regulations, or other obligations. For each such investments at the OVEC Units:
 - a) Describe each such investment/project; its timeline; and the law, regulation, or other obligation it is needed to comply with.
 - b) Describe the decision-maker(s) (with persons or bodies)—within the LG&E/KU, and/or within OVEC and among its member entities, as may be applicable—that must approve such investments;
 - c) For any such investment/project, provide the following in relation thereto:
 - i) In-service date
 - ii) Current or anticipated status of construction
 - iii) Required outage period for installation and interconnection
 - iv) projected capital cost
 - v) fixed O&M cost
 - vi) variable O&M cost
 - vii) effect on unit heat rate
 - viii) effect on unit availability
4. With respect to the OVEC Units, for each month from January 2013 through October 2018, provide the following charges as pertains to the Company:
 - a) Total Monthly Charge, pursuant to Article 5.01 of the current ICPA
 - b) Energy Charge, pursuant to Article 5.02 of the ICPA
 - c) Demand Charge, pursuant to Article 5.03 of the ICPA

- d) Transmission Charge, pursuant to Article 5.04 of the ICPA
5. With respect to the OVEC Generating Units, for each month from January 2019 through December 2026, provide the following projected charges as pertains to the Company:
- a) Total Monthly Charge, pursuant to Article 5.01 of the ICPA
 - b) Energy Charge, pursuant to Article 5.02 of the ICPA
 - c) Demand Charge, pursuant to Article 5.03 of the ICPA
 - d) Transmission Charge, pursuant to Article 5.04 of the ICPA
6. Has the Company incurred any charges in connection with Minimum Loading Events, as described in the ICPA Section 5.05, during the period from January 1, 2013, to the present?
- a) If so, describe each such charge, including months incurred and amount of such charge.
7. Provide a record of all funds accrued by OVEC “in connection with the decommissioning, shutdown, demolition and closing” of the OVEC Units as described in Articles 5.03(f) and 7.04 of the ICPA.
8. Provide any assessment of the sufficiency of OVEC’s funding to support decommissioning, shutdown, demolition and closing of the OVEC Units.
9. For each of the years 2013 through 2017, and each month in 2018 to date, and for each of the OVEC Units, identify the:
- a) Capacity factor
 - b) Availability
 - c) Heat rate
 - d) Forced outage rate
 - e) Unforced outage rate
 - f) Fixed operating and maintenance (“O&M”) cost
 - g) Variable O&M cost
 - h) Fuel cost
 - i) Environmental capital cost
 - j) Non-environmental capital cost
 - k) Depreciation cost
 - l) Return on equity
 - m) Interest expense
 - n) Taxes

10. For each of the years 2019 through 2030, for each of the OVEC Units, identify each unit's projected:
 - a) Capacity factor
 - b) Availability
 - c) Heat rate
 - d) Forced outage rate
 - e) Unforced outage rate
 - f) Fixed O&M cost
 - g) Variable O&M cost
 - h) Fuel cost
 - i) Environmental capital cost
 - j) Non-environmental capital cost
 - k) Depreciation cost
 - l) Return on equity
 - m) Interest expense
 - n) Taxes
11. With regard to each of the OVEC Units:
 - a) Describe in detail any planned outages for maintenance or repair scheduled between January 1, 2019, and June 1, 2025, including the duration of each such outage and the estimated cost of such maintenance or repairs.
 - b) Describe in detail any unplanned outages that have occurred since January 1, 2010, including the duration of each such outage, steps taken to address the cause of each such outage, and the cost of such steps.
12. Identify the currently planned retirement date for each of the OVEC Units.
13. Produce the minutes from each meeting of the OVEC Board of Directors since January 1, 2015.
14. Produce any and all presentations made to the OVEC Board of Directors regarding environmental capital projects subsequent to the presentation made on October 22, 2014.
15. For each of the years 2013 through 2017 and 2018 to date, for each of the OVEC Units, identify the forced outage rate.
16. Confirm or deny, with respect to each coal ash storage unit at Clifty Creek and Kyger Creek, that each coal ash storage unit has transitioned to Assessment Monitoring pursuant to the Coal Combustion Residuals ("CCR") Rule, *see generally* 40 C.F.R. Part 257; 80 Fed. Reg. 21,302 (Apr. 17, 2015).
 - a) If confirmed, provide a list for each coal ash storage unit of all Appendix III constituents for which OVEC found a "statistically significant increase" over background groundwater levels.
 - b) If denied, explain whether (and when, if applicable) such transition is anticipated.
 - c) Provide an estimate of the cost of closure of each coal ash storage unit.

17. Explain whether it is the Company's understanding that, under the ICPA, each of OVEC's Sponsoring Companies, is responsible for guaranteeing OVEC's debt, such as in the event OVEC were to dissolve or to file for bankruptcy.
 - a) If not, explain the Company's understanding otherwise, including why the Company does not interpret Article 5.03 of the ICPA to impose such obligation.
 - b) Conversely, if so, explain how the Company reconciles that understanding with the Commission's August 11, 2011, Order in Case Nos. 2011-00099 and 2011-00100, providing (at 3) that "LG&E and KU will not act as guarantors of OVEC's debts nor will they issue securities or other evidence of indebtedness for the purpose of financing their participation in the Amended ICPA."

18. Reference Attachment to Filing Requirement 807 KAR 5:001 Section 16(7)(k), pp. 56, 96 (Garrett)
 - a) Explain the characterization of the Company's investment in OVEC as "not significant."
 - b) Without limitation, explain the consistency of that characterization with the Company's assertions that:
 - i) The Company "is conditionally responsible for a pro-rata share of certain OVEC obligations" (and please identify the "certain OVEC obligations" to which the Company refers).
 - ii) The Company "is obligated to pay for its share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract," with the Company's "proportionate share of OVEC's outstanding debt [being] \$36 million at December 31, 2017."
 - iii) The Company's "maximum exposure and the expiration date of these potential obligations are not presently determinable"

19. Reference LG&E and KU's 2018 Joint Integrated Resource Plan, filed on October 19, 2018, in Case No. 2018-00348.
 - a) Discuss the Company's need (or lack thereof), now and each year through 2025, for the capacity provided by the OVEC Units.
 - b) Explain the consistency of your response with the fact that the Company forecasts a reserve margin of 23.5% in 2019, and dropping no lower through 2033, while the OVEC Units provide only 152 MW to LG&E and KU relative to the Companies' total reserve margin of approximately 1,500 MW (*see* 2018 IRP at Vol. I, pp. 5-36).

20. Identify and produce any request(s) the Company has issued, from 2015 through the present, for proposals for new or substitute generation capacity (whether or not connected to the question of OVEC).
 - a) Identify and produce any responses thereto, if any.

21. Reference Robert M. Conroy, p. 15, ll. 12-14, and William Steven Seelye, p. 21, ll. 15-16.

- a) Identify and explain the cause(s) of the change from the residential customer-related cost indicated by the Company's electric cost of service study presented in its 2016 rate case application, \$23.93 per customer per month, to the corresponding figure presented by the Company in this case, \$20.89 per customer per month.
22. Reference Robert M. Conroy, p. 17, ll. 14-16.
- a) Once the Company determines the appropriate capacity for a generation asset "based on customers' demands on the total system," please explain how the Company determines whether that generation asset should be a baseload, cycling, or peaking plant.
- b) Is Mr. Conroy's contention that generation and distribution assets are sized based on the same measure of customer demand (e.g., system coincident peak)? If not, please describe in detail the different measures of customer demand that are relied on to size generation and distribution assets.
23. Reference William Steven Seelye, at p.2, ll. 15-16.
- a) Explain, specifically and concretely, what changes/trends Mr. Seelye is alluding to with the testimony that "KU and LG&E are taking steps toward implementing rate changes that will provide appropriate and equitable cost recovery in a changing utility industry."
- i) Without limitation, address whether the aforementioned changes to which Mr. Seelye alludes refer, in whole or in part, to the increased competition from distributed generation, energy conservation, and energy efficiency that Mr. Seelye explicitly referenced in the prefatory summary of his corresponding testimony in the Company's 2016 rate case application.
- ii) Without limitation, discuss whether the Company has recently been experiencing "steep declines in their sales per customer," as Mr. Seelye reflected in his 2016 direct testimony that many utilities were.
- b) Please state the number of distributed generation systems currently installed by customers on the Company's system, their aggregate capacity, and the percentage of those systems powered by wind, solar, natural gas, or other resources.
- c) Please provide any forecasts prepared by or for the Company regarding distributed generation growth in its territory.
- d) Please provide the average monthly energy usage for all distributed generation customers, by class, for the latest 12 months for which such data are available.
24. Reference William Steven Seelye, at p. 2, ll. 16-18.
- a) Explain in detail the "possible future" rates that the Company may develop to address the "emerging technologies," and describe specifically the technologies referred to there.
- i) Explain whether such future rates are merely a nascent possibility, or whether the Company is already tangibly preparing and planning to propose such rates.

