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

FIRST SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO KENTUCKY UTILITIES COMPANY

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202
Ph: (513) 421-2255, Fax: (513) 421-2765
E-Mail: mkurtz@BKLLawfirm.com
kboehm@BKLLawfirm.com
jkylercohn@BKLLawfirm.com

COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Dated: November 13, 2018
DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.

2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, 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.

3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.

4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.

5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company’s possession or subject to its control, state what disposition was made of it.

6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.

7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.

10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogation who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness’ testimony.

11. "LG&E" means Louisville Gas & Electric Company and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed, and affiliates including PPL Corporation.

12. "KU" means Kentucky Utilities Company and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed, and affiliates including PPL Corporation.
INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.

2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.

3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.

4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.

5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.

6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.

7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.

8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.
Q.1-1 Please provide the class cost of service model in excel format with formulas.

Q.1-2 Please provide, in excel format, for each rate class, by Company, monthly coincident peak demand at the generation level (i.e., including losses), for the test year. These rate classes should correspond to the rate classes used in Mr. Seelye's class cost of service study.

Q.1-3 To the extent not provided in response to the previous question, please provide the following information for each rate class/rateschedule included as a separate class in the class cost of service study for the test year 12 months ending April 2020:

   a. monthly system peak load (LGE and KU separately stated and combined).
   b. the load of each rate class at the time of the monthly LGE/KU system peak, showing the following:
      1. load at meter
      2. losses
      3. load at generation
   c. Monthly mWh energy at the generation voltage level for the rate class/rateschedule.
   d. Energy and demand loss factors for each voltage level, by rate class/rateschedule, at which customers on the rate class/rateschedule take service.
   e. Monthly mWh energy sales at the meter, separately stated for each voltage at which customers in each rate class/rateschedule take service, by rate class/rateschedule (for example, the metered mWh for Rate PS secondary and Rate PS primary by month).

Q.1-4 With regard to Exhibit WSS-19 (LOLP), please provide all supporting workpapers, in excel format with all formulas intact, used to develop this exhibit. This would include, but not be limited to:

   a. hourly system load
   b. hourly rate class load at:
      1. meter
      2. generation voltage
      3. loss factor used to convert metered load into load at generation
Q.1-5 Please provide the output of the analysis used to develop hourly LOLP. Provide in excel format, with formulas intact.

Q.1-6 Provide, for the past three years (2017, 2016 and 2015) the following actual information:
   a. monthly system peak load (LGE and KU separately stated and combined system).
   b. date and hour of the LGE + KU monthly peaks
   c. date and hour of the separate LGE and KU monthly peaks

Q.1-7 Please provide all supporting workpapers, in excel format where available, used to develop the class cost of service study. Include at a minimum the following:
   a. the excel models used to develop the projected test year hourly system and rate class loads.
   b. an excel spreadsheet containing the LOLP hourly results and the development of the LOLP rate class demand allocation factors.
   c. the loss study used to support the energy and demand loss factors used in the class cost of service study.

Q.1-8 Please provide in excel spreadsheet format, by month, by Company, by rate class, the following information for each of the past 3 years:
   a. actual kWh sales
   b. weather normalized kWh sales using the same weather normalization methodology that is used by the Companies and PPL in the Quarterly Earnings Call Presentations
   c. the number of customers

Q.1-9 Please provide, in excel spreadsheet format, the electric sales forecast, by month, by rate class, by Company that supports the 2019 Business Plan Electric Forecast (807 KAR 5:001 Sec. 16(7)(c)C).

Q.1-10 Please provide a complete explanation of the methodology that is used to develop weather normalized sales, by rate class. For the 12 months ending July 2018, provide the analysis, including excel spreadsheets with formulas intact, that was used to weather normalize actual sales by rate class for each Company.

Q.1-11 For each Company, please identify any large customer loads expected in the Future Test Year on rates RTS, TOD-PRI, TOD-SEC and FLS) that the Company is currently aware of but were not included in the test year projected mWh and revenues. For each such customer, provide the customer’s name, the rate class on which the customer is expected to take service, the mWh expected by month during the test year the base revenues expected by month during the test year. 

Q.1-12 With respect to the Company’s response to the previous question, please indicate whether the Company has provided any incentives and/or discounts (e.g., discounted contracts) associated with such customer. If there were such incentives and/or discounts provided, please provide the specific incentives/discount provisions associated with such customer.

