

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

In the Matter of:

| | | |
|---|---|----------------------------|
| ELECTRONIC APPLICATION OF |) | |
| LOUISVILLE GAS AND ELECTRIC |) | CASE NO. 2018-00295 |
| COMPANY FOR AN ADJUSTMENT OF ITS |) | |
| ELECTRIC AND |) | |
| GAS RATES |) | |

STIPULATION TESTIMONY OF
JOHN K. WOLFE
VICE PRESIDENT, ELECTRIC DISTRIBUTION OPERATIONS
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Filed: March 1, 2019

1 **Q. Please state your name, position and business address.**

2 A. My name is John K. Wolfe. I am the Vice President of Electric Distribution
3 Operations for Kentucky Utilities Company (“KU”) and Louisville Gas and Electric
4 Company (“LG&E”) (collectively “Companies”), and an employee of LG&E and KU
5 Services Company, which provides services to LG&E and KU. My business address
6 is 220 West Main Street, Louisville, Kentucky 40202.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to discuss certain tariff-related items that are
9 addressed in the Stipulation and Recommendation (“Stipulation”) reached by the
10 Companies and Charter Communications Operating LLC (“Charter”) (collectively
11 “Stipulating Parties”).

12 **Q. What does the Stipulation concern?**

13 A. The Stipulation concerns revisions to the Companies’ “Pole and Structure Attachment
14 Charges” Rate PSA. Rate PSA governs the attachment of certain third party facilities
15 to the Companies’ poles and structures.

16 In their applications, the Companies proposed several revisions to the terms
17 and conditions within Rate PSA. These proposed revisions included: expansion of
18 the schedule’s availability to governmental entities and educational institutions;
19 increased performance assurance requirements; increased minimum coverage limits
20 for certain types of liability insurance coverage; authorization for the direct
21 reimbursement of the costs of pole attachment audits from attachment customers;
22 establishment of a \$25 penalty for each unauthorized attachment; establishment of a
23 50 percent surcharge on the cost of work the Company must perform to correct a non-

1 compliant attachment when an attachment customer fails to timely correct the
2 noncompliance. These provisions were intended to ensure a more accurate and fair
3 assignment of costs, encourage compliance with the Companies' permitting practices,
4 and, most importantly, protect worker and public safety and the integrity of the
5 Companies' distribution systems.

6 In the Stipulation, the Stipulating Parties agreed the proposed revisions to
7 Rate PSA, subject to certain agreed modifications, are fair, just and reasonable, will
8 promote public safety, enhance the reliability of electric service, and ensure fair and
9 uniform treatment of Attachment Customers as well as promote the deployment and
10 adoption of advanced communications services. In my testimony, I will discuss
11 these agreed modifications. A copy of the Stipulation is attached as Exhibit JKW-1
12 to my testimony.

13 Direct Reimbursement of Audit Costs

14 **Q. Does the Stipulation affect the Companies' proposal that attachment customers**
15 **reimburse the Companies for the cost of any audit of pole attachments?**

16 **A.** Yes, the Stipulation will limit the Companies' authority to directly assess attachment
17 customers for the cost of any pole attachment audit to audits that are commenced after
18 May 1, 2019.

19 System-wide audits are used to confirm the number of attachments that each
20 attachment customer has made to the Companies' facilities. These audits ensure that
21 attachment customers are accurately billed for the services that they receive and that
22 attachment customers are observing the application and permitting procedures
23 presently contained in Rate PSA. Currently Rate PSA provides no means for the

1 Companies to directly bill attachment customers for the cost of these audits. It is my
2 understanding from our experience with others in the industry that most electric
3 utilities in the United States directly bill their attachment customers for such costs.

4 In their applications, the Companies proposed to remedy this situation by
5 revising Rate PSA to require attachment customers to reimburse the Companies for
6 the cost of pole attachment audits. Under this proposal, the Companies would submit,
7 upon completion of an audit, an invoice for the cost of an audit to the affected
8 attachment customer. If more than one attachment customer's facilities are within the
9 audit's scope, then the cost of the audit would be prorated among the attachment
10 customers subject to the audit.

11 The Stipulating Parties have agreed that the requirement that attachment
12 customers directly reimburse the Companies for the costs of a pole attachment audit
13 should apply only to audits commenced after the revised Rate PSA takes effect and
14 not be retroactively applied to any audits currently underway. As the Companies
15 have already embarked upon a comprehensive system-wide audit of their pole
16 attachments, the revised Rate PSA would not allow the Companies to directly assess
17 attachment customers for its cost. The Companies believe that this modification is
18 reasonable and consistent with the Commission's policy regarding retroactive
19 application of tariff provisions.

20 Absent unusual circumstances, the first pole attachment audit whose costs will
21 be assessed directly to attachment customers will be the system-wide audit that the
22 Companies currently plan to commence no earlier than 2023.

1 **Q. Does this modification have any effect on the revenues for the forecasted test**
2 **period as set forth in the Companies' Applications?**

3 A. No. The modification, however, renders inoperative the proposed adjustments to the
4 Companies' other miscellaneous electric revenues that Mr. Seelye discusses in his
5 rebuttal testimony to reflect the reimbursement of audit costs from attachment
6 customers.¹

7 Unauthorized Attachments

8 **Q. Does the Stipulation modify the proposed revisions regarding unauthorized**
9 **attachments?**

10 A. Yes, it does make a very limited modification. The Stipulating Parties have agreed to
11 the basic premise that a penalty may be imposed for an unauthorized attachment, but
12 have extended the time period for the implementation of such penalty.

