

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

IN THE MATTER OF: APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES	Case No. 2018-00294
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**FIRST REQUEST FOR INFORMATION
OF THE UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER
FEDERAL EXECUTIVE AGENCIES**

The United States Department of Defense and all other Federal Executive Agencies submits the following First Request for Information to Kentucky Utilities Company (“KU”).

DEFINITIONS

1. “Identify” or “identity,” when referring to a natural person, shall mean to provide without limitation his or her full name, present or last-known address, telephone number, present or last-known business affiliation and location, and job titles and responsibilities during the applicable time covered by any response referring to such person.

2. “Identify” or “identity,” when referring to a document or writing, shall mean to give sufficient characterization of the document or writing so as to have identified it with reasonable particularity and shall include, without limitation, the following information with respect to such document or writing:

- a. The author and the sender of the document or writing;

- b. The date appearing on the document or writing, and if it has no date, the answer shall so state but shall give the date or approximate date the document or writing was prepared;
- c. The general nature or description of the document;
- d. The name of the person or persons, if any, to whom such document or writing was addressed and the names of other persons to whom the document or copies thereof were given or sent, if any;
- e. The name and address of the person having present possession, custody, or control of the document or writing.

3. "Document" and "workpaper" shall have the broadest possible meaning and include, without limitation, the original and any non-identical copy (whether different from the original because of handwritten notes, underlining, or other marks,) regardless of origin or location, of written, typed, printed, or graphic matter (however produced or reproduced), and electrical or magnetic sound or video recordings, or transcriptions thereof, file or photographic prints, and all other writings or recordings of every kind and description, including, but not limited to, papers, letters, correspondence, agreements, contracts, telegrams, notes, notations, computer printouts, digital or e-mail communications, text messaging, data sheets, data processing cards or tapes, memoranda (including memoranda or memorials of conversations or meetings), intra-office communications, notebooks, reports, articles, books, pamphlets, periodicals, tables, charts, graphs, blueprints, drawings, studies, worksheets, estimating sheets, bids, bills, time cards, indices, lists, surveys, diaries, diary entries, facsimiles, specimens, models, schedules, accounts, invoices, purchase orders, estimates, ledgers, audits, and indices, and drafts, revisions or amendments of any of the above, and generally, any kind of tangible, permanent records that are now, or formerly

were, in your possession, custody or control, or that were known by you to exist, and that can be located or discovered by reasonably diligent efforts.

4. “Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, on a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.

INSTRUCTIONS

1. Responses to these request shall be in compliance with 807 KAR 5:0001 and Public Service Commission’s Orders.

2. These Requests are continuing in nature and require supplemental answers within a reasonable time if additional documents or information would be responsive to these Requests.

3. If any of the responses do not contain complete information, so state this and identify each person who may have the additional information.

4. Identify the witness who will be prepared to answer questions concerning each Request.

FIRST REQUESTS FOR INFORMATION

DOD 1-1. Please provide all exhibits, tables, figures and supporting workpapers in electronic format with all formulas intact supporting the current filing. This is an ongoing request for all subsequent testimonies filed.

DOD 1-2. If not already provided in response to the question above, please provide all exhibits, tables, figures and supporting workpapers in electronic format with all formulas intact

supporting the testimonies of Mr. McKenzie and Mr. Arbough. This is an ongoing request for all subsequent testimonies filed by these witnesses.

DOD 1-3. Please provide copies of all publications and credit reports referenced in or considered by witnesses Mr. McKenzie and Mr. Arbough. This is an ongoing request for all subsequent testimonies filed by these witnesses.

DOD 1-4. Please provide complete copies of all credit reports issued by S&P, Moody's and Fitch Ratings that discuss the current regulated utility industry.

DOD 1-5. Please provide the most recent senior secured, unsecured and corporate credit ratings and outlook of KU assigned by S&P, Moody's and Fitch. Also, please provide their S&P business and financial risk profiles.

DOD 1-6. Please provide all copies of all correspondence, presentations and all other materials that KU provided to credit and equity analysts over the last two years.

DOD 1-7. In an electronic spreadsheet with all formulas intact, please provide the monthly average balances for construction work in progress and short-term debt for the most recent 13-month period. Please separate and identify the amounts associated with each jurisdiction and separated by electric and gas operations.

DOD 1-8. In an electronic spreadsheet with all formulas intact, please provide the five-year projected and five-year historical capital structure, capital expenditures and capital funding.

DOD 1-9. Please identify the common equity ratio and return on equity approved in KU's last fully litigated rate case for its KY retail operations.

