

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
KENTUCKY UