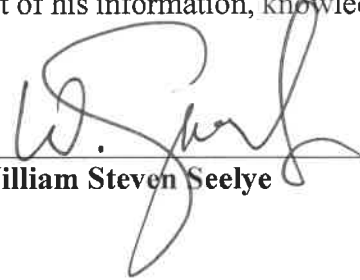


VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal of The Prime Group, LLC, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15th day of February 2019.



Notary Public (SEAL)

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

KENTUCKY UTILITIES COMPANY

**February 21, 2019 Supplemental Response to Attorney General's
Initial Data Requests for Information
Dated November 13, 2018**

Case No. 2018-00294

Question No. 59

Responding Witness: William Steven Seelye

- Q-59. Schedule B-5.1 reports the inclusion of Fuel Stock, Gas Stored Underground, Materials and Supplies, and Prepayments under Other Working Capital Allowances on Schedule B-1. Have the test period operating expenses associated with these items been removed from cash working capital determined under the lead-lag method on Schedule B-5.2?
- a. If the response is in the affirmative, explain why there are lagged expenses related to Fuel, Non-Fuel Commodities, Purchased Power, and Purchased Gas in cash working capital, as computed under the lead-lag method.
 - b. If the response is in the negative,
 - i. Explain why not removing the related expense from cash working capital under the lead-lag method does not lead to double counting in rate base?
 - ii. Provide the related expense reflected in each lagged item on Schedule B-5.2 for the forecast test year.
- A-59. **Original Response:**
No.
- a. Not applicable.
 - b.
 - i. Removing these expense items from the analysis of expense leads would increase cash working capital. For example, for coal expenditures the expense lead was determined as the difference between the time the coal is recorded in inventory and when the payment for the coal clears the Company's bank account. This difference results in positive expense lead days, which reduces cash working capital. Schedule B-5.1 includes inventory and prepayment amounts for which the Company incurs carrying costs until expensed in connection with providing service to customers. Therefore, there is no double counting in rate base because the cash working capital determined from the expense lead calculation in the lead/lag study and the

prepayment or inventory items included in rate base measure two different and off-setting timing differences.

- ii. Fuel and gas expenses are separately identified on Schedule B-5.2. Information is not readily available to determine the expense amounts attributable to Prepayments and Materials and Supplies.

February 21, 2019 Supplemental Response:

No, except for prepayments. Rate base prepayments were not included in the determination of expense lead days in the lead-lag study.

- a. Not applicable.
- b.
 - i. Removing these expense items from the analysis of expense leads would increase cash working capital. For example, for coal expenditures the expense lead was determined as the difference between the time the coal is recorded in inventory and when the payment for the coal clears the Company's bank account. This difference results in positive expense lead days, which reduces cash working capital. Schedule B-5.1 includes inventory and prepayment amounts for which the Company incurs carrying costs until expensed in connection with providing service to customers. Therefore, there is no double counting in rate base because the cash working capital determined from the expense lead calculation in the lead/lag study and the prepayment or inventory items included in rate base measure two different and off-setting timing differences.
 - ii. Fuel and gas expenses are separately identified on Schedule B-5.2. Information is not readily available to determine the expense amounts attributable to Prepayments and Materials and Supplies.