- (1) If the latter, discuss the status and timeline of such plans.
25. Reference William Steven Seelye, at p. 2 l.19 – p.3, l. 5.
- a) Confirm or deny that the question of the accuracy of the specific “variable” and “fixed” sub-rates of the proposed bifurcated RS energy charge, including the extent to which costs are “avoidable,” depends on which net metering policy that the Company happens to implement—in other words, that the extent of any cost avoidability would vary at least in part based on the net metering calculation methods chosen.
 - i) If denied, explain why.
26. Reference William Steven Seelye, p. 13, ll. 9-16.
- a) What RS energy charge would the Company propose in this case if the residential Basic Service Charge remained at \$12.25 per month (or the per-day equivalent)?
27. Reference William Steven Seelye, p. 10, ll. 4-5.
- a) Provide copies of all e-mail communications, internal memoranda, reports, or other documentation of Mr. Seelye’s or the Company’s consideration of, and decision to, increase the residential Basic Service Charge and/or to change the Basic Service Charge from a per-month to a per-day rate.
 - i) Include, without limitation, copies of all presentations to Company management or the Company’s Board of Directors regarding the same.
28. Reference William Steven Seelye, p. 14, ll. 2-16.
- a) Given that the Company already prorates a customer’s monthly Basic Service Charge when the customer takes only partial service for a given month, explain how the Company arrived at its determination that it would be easier either for customers to understand, or for the Company to implement, a per-day formatted Basic Service Charge, as opposed to a pro-rated per-month Basic Service Charge.
 - i) Without limitation to such explanation, confirm whether the current/historical pro-ration of the monthly charge, when appropriate, is an automated calculation.
 - ii) Without limitation, confirm whether the Company has ever received customer complaints or other input expressing either confusion regarding the per-month Basic Service Charge, or a preference for a per-day format.
 - (1) If it has, discuss the number and context(s) of such customer input, and provide copies of such feedback (if possible, and redacting customer information if necessary and appropriate).
 - (2) If it has not,
 - iii) Without limitation, confirm whether, conversely, the Company has ever received customer input expressing either a preference for the current per-month charge, or a prediction of confusion regarding the idea of a per-day charge.

- iv) Identify any other empirical basis/bases, not already discussed, on which on which the Company concludes that the per-day format will enhance ease of customer comprehension.
 - v) Explain whether any circumstances have changed that are now motivating the Company's per-day proposal, yet which have not historically been present during the time the Company has been implementing a per-month rate.
 - vi) Explain, specifically and concretely, why a per-day rate "may be needed" to "create future optionality for new programs such as electric vehicle rates and prepaid metering," and why a prorated per-month rate could not suffice or would be disadvantageous.
29. Reference William Steven Seelye, p. 16, ll. 4-11.
- a) By "fixed costs associated with poles, transformers, conductors," explain whether Mr. Seelye referring to just the customer-related portion of those costs or both the customer-related and demand-related portions.
 - b) By "fixed costs associated with ... power plants," explain whether Mr. Seelye referring to the demand-related portions of power plant costs.
 - c) Explain what Mr. Seelye means when he states that fixed costs would not be "automatically" reduced with reductions in energy usage.
 - i) Discuss whether reductions in energy usage could lead to reductions in such fixed costs in some other fashion.
 - d) Explain whether it Mr. Seelye's contention that the "fixed costs associated with poles, transformers, conductors" would not be "automatically reduced" with reductions in customer peak demands.
 - e) Explain whether it Mr. Seelye's contention that the "fixed costs associated with ... power plants" would not be "automatically reduced" with reductions in customer peak demands.
30. Reference William Steven Seelye, p. 20, ll. 21-22.
- a) Explain whether, if distributed generation allowed the Company to reduce spending in the future on generation, transmission, or distribution capacity, Mr. Seelye would agree that all customers, and not just those who installed the distributed generation, would benefit from such a reduction in spending.
 - b) Explain whether, if distributed generation allowed the Company to reduce spending in the future on generation, transmission, or distribution capacity, Mr. Seelye would agree that customers who installed the distributed generation would be subsidizing those customers who had not?
31. Reference William Steven Seelye at p. 19, ll. 4-19.
- a) Identify any instances, of which Mr. Seelye is aware, of public utilities commissions have approved a "three-part rate" for residential customers.