Q.1-13 With regard to Att_KU_PSC_1_53_ElecSchedM_Forecasted, Schedule M-2.2 and Att_LGE_PSC_1_53_ElecSchedM_Forecasted, Schedule M-2.2, please provide:
a. an excel spreadsheet that shows the monthly kWh for each rate class for the forecasted test year corresponding to the kWh shown in column “Total kWh.”

b. to the extent that this sales forecast (Schedule M-2.2) is different for any rate class from the Financial Forecast GWh shown in 807 KAR 5:001 Section 16(7)(h)(5), page 1 of 2, please provide a reconciliation and an explanation for any differences.

c. to the extent that this sales forecast (Schedule M-2.2) is different for any rate class from the 2019 Business Plan Electric Forecast GWh, please provide a reconciliation and an explanation for any differences.

Q.1-14 With regard to the LOLP analysis used in the class cost of service study, please provide the following:

a. an explanation of how tie line capacity to other utilities was treated in the analysis.

b. an explanation of whether there were any adjustments to hourly loads in the development of the LOLP analysis.

c. a detailed description of the methodology used to calculate the hourly LOLP results. Provide an illustration of the LOLP methodology using a simplified hypothetical.

Q.1-15 Please provide any information available to Mr. Seelye, the Prime Group or LG&E/KU regarding the following:

a. Any regulatory jurisdiction that has adopted the LOLP cost of service method used by Mr. Seelye in this case.

b. For each such jurisdiction, please provide a copy of a Commission Order addressing this issue.

c. Identification of any electric utility that supported the LOLP method in testimony before a state regulatory commission. Please identify the name of the utility, the case number and a copy of the testimony.

d. Identification of any electric utility in KY that has presented testimony before the KPSC in support of the LOLP cost of service method. For each such utility, please provide the name of the utility, the case number and a copy of the testimony.

Q.1-16 Please provide any testimony, papers or presentations prepared by Mr. Seelye or any other employee of the Prime Group in the past ten years which addresses the LOLP cost of service methodology. This would include all testimony, papers or presentations supporting the LOLP method and testimony opposing the LOLP method.

Q.1-17 With regard to Mr. Sinclair’s testimony on page 6, please provide the following in excel format, with formulas.

a. Copies of the 30-year demand and energy forecast prepared in the years 2015 through 2018 (it is our understanding that the “2019 Load Forecast” was prepared in 2018). Include rate class detail, as described in Mr. Sinclair’s testimony on page 6, lines 12 through 18.

b. With regard to Mr. Sinclair’s testimony at page 13, line 11 to page 14, line 4, provide an analysis of the actual base period kWh energy sales for the first six months of 2018 on a weather normalized basis for each rate class.

c. With reference to 807 KAR 5:001 Sec. 16(7)(c)B Page 4 of 38 (“The final part of the forecast process includes validating and documenting the forecast results. To ensure results are reasonable, ....”), please provide any analyses, including internal only reports, that have been prepared by, or are available to the Company that perform an assessment of the Company’s load and energy forecasts. Include any such documents that have been developed in the past 5 years.
d. With reference to 807 KAR 5:001 Sec. 16(7)(c)B Page 4 of 38 “Software Tools,” please explain the “@Risk” model and provide a copy of the analysis used to assess the sales forecast used to develop the projected test year sales, by rate class, in this case.

Q.1-18 With regard to Mr. Sinclair’s testimony on page 6 at line 21, please provide any analyses, reports, emails or other writings that discuss the need to “improve our models.”

a. What criteria do the Companies’ utilize to assess the need to improve its models?

b. What criteria do the Companies’ utilize to determine if their models have been improved?

Q.1-19 With regard to Mr. Sinclair’s Exhibit DSS-4, please explain how the KY GDP and Personal Income data are used in the Companies’ sales forecast models.

Q.1-20 With regard to 807 KAR 5:001 Sec. 16(7)(c)B (Electric Sales & Demand Forecast Process), please provide the following:

a. an excel spreadsheet with the “Service Territory-Specific Macroeconomic Forecasts” used in this rate case to project test year sales and demand.

b. a copy of each of the econometric models used to develop the KU and LG&E sales forecasts by rate class (i.e., the estimated models, with coefficients).

c. for rate classes whose forecast relies on “specific intelligence on the prospective energy requirements of the utilities largest customers, please provide the following:

1. the identification of each rate class (by Company) whose forecast relies on individual customer surveys/analyses, etc.

2. an explanation of how the individual customer information is incorporated into the forecast, including whether such information is combined with econometric forecast results for the rate class.

Q.1-21 Did the Companies make any adjustments to the sales forecasts developed pursuant to the “Electric Sales & Demand Forecast Process” to account for additional energy conservation? If so, please identify the gWh adjustment to each rate class sales forecast for the test year in this case. Also include an explanation of the source of the energy conservation adjustment (i.e., energy efficiency program or other assumption).