DOD 1-10. Please provide copies of all credit reports published by Standard & Poor's ("S&P"), Moody's and Fitch Ratings for KU and their parent company issued over the last two years.

DOD 1-11. Please provide the amount of capitalized interest estimated to be paid during the test year related to construction projects. Please separate and identify the amounts associated with each jurisdiction and separated by electric and gas operations.

DOD 1-12. Please state whether KU's regulated electric retail operations has any off balance sheet debt such as purchased power agreements and operating leases. If the answer is "yes," provide the amount of each off-balance sheet debt item and estimate the related imputed interest and amortization expense associated with these off balance sheet debt equivalents specific to KU's jurisdictional regulated retail electric operations.

DOD 1-13. To the extent not already provided, please provide in electronic format with all formulas intact, the calculation of KU's credit metric calculations by Standard and Poor's and Moody's.

DOD 1-14. Please provide a detailed explanation of KU's dividend payment and debt financing plans through the test period.

DOD 1-15. Do any of KU's outstanding long-term debt issues have call provisions? If the answer is "yes," please provide a list of the callable issues with the following: a) outstanding balance, b) issuance date, c) maturity date, d) coupon payment percent, e) annual interest expense, and f) call price (as a percent of par).

DOD 1-16. Has KU performed any debt refinancing feasibility studies on its outstanding debt issues? If the answer is "yes," please provide the following:

- a. A detailed description of the results from the study.
- b. A detailed description of the conclusions(s) made by KU based on the results of the study.
- c. All debt refinancing feasibility studies in an electronic spreadsheet with all formulas intact.

DOD 1-17. Please confirm that PPL Corporation or KU are not on credit watch, review for downgrade, or have anything other than a “stable” outlook by any of the major ratings agencies. If this cannot be confirmed, please provide all reports in support of your response.

DOD 1-18. Mr. McKenzie relies on “threshold tests employed by FERC” to establish low-end and high-end outliers. Please state whether or not Mr. McKenzie is familiar with the FERC’s proposed methodology for high-end outliers in 165 FERC ¶ 61,030.

DOD 1-19. If Mr. McKenzie is familiar with the methodology proposed in 165 FERC ¶ 61,030, please apply FERC’s proposed high-end outlier test of 1.5x the median before any outliers are removed, to Mr. McKenzie’s DCF results.

DOD 1-20. Please provide Gannett Fleming’s most recent version of the database it maintains for the Service Life and Net Salvage Statistics by FERC Account for U.S. Electric Utilities, in Microsoft Excel format.

DOD 1-21. Please provide all data utilized to create the original life tables presented in the depreciation study, as well as any applicable transaction or location code keys. Additionally, Please provide in Excel format or .csv format, the original life tables for all accounts presented in Part VII of the depreciation study filed as Exhibit JJS-KU-1. If not available in the requested format, Microsoft Word format will suffice.

DOD 1-22. Please provide all data utilized to create the summary of book salvage for all accounts presented in the depreciation study, as well as any applicable transaction or location code keys. Additionally, Please provide in Excel format or .csv format, the summary of book salvage tables for all accounts presented in Part VIII of the depreciation study filed as Exhibit JJS-KU-1. If not available in the requested format, Microsoft Word format will suffice.

DOD 1-23. For each FERC account studied in the depreciation study filed as Exhibit JJS-KU-1, please identify and explain all adjustments Mr. Spanos or Gannett Fleming made to KU's accounting data prior to conducting the life and net salvage analyses that are presented in sections VII and VIII of the depreciation study filed as Exhibit JJS-KU-1.

DOD 1-24. Please provide in Excel format or .csv format, the calculation of remaining life depreciation accrual for all accounts presented in Part IX Detailed Depreciation Calculations of the depreciation study filed as Exhibit JJS-KU-1. If not available in the requested format, Microsoft Word format will suffice.

DOD 1-25. Please provide in Microsoft Excel format the currently approved Depreciation Rate, Average Service Life/Iowa Curve, and Net Salvage Rate for each account.

DOD 1-26. Please provide all correspondence between Gannett Fleming and Kentucky Utilities Company as it pertains to the depreciation study filed as Exhibit JJS-KU-1. This includes all data requests from Gannett Fleming to KU, all data responses from KU to Gannett Fleming, all email correspondence, any and all phone call notes, any and all meeting notes, etc.

DOD 1-27. Please provide all notes, documents, and photographs that were created due to Mr. Spanos' or Gannett Fleming's site visits and company interviews that took place in preparation for the depreciation study filed as Exhibit JJS-KU-1.