- i) Conversely, identify any instances, of which Mr. Seelye is aware, of utilities proposing/seeking a three-part rate for residential customers, but not ultimately obtaining approval of and implementing such a rate.
 - ii) Apart from any instances of approval and actual implementation of a three-part rate, identify any other basis on which Mr. Seelye bases his opinion that, “[i]n [his] experience,” the two-part rate structures that utilities have historically used for residential customers “is changing in the industry.”
32. Reference William Steven Seelye, p. 22, ll. 3-11.
- a) Clarify whether Mr. Seelye believes that all costs associated with the “service drop from the transformer” are customer-related. If so, please provide citations to the NARUC Electric Utility Cost Allocation Manual that form the basis for Mr. Seelye’s belief.
 - b) Clarify whether Mr. Seelye recommends that all transformer costs, or just the customer-related portion of transformer costs, be recovered through the Basic Service Charge.
 - c) If Mr. Seelye recommends that all transformer costs be recovered through the Basic Service Charge, explain why he believes that demand-related transformer costs should be recovered through the Basic Service Charge.
33. Reference William Steven Seelye, p. 24, ll. 6-16.
- a) Explain why the Company believes that intra-class subsidies should be avoided, citing all relevant economic literature relied on as the basis for this belief.
 - b) Explain whether Mr. Seelye is aware of any economic rationale or ratemaking principle for maintaining intra-class subsidies.
 - c) Cite any relevant economic literature relied on as the basis for the assertion that the “rate making principle” for avoiding intra-class subsidies is the recovery of “fixed costs” through fixed charges.
 - d) Explain whether it is Mr. Seelye’s contention that demand-related generation, transmission, and distribution costs are “fixed costs.”
 - i) If so, explain whether Mr. Seelye believes that recovering such demand-related fixed costs through energy charges would create intra-class subsidies.
 - e) Under the Company’s current rate design for residential customers, explain whether Mr. Seelye believes that demand-related generation, transmission, and distribution costs are, and should be, recovered through the Basic Service Charge or through the energy charge.
 - f) Explain whether it is Mr. Seelye’s contention that the fixed costs to serve residential customers with above-average energy usage are equal to the fixed costs to serve customers with below-average energy usage.
 - g) Provide copies of all analyses conducted by Mr. Seelye or the Company relied on as the basis for Mr. Seelye’s assertion that residential customers with above-average

energy usage are “paying more than their fair share of the utility’s fixed costs” under current rates.

34. Reference William Steven Seelye, generally.
 - a) Compare the proposed Basic Service Charges for all rate classes to the full customer-related cost identified for those classes in the cost of service study.
35. Reference Paul W. Thompson, p. 11, ll. 3-4, and Lonnie E. Bellar p. 11, ll. 14-16.
 - a) Discuss whether the Company has assessed whether the D.C. Circuit’s recent decision in *Util. Solid Waste Activities Grp. v. Env’tl. Prot. Agency*, 901 F.3d 414 (D.C. Cir. 2018), judgment entered, No. 15-1219, 2018 WL 4158384 (D.C. Cir. Aug. 21, 2018)—in which the court held that the Obama-era CCR Rule was unlawfully narrow and lax in multiple regards—has will impact the Company’s coal ash storage units and methods, and their compliance status/trajectory vis-à-vis the CCR Rule’s standards and obligations as must be modified in light of that decision.
 - i) If so, explain whether the Company anticipates needing to incur any additional expenses in order to comply therewith, above and beyond what was needed to comply with the Rule’s standards and obligations prior to the D.C. Circuit’s decision.
 - (1) If any such additional expenses, identify them and provide an estimate of their respective costs and timelines.

Dated: November 19, 2018

Respectfully submitted,



Of counsel
(not licensed in Kentucky):

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*Counsel for Alice Howell, Carl Vogel,
and Sierra Club*

CERTIFICATE OF SERVICE

This is to certify that the foregoing copy of the INITIAL DATA REQUESTS OF SIERRA CLUB, ALICE HOWELL, AND CARL VOGEL TO KENTUCKY UTILITIES COMPANY is a true and accurate copy of the document being filed in paper medium; the electronic filing was transmitted to the Commission on November 19, 2018; there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and the filing in paper medium is being delivered to the Commission via express U.S. mail.



JOE F. CHILDERS