Q.1-22 Please provide a copy of the 2018 Integrated Resource Plan when it is available.

Q.1-23 With regard to the Rate FLS, please identify, by month for the last 3 years, each curtailment pursuant to the following provision of the FLS tariff.

**SYSTEM CONTINGENCIES AND INDUSTRY SYSTEM PERFORMANCE CRITERIA**

Company reserves the right to interrupt up to 95% of Customer’s load to facilitate Company compliance with system contingencies and with industry performance criteria. Customer will permit Company to install electronic equipment and associated real-time metering to permit Company interruption of Customer’s load. Such equipment will immediately notify Customer five (5) minutes before an electronically initiated interruption that will begin immediately thereafter and last no longer than ten (10) minutes nor shall the interruptions exceed twenty (20) per month. Such interruptions will not be accumulated nor credited against annual hours, if any, under either Rider CSR-1 or CSR-2. Company’s right to interrupt under this provision is restricted to responses to unplanned outage or de-rates of LG&E and KU Energy LLC System (LKE System) owned or purchased generation or when Automatic Reserve Sharing is invoked. LKE System, as used herein, shall consist of KU and LG&E. At
Customer's request, Company shall provide documentation of the need for interruption under this provision within sixty (60) days of the end of the applicable billing period.

For each such curtailment, provide the following information:

a. The length of the interruption, and the date and hour of the interruption.

b. The MW amount of load interrupted.

c. The specific reason (e.g., unplanned outage or de-rate of LG&E and KU owned generation or when Automatic Reserve Sharing is invoked) for the curtailment.

c. The specific actions taken by LKE during the 10-minute interruption to respond to the unplanned outage or de-rate, once the 10-minute maximum interruption period is completed (for example, start-up a quick start unit, rely on spinning reserve capacity, etc.).

Q.1-24 With regard to the FLS “SYSTEM CONTINGENCIES AND INDUSTRY SYSTEM PERFORMANCE CRITERIA,” please provide the following:

a. A detailed explanation of Automatic Reserve Sharing, including LKE’s obligations under that provision.

b. Identification of each instance during the past 3 years in which Automatic Reserve Sharing was invoked, including the name of the party invoking this provision.

c. LKE’s obligations under the Automatic Reserve Sharing provision

d. Identification of each instance during the past 3 years in which LKE relied on Automatic Reserve Sharing, and a description of the reason(s) for LKE’s need for Automatic Reserve Sharing.

Q.1-25 With regard to the FLS “SYSTEM CONTINGENCIES AND INDUSTRY SYSTEM PERFORMANCE CRITERIA,” provision, please explain how the Companies would respond to unplanned outage or de-rates of LG&E and KU Energy LLC System (LKE System) owned or purchased generation or when Automatic Reserve Sharing is invoked if this curtailment provision was not in the FLS tariff.

Q.1-26 Refer to the tables depicted on page 6 of Mr. Blake’s Direct Testimony. Please provide the same information for the calendar years ended 2014, 2015, 2016, 2017, 2018 actual to date, 2018 projected, 2019 projected, and the first four projected months of 2020.

Q.1-27 For each of the generating units, please provide copies of the 2018, 2019, and 2020 capital budgets and provide a description of the capital projects budgeted for each separated by amounts to be recovered through the ECR, or other non-base rate mechanisms, and through base rates.