13 The current Rate PSA establishes a basic framework for identifying
14 unauthorized attachments based upon the results of a pole attachment audit. Term
15 and Condition 14 provides:

16 If the audit reveals that the number of Attachments exceeds the
17 number of attachments shown in Company's existing records, the
18 excess number of Attachments shall be presumed to be Unauthorized
19 Attachments. Attachment Customer shall have the right to rebut this
20 presumption and demonstrate that the attachments at issue were
21 authorized.

22 The current Rate PSA, however, provides no penalty for unauthorized attachments.

23 (It does permit the Companies to charge an amount equal to two years attachment

¹ Rebuttal Testimony of William Steven Seelye at 63-64 (filed Feb. 22, 2019).

1 fees to compensate the Companies for the time the unauthorized attachments' use of
2 the Companies' pole space.)

3 In their applications, the Companies proposed a penalty of \$25 per attachment
4 for unauthorized attachments found as a result of an audit. This penalty is in addition
5 to any attachment charges owed for the period of the unauthorized attachment,
6 presumed to be two years. The Companies believe that this modest penalty is the only
7 practical means to enforce application and permitting procedures presently contained
8 in Rate PSA and to discourage willful violations of those procedures.

9 The Stipulating Parties have agreed that the findings of any system-wide audit
10 commenced prior to May 1, 2019 should not be used to assess the \$25 penalty for
11 unauthorized attachments. They have agreed that the findings of the current system-
12 wide audit, which is the first comprehensive audit of the Companies' pole and
13 structures, should be used only to establish a baseline upon which future audit
14 findings can be measured and the number of unauthorized attachments determined.
15 This action will ensure that the Companies will have an accurate and reasonable basis
16 upon which to ascertain the number of unauthorized attachments when the next
17 system-wide audit is performed and that attachment customers are fairly treated.

18 Inspectors for Self-Help Make-Ready Work

19 **Q. Please describe the proposed modifications to the Companies' proposed**
20 **revisions regarding self-help make-ready work.**

21 A. As originally proposed, the revised Rate PSA would require an attachment customer
22 to notify the Companies one week prior to prior to commencing make-ready work
23 when the Company has failed to perform such work within 60 days. It would also

1 require that a Company-designated inspector accompany the approved contractor
2 performing the make-ready work for the attachment customer and that the attachment
3 customer reimburse the Companies for the cost of this inspector.

4 The Stipulating Parties have agreed that the provision requiring the
5 reimbursement of cost of the company inspector from the attachment customer should
6 be deleted from the revised Rate PSA. This modification is reasonable because this
7 cost is only incurred in the unlikely event that the Company does not meet its
8 obligation to complete the make-ready within required timeframe.

9 Surcharge for Failure to Timely Correct Non-Compliant Attachments

10 **Q. Have the Stipulating Parties recommended any modifications to the proposed**
11 **surcharge for an Attachment Customer’s failure to correct a non-compliant**
12 **attachment?**

13 A. Yes. The Companies originally proposed to revise Term and Condition 8j of the
14 existing Rate PSA to allow for the assessment of a 50 percent surcharge on the cost of
15 repairs the Companies perform to correct attachments that fail to meet the
16 Companies’ electric design and construction standards and applicable requirements of
17 the National Electric Safety Code and all other applicable codes and laws. This
18 provision would apply only when an attachment customer fails to repair a non-
19 compliant attachment within 30 days after receiving written notice of the non-
20 compliant standard from the Companies. This revision was intended to encourage
21 attachment customers to adopt responsible maintenance practices and to promptly
22 repair non-compliant attachments rather than delay or defer to the Companies to

1 perform repairs. The Stipulation Parties have agreed that the surcharge on the cost of
2 repairs performed by the Companies should be reduced to 10 percent.

3 The current Rate PSA imposes no penalty for failing to correct non-compliant
4 attachments. As a result, attachment customers simply allow the non-compliant
5 condition to continue until the Companies intervene. A surcharge of 10 percent
6 should make reliance on the Companies less economically attractive to attachment
7 customers and create an incentive for the attachment customer to undertake corrective
8 actions before the Companies intervene.

9 While the Companies believe that a surcharge of 10 percent will provide an
10 incentive for prompt and timely corrective action on the part of attachment customers,
11 they will closely monitor the responses of attachment customers to non-compliance
12 notices. They reserve the right, should the evidence indicate that a 10 percent
13 surcharge is insufficient to encourage such action, to request increases in the
14 magnitude of the surcharge in future rate proceedings.

15 Conclusion

16 **Q. What is your recommendation to the Commission?**

17 A. The terms of the Stipulation are fair, just and reasonable, allow the Companies to
18 adequately protect the structural integrity of their poles and structures, and support
19 continued service reliability and public safety. I recommend that the Commission
20 accept the Stipulation and approve the revised Rate PSA Schedules attached to the
21 Stipulation.

22 **Q. Does this conclude your testimony?**

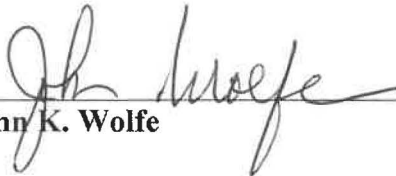
23 A. Yes.

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VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **John K. Wolfe**, being duly sworn, deposes and says that he is Vice President, Electric Distribution 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 foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



John K. Wolfe

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 1st day of March 2019.



Notary Public (SEAL)

My Commission Expires:
Judy Schooler
Notary Public, ID No. 603967
State at Large, Kentucky
Commission Expires 7/11/2022