DOD 1-28. For each FERC account studied in the depreciation study filed as Exhibit JJS-KU-1, please provide the results of all additional life analyses conducted by Mr. Spanos or Gannett Fleming. These additional analyses would be those conducted on original life tables that have experience and placement bands that differ from those presented in the depreciation study.

DOD 1-29. Please refer to the probable retirement years for each plant shown on pages 36 and 37 of Exhibit JJS-KU-1.

a. Please provide all supporting studies, analyses, and/or documents that justify these retirement dates.

b. Please explain if the retirement dates shown here differ from those assumed with the currently approved depreciation rates.

DOD 1-30. Please provide Table 1 shown on pages 47 and 48 of Exhibit JJS-KU-1 in Microsoft Excel format with all formulas and links intact.

DOD 1-31. Please provide Table 2 shown on page 79 of Exhibit JJS-KU-1 in Microsoft Excel format with all formulas and links intact.

DOD 1-32. Please refer to Table 1 shown on pages 47 and 48 of Exhibit JJS-KU-1. Regarding the level of “Book Depreciation Reserve” for each line item:

a. Please explain if this is the actual Book Depreciation Reserve per KU’s accounting records or if Mr. Spanos has performed a reallocation of book depreciation reserves.

b. Please provide a workpaper in Microsoft Excel format, with all formulas and links intact, that shows the allocation of book depreciation reserve to each line item.

DOD 1-33. Page 40 of Exhibit JJS-KU-1 states, “The terminal net salvage estimates in the study were based on decommissioning costs assigned to comparable facilities.” Please answer the following:

- a. Please identify these comparable facilities and provide the detailed engineering cost estimates that were performed to determine the decommissioning costs.
- b. Please provide a detailed narrative explaining how KU’s facilities are comparable to the facilities identified in part a. above.

DOD 1-34. Please refer to the direct testimony of Mr. Spanos at page 10, lines 17-22.

- a. Please provide the cost estimate, in its entirety, for the Cane Run Facility.
- b. Please explain how this facility “is most similar to the remaining facilities to be dismantled.”
- c. How does this \$40/kW estimate for dismantling compare to what is currently approved.

DOD 1-35. Please refer to the direct testimony of Mr. Spanos at page 11, lines 5-6. Please explain exactly what level of terminal net salvage is currently included in the net salvage percentages.

DOD 1-36. Please explain why KU is only filing a depreciation rate study for its Steam Production accounts.

DOD 1-37. Please explain when KU last filed a depreciation study for its hydro production, other production, transmission, distribution, and general plant accounts. Additionally, please

provide the additional depreciation studies that support the currently approved depreciation rates for these other groups of assets.

DOD 1-38. Please provide a proof of revenues in a Microsoft Excel format with all formulas and links intact which shows the current and proposed revenue for the Time-of-Day Secondary, Time-of-Day Primary and Retail Transmission Service.

DOD 1-39. Please provide all workpapers in Microsoft Excel format with all formulas and links intact that support KU's cost of service and rate design testimony and exhibits.

DOD 1-40. Regarding the proposed Time-of-Day Primary Service rate ("TODP"), please provide the following:

- a. All workpapers supporting the development of the proposed energy charge of \$.03161/kWh.
- b. Identify all costs that are included in the proposed energy charge.
- c. All workpapers supporting the peak demand charge of \$7.79/kVA.
- d. Identify the cost that the charge of \$7.79/kVA is expected to recover.
- e. All workpapers supporting the development of the intermediate demand charge of \$6.16/kVA.
- f. Identify the cost that the charge of \$6.16/kVA is expected to recover.
- g. All workpapers supporting the development of the base demand charge of \$2.87/kVA.
- h. Identify the cost that the charge of \$2.87/kVA is expected to recover.

DOD 1-41. Please provide a copy of the cost of service studies in Microsoft Excel format with all formulas intact referenced on page 71, line 12, of William Seelye's direct testimony.

DOD 1-42. All workpapers showing the development of the production allocators for both fixed and variable costs used in the cost of service study.

DOD 1-43. Please explain how purchased power costs were allocated to the various rate classes and provide workpapers showing the development of the allocators used to allocate purchased power expense to the various rate classes.

DOD 1-44. Please provide the LOLP and the related hourly demands for each hour used to allocate fixed production costs in the cost of service.

DOD 1-45. Please provide the hourly load data for KU for the previous three years.

DOD 1-46. Please explain how the LOLP methodology was applied to the production demands for the base period, winter peak and summer peak.

DOD 1-47. Please provide for each calendar month in the cost of service test year, the highest hourly peak demand.

DOD 1-48. For the highest monthly peak demand data provided in Question DOD 1-48, please provide the portion of the peak demand used by each rate class in the cost of service study.

Respectfully submitted,



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