Q.1-28 Refer to the non-generation plant asset amounts depicted below which are taken from the referenced cell rows on the Excel spreadsheet titled Att_KU_PSC_1-65_Depreciation_Exp_Wkpr provided in response to PSC Staff 1-65.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>373</td>
<td>KU-135310- KY Station Equip -Non Sy</td>
<td>268,147,993</td>
<td>289,546,697</td>
<td>21,398,704</td>
<td>360,137,026</td>
<td>91,989,034</td>
<td>34.3%</td>
</tr>
<tr>
<td>381</td>
<td>KU-135500- KY Poles</td>
<td>306,826,589</td>
<td>320,110,157</td>
<td>13,283,569</td>
<td>449,501,561</td>
<td>142,674,972</td>
<td>46.5%</td>
</tr>
<tr>
<td>392</td>
<td>KU-135800- KY Undergrd Conductors a</td>
<td>1,299,593</td>
<td>1,299,593</td>
<td>9,202,092</td>
<td>9,902,500</td>
<td>762.0%</td>
<td></td>
</tr>
<tr>
<td>402</td>
<td>KU-136100- KY Street and Improv</td>
<td>13,590,515</td>
<td>14,105,995</td>
<td>515,481</td>
<td>32,938,673</td>
<td>19,348,159</td>
<td>142.4%</td>
</tr>
<tr>
<td>405</td>
<td>KU-136200- KY Station Equipment</td>
<td>192,993,905</td>
<td>197,950,948</td>
<td>4,957,044</td>
<td>260,350,074</td>
<td>67,356,169</td>
<td>34.9%</td>
</tr>
<tr>
<td>410</td>
<td>KU-136400- KY Poles, Towers, and Fix</td>
<td>370,869,161</td>
<td>371,494,005</td>
<td>624,844</td>
<td>406,782,339</td>
<td>35,913,178</td>
<td>9.7%</td>
</tr>
<tr>
<td>414</td>
<td>KU-136500- KY Overhead Conductor</td>
<td>354,667,794</td>
<td>358,086,520</td>
<td>3,418,726</td>
<td>411,554,525</td>
<td>56,886,730</td>
<td>16.0%</td>
</tr>
<tr>
<td>422</td>
<td>KU-136700- KY Undergrd Conductors</td>
<td>192,818,025</td>
<td>194,105,487</td>
<td>1,287,462</td>
<td>224,291,312</td>
<td>31,473,287</td>
<td>16.3%</td>
</tr>
<tr>
<td>449</td>
<td>KU-139010- KY Structures &amp; Improv</td>
<td>45,938,296</td>
<td>46,144,191</td>
<td>205,895</td>
<td>62,506,285</td>
<td>16,567,989</td>
<td>36.1%</td>
</tr>
<tr>
<td>488</td>
<td>KU-139400- KY Tools, Shop, Garage</td>
<td>13,167,028</td>
<td>13,497,004</td>
<td>329,975</td>
<td>17,181,780</td>
<td>4,014,752</td>
<td>30.5%</td>
</tr>
<tr>
<td>495</td>
<td>KU-139700- KY Microwave,Fiber,Other</td>
<td>30,586,819</td>
<td>30,648,172</td>
<td>61,352</td>
<td>37,435,757</td>
<td>6,848,937</td>
<td>22.4%</td>
</tr>
</tbody>
</table>

a. For each plant asset account listed above, please provide the actual plant in service balances for December 31, 2014, 2015, 2016, and 2017, and each month after June 2018 through the most recent month for which actual information is available.

b. For each plant asset account listed above, please provide a detailed explanation for the large percentage increases in projected 2020 balances compared to actual June 2018 balances. If the projected expenditures are part of an overall capital spending plan, please explain.

c. Please provide copies of the 2018, 2019, and 2020 capital budgets in as much detail as possible. (i.e. by account number and by month if possible and provided descriptions of projects).

Q.1-29 Please provide the schedules contained on pages VI-4, VI-5, and VIII-2 of Exhibit JJS-KU-1 (Depreciation Study attached to Mr. Spanos’ Direct Testimony) as well as all workpapers in support of those schedules in electronic format with all formulas intact.

Q.1-30 Refer to pages 10-11 of Mr. Spanos’ Direct Testimony wherein he describes the “dismantlement component” added to the overall net salvage for each production facility. Refer also to pages VIII-2 of Exhibit JJS-KU-1 (Depreciation Study attached to Mr. Spanos’ Direct Testimony).

a. Please describe and provide copies of all source documentation relied upon to determine that “the dismantlement or decommissioning costs for steam production facilities is best calculated at $40/KW of the assets subject to final retirement.”

b. Please provide copies for each generating facility of the calculations the terminal net salvage component as based on the $40/KW assumption. Provide in electronic format with all formulas intact.

c. Please provide copies of the “cost estimate of dismantlement of the Cane Run facility” referenced on page 10, lines 20-22, and identify all applicable Cane Run units.

d. Please identify the retirement dates for all Cane Run units and all actual dismantlement costs incurred to date by year and by individual Cane Run unit. In addition, please describe the current status of all Cane Run unit retirement and/or dismantlement projects.

e. Provide the calculations of the overall net salvage showing the interim and terminal net salvage components reflected in the approved depreciation rates and those proposed in this proceeding.

Q.1-31 Please provide a copy of all notes drafted by Mr. Spanos and/or his colleagues and all other workpapers and source documents relied on but not previously supplied in response to the Commission’s MFR or Staff First Set.
Q.1-32 Please provide the probable retirement dates used for each of the Company’s generating units and the source documents relied on for this purpose. Identify the Company witness, other than Mr. Spanos, who provided and can testify as to the probable retirement dates.

Q.1-33 Refer to page 20 of 50 of Attachment H to Tab 16 of 807 KAR5:001 Section 16(7)(c), which shows the proposed retirement dates for coal generating units assuming a 65-year life used for planning purposes. Refer also to pages III-4 and III-5 of Exhibit JJS-KU-1 (Depreciation Study attached to Mr. Spanos’ Direct Testimony). For each of KU’s units, please provide an explanation as to why the retirement dates assumed in the depreciation study are sooner than that assumed for planning purposes.

Q.1-34 Refer to the composite remaining lives associated with the Ash Ponds, the costs for which are included in account 312.10, for the various units contained on page VI-4 of Exhibit JJS-KU-1 (Depreciation Study attached to Mr. Spanos’ Direct Testimony).

a. Please describe in detail the Company’s proposal in regards to the remaining service lives depicted for each unit, the basis for each, and the proposal to start depreciating the assets again.

b. Please indicate when the Company stopped recording depreciation expense for the Ash Ponds in prior years and the reasons why. Provide citations as applicable.

Q.1-35 Refer to the present and proposed depreciation rates shown on the Excel spreadsheet titled Att_KU_PSC_1-65_Depreciation_Exp_Wkpr provided in response to PSC Staff 1-65. Refer further to cell C66, which reflects a depreciation rate of 24.68% being used to depreciate this Ash Pond asset described as “KU-131200-EWB 1 Boil - Ash Pond.” Refer also to the depreciation rates for all three EW Brown units reflected on page VI-4 of Exhibit JJS-KU-1 (Depreciation Study attached to Mr. Spanos’ Direct Testimony) associated with the Ash Ponds, the costs for which are included in account 312.10.

a. Confirm that the asset amount for the asset in cell row 66 in “Att_KU_PSC_1-65_Depreciation_Exp_Wkpr” contains the asset amount of $13,208,176.87 for all month in the test year.

b. Confirm that the original cost amounts in account 312 on page VI-4 of Exhibit JJS-KU-1 associated with Brown Unit 1 and Brown Unit 2 of $9,299,115.00 and $3,909,061.87 sum to $13,208,176.87.

c. Confirm that the depreciation rates determined for Brown Unit 1 and Brown Unit 2 on page VI-4 of Exhibit JJS-KU-1 were 0% and 7.82%, respectively.

d. Please indicate whether an error was made in cell row 66 in “Att_KU_PSC_1-65_Depreciation_Exp_Wkpr” to reflect the 24.68% depreciation rate instead of a blended rate for the Brown 1 and Brown 2 Ash Pond rates determined for account 312.10. If so, please recompute the appropriate rate and provide the reduction in total company and jurisdictional depreciation expense to correct. If not an error, please explain.

Q.1-36 Refer to the assets described as ECR assets on the Excel spreadsheet titled Att_KU_PSC_1-65_Depreciation_Exp_Wkpr provided in response to PSC Staff 1-65. Refer also to Schedule D-2 line 140 related to the total company reduction in depreciation expense of $69,916,640 associated with the ECR mechanism in the test year.

a. Please provide a schedule showing how the sum of the annual depreciation expense for the test year for each of the ECR assets matches the amount removed in Schedule D-2 of $69,916,640. If the amounts do not reconcile, please explain why.

b. Refer further to the forecasted test year depreciation expense of $344,877.72 in cell row 138 for the asset described as “KU-131200-TC 2 Boil ECR 2009-Ash Po.” Please indicate whether this depreciation expense was removed as part of the ECR depreciation expense reduction on
Schedule D-2. If not, explain why not since it is described as being associated with the ECR mechanism.

Q.1-37 Refer to the present and proposed depreciation rates shown on the Excel spreadsheet titled Att_KU_PSC_1-65_Depreciation_Exp_Wkpr provided in response to PSC Staff 1-65, plant accounts 350 and 360 Land Rights shown on lines 361-364 and 394-397, respectively. Explain why the Company depreciates land rights. Provide all support for this proposition, including references to the Order in which these depreciation rates were adopted.

Q.1-38 Refer to the present and proposed depreciation rates shown on the Excel spreadsheet titled Att_KU_PSC_1-65_Depreciation_Exp_Wkpr provided in response to PSC Staff 1-65, plant account 343 Prime Movers shown on lines 285-300. Describe the Company’s plant accounting for interim retirements and refurbishments of this equipment. For example, does the Company retire the gross plant, including a debit to accumulated depreciation and credit to gross plant for the original cost, then refurbish the equipment, then record the cost of the refurbished equipment in materials and supplies, then credit materials and supplies and debit gross plant for the cost of the refurbished equipment when the equipment is placed in service again? Provide a copy of all written documentation regarding the Company’s accounting for this plant account.

Q.1-39 In reference to the depreciation rates currently being utilized to record depreciation expense that authorized as a result of the Stipulated Settlements in Case Nos. 2016-00370 and 2016-00371, please provide copies of the Company’s calculations used to derive those rates in electronic format with all formulas intact.

Q.1-40 Refer to the depreciable base amounts for the EW Brown Units 1 and 2 for each of the applicable plant asset accounts utilized to compute depreciation expense that are contained in the Excel spreadsheet titled Att_KU_PSC_1-65_Depreciation_Exp_Wkpr provided in response to PSC Staff 1-65. There are smaller amounts of depreciable bases and computed depreciation expense amounts starting in March 2019 after the projected retirement of the units but some smaller amounts still remain. Please explain why those reduced amounts of depreciation expense are still being reflected instead of zero amounts for the test year even after the retirement of the assets.

Q.1-41 Refer to page 4 of 235 of Attachment I to Tab 16 of 807 KAR5:001 Section 16(7)(c), which shows the proposed demolition schedules for the Company’s retired generating plants. Refer also to Mr. Thompson’s Direct Testimony at page 16, lines 12-22, in regards to demolition costs cited for several coal units.

a. Please describe the present status of each of the retired plants, including the extent of facility decommissioning, dismantlement, and site remediation to date.

b. Please describe the full extent of the planned dismantlement and site remediation for each of the retired plants.

c. Please identify each statute, regulation, and/or rule that requires the demolition of each of the retired plants and explain in layman’s terms why it requires dismantlement and site remediation between now and 2019 as opposed to maintain the present status for the indefinite future or until there are definitive site development plans.

d. Provide the year of retirement for each of the retired plants.

e. Please provide a copy of the Company’s business case and/or all other economic and/or other studies that support the Company’s decision to proceed with demolition.

f. Please provide the Company’s cost estimates to demolish each of the retired plants as well as all underlying studies and documentation.
g. For each retired plant, indicate whether the Company will proceed with demolition if the cost is not included in the revenue requirement.

h. Please provide the Company’s demolition cost estimate for each of the retired plants, including all supporting documentation.

Q.1-42 Refer also to Mr. Thompson’s Direct Testimony at page 16, lines 12-22, in regards to demolition costs discussed for Paddy’s Run completed in the spring of 2018 as being “under budget and on time.” Please provide copies of all available reports and/or variance analyses memorializing these assertions.

Q.1-43 Please describe the Company’s accounting for the demolition costs at Paddy’s Run and other retired plants, including the FERC balance sheet and/or expense accounts used to record the costs incurred, and the expense accounts used to record the depreciation or amortization of the costs, if any. If the Company proposes to depreciate or amortize the costs, then provide the depreciation or amortization period and the rationale for the proposed period.

Q.1-44 Please provide a quantification of the revenue requirement for the demolition of the retired plants in the test year, including all rate base/capitalization components and all operating expenses. The quantification should include all reductions in rate base/capitalization and operating expenses from savings, if any.

Q.1-45 Please provide the incentive compensation expense for (a) 2016, (b) 2017, (c) the base year, and (d) the test year by incentive compensation plan and by goal or target for each plan. This includes incentive compensation expense incurred directly by the Company and the expense assigned and allocated to the Company from the Service Company.

Q.1-46 Please confirm that the only incentive compensation plan available is the TIA Plan provided as Exhibit GJM-1. If not confirmed, please provide copies of all other plans available to employees.

Q.1-47 Provide a schedule showing per books actual O&M expenses by year and by FERC O&M/A&G expense account/subaccount for each of the calendar years 2013 through 2017, 2018 to date (identify the last month with actual data), the base year and the test year.

Q.1-48 Please provide a schedule showing all direct assignments and allocations of costs from LKS to the Company by FERC O&M, A&G, and each other account for 2014, 2015, 2016, 2017, 2018 to date (identify the last month with actual data), the base year, and the test year. Provide an explanation for each increase from year to year of at least $1 million or 5%, whichever is less.

Q.1-49 Please provide a schedule showing the actual amount of property taxes paid by the Company during 2018 to each taxing authority and in total.

Q.1-50 For each taxing authority to which aggregate property tax payments exceeding $10,000 were made in 2018, please indicate the method of assessing asset value and whether the asset base includes or excludes CWIP in the determination of the assessed value used to determine the amount of taxes to be paid.

Q.1-51 For each taxing authority to which aggregate property tax payments exceeding $10,000 were made in 2018, please indicate the time of the year when value assessments were made and when payments were due. If there are any known changes related to base year and test year assessments and changes, please describe.

Q.1-52 For each taxing authority to which aggregate property tax payments exceeding $10,000 were made in 2018, please provide a copy of one property tax return or other information return submitted to each tax assessor and the associated resulting invoice related to taxes paid in 2018.
Q.1-53 For each taxing authority to which aggregate property tax payments exceeding $10,000 were made in 2018, please indicate whether there is a period of temporary abatement of taxes during the construction phase of assets to be placed in service. If so, please describe in detail.

Q.1-54 Please provide a schedule showing how property taxes were computed for the base year and include copies of all workpapers used to determine the amount in electronic format with all formulas intact.

Q.1-55 Please provide a schedule showing how property taxes were computed for the test year and include copies of all workpapers used to determine the amount in electronic format with all formulas intact.

Q.1-56 Please provide a schedule of the amortization expense associated with each regulatory asset for (a) each year 2014 through 2018, (b) the base year and (c) the test year. Provide the balance of each regulatory asset at the beginning and end of each of those years, the amortization period that was used in each of those years, and the FERC accounts utilized to record the amortization expense. In addition, please source the amortization period to the Case No. in which the Commission approved the recovery and the amortization period, if any.

Q.1-57 Refer to page 40, lines 10-19, of Mr. Garrett's Direct Testimony wherein he describes the request for regulatory asset treatment for $1.9 million in remaining Kentucky jurisdictional inventory values of Brown Units 1 and 2. Please provide a description of the remaining inventory values and provide the FERC account(s) to which these inventory amounts are recorded.

Q.1-58 Please provide the Company's 2017, 2018, and 2019 pension and OPEB actuarial reports as well as the actuarial cost projections for the base year and the test year in a comparable format. Please identify all changes in assumptions, including mortality tables used in these actuarial reports compared to the actuarial reports relied on in the prior rate case.

Q.1-59 Please provide the Company's 2019, 2020, and 2021 pension actuarial cost projections.

Q.1-60 Refer to the disallowance of costs referenced on pages 13-15 of the June 22, 2017 Order in Kentucky Utilities, Inc. Case No. 2016-00370 and to pages 16-17 of the June 22, 2017 Order in Louisville Gas and Electric Company Case No. 2016-00371. For employees who participate in a defined benefit plan, please provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account if the Commission applied the same methodology for a similar disallowance in the instant proceeding.

Q.1-61 Refer to page 36, line 19, through page 37, line 17, of Mr. Garrett's Direct Testimony wherein he describes changes to the deferred costs and amortization of generation plant outage expenses. Please provide a schedule showing the total company 2013, 2014, 2015, 2016, 2017, 2018 to date, base year and test year maintenance expenses recorded or budgeted if not yet incurred for generation plant maintenance and outage expenses by plant/unit and by FERC O&M expense account.

Q.1-62 Refer to page 37, lines 7-17, of Mr. Garrett's Direct Testimony. Please provide the following information related to the deferral of generating outage costs for 2014, 2015, 2016, 2017, 2018, April 30, 2019 and test year; beginning balance, cost deferrals added, costs amortized, and ending year balance. In addition, identify the FERC accounts and account numbers associated with the deferral balances.

Q.1-63 Please provide, by FERC account, the operating and maintenance expenses associated with Brown Unit 1 and Brown Unit 2 for the years ended 2016, 2017, and for all months for which data is available in 2018.

Q.1-64 Please provide, by FERC account, the operating and maintenance expenses forecast for Brown Unit 1 and Brown Unit 2 for the base year and for the test year.
Q.1-65 Refer to page 38, lines 8-19, of Mr. Garrett’s Direct Testimony wherein he describes storm damage expenses related to the storm on July 20, 2018 in Case No. 2018-00304. Please provide a summary of all costs incurred to date and estimated to be incurred summing to the estimate of $4.7 million for KU, with all applicable updates included.

Q.1-66 Refer to the variance explanation for FERC account 586 provided on Schedule D-1 to explain the increase in test year costs of $0.836 million over the level of base year costs for Meter Expenses. That explanation reads, “Increase due to Field Services contracts expiring in May 2019 and increasing due to market conditions.” Please provide copies of all analyses or other support documentation that shows more details about the higher levels of costs that are expected.

Q.1-67 Refer to the variance explanation for FERC account 902 provided on Schedule D-1 to explain the increase in test year costs of $3.445 million over the level of base year costs for Meter Reading Expenses. That explanation reads, “Increase due to contracts expiring in May 2019 and increasing due to market conditions.” Please provide copies of all analyses or other support documentation that shows more details about the higher levels of costs that are expected.

Q.1-68 Refer to the variance explanation for FERC account 923 provided on Schedule D-1 to explain the increase in test year costs of $4.242 million over the level of base year costs. That explanation reads, “Increase due to higher level of contracted support for customer education initiatives, legal counsel, increases in hardware and software maintenance contracts and increase in the Forecasted Period jurisdictional factor as a result of the municipals’ departure.” Please provide copies of all analyses or other support documentation that shows more details about the higher levels of costs that are expected.

Q.1-69 Refer to the variance explanation for FERC account 565 provided on Schedule D-1 to explain the increase in test year costs of $0.648 million over the level of base year costs for Transmission of Electricity by Others. That explanation reads, “The variance is reflective of the transmission of power to serve native load.” Please provide copies of all analyses or other support documentation that shows more details about the higher levels of costs that are expected.

Q.1-70 Refer to the variance explanation for FERC account 566 provided on Schedule D-1 to explain the increase in test year costs of $5.983 million over the level of base year costs for Misc. Transmission Expenses. That explanation reads, “Increase due to depancaking costs.” Please provide copies of all analyses or other support documentation that shows more details about the higher levels of costs that are expected.

Q.1-71 Refer to the variance explanation for FERC account 909 provided on Schedule D-1 to explain the increase in test year costs of $1.219 million over the level of base year costs for Informational and Instructural Advertising Expenses. That explanation reads, “Increase primarily due to educating customers on their energy choices and ways to reduce their usage through energy efficiency.” Please provide copies of all analyses or other support documentation that shows more details about the higher levels of costs that are expected.

Q.1-72 Please provide in an Excel spreadsheet the FTE staffing levels and related payroll (direct and burdens) by month from January 2015 through April 2020 at each generating unit/plant that the Company has retired or plans to retire during that period of just over five years.

Q.1-73 Please provide a breakdown of the total headcount by department and in total for the Company at December 31 for each of the years 2013-2017, the most current date available, the end of the forecasted base year ended December 31, 2018, the forecasted year ended December 31, 2019, and the end of forecasted test year ended April 30, 2020.

Q.1-74 Please describe how the Company removed the effects of purchase accounting from the capitalization, all rate base components, and all related expenses, such as depreciation expense and property tax expense,
reflectcdinthefiling. Provide a schedule in electronic spreadsheet format with all formulas intact showing all adjustments and providing an explanation of each such adjustment.

Q.1-75 Refer to the Direct Testimony of Mr. Arbough at page 14, Lines 7-8, related to the expectation of KU to issue First Mortgage bonds in May 2019 of $300 million. Refer also to Schedule J-3 line 16 reflecting the expected $300 million issue with a coupon interest rate of 4.90%. Please explain how the 4.90% estimated interest rate was derived and provide copies of all workpapers and/or analyses in the Company's possession utilized by the Company in the rate determination.

Q.1-76 Provide a schedule showing total Company and jurisdictional purchased power expense by month from January 2015 through the end of the test year, including the months between the end of the base year and beginning of the test year separated into the amounts included in the (a) base revenue requirement and in the (b) fuel adjustment clause. Disaggregate the expense included in the base revenue requirement by supplier in the same manner that the Company reports purchased power expense in the Form 1 on pages 326-327. Highlight and explain each actual and forecasted change in resource and/or capacity for a given resource throughout this 64-month period for the expense included in the base revenue requirement.

Q.1-77 Provide a schedule showing by month from January 2015 through the end of the test year, including the months between the end of the base year and the beginning of the test year, the (a) total off-system sales revenues and the (b) net margins. In addition, (c) provide the amount of the net margins reflected in the base revenue requirement in the base year and in the test year annotated and/or reconciled to the schedule provided in this response. Further, (d) separate the monthly net margins to reflect the sharing allocation between the Company and customers and show the calculation of this allocation.

Q.1-78 Provide a copy of the Company's actuarial reports used for pension expense in the base year and test year. Annotate and/or reconcile the relevant amounts included in the report to the pension expense included in the base year and test year.

Q.1-79 Provide a copy of the Company's actuarial reports used for OPEB expense in the base year and test year. Annotate and/or reconcile the relevant amounts included in the report to the OPEB expense included in the base year and test year.

Q.1-80 Provide a schedule showing generation outage costs by generating unit and in the aggregate for each month January 2017 through the end of the test year. In addition, provide the beginning balance of the generation outage regulatory asset, expense accruals (credits) to the generation outage regulatory asset, and charges to regulatory asset (debits) for each month January 2017 through the end of the test year.

Q.1-81 Describe the Company’s proposal in this proceeding for generation outage expense reflected in the base year and test year and provide the calculations for each month.

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202
Ph: (513) 421-2255, Fax: (513) 421-2765
COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Dated: November 13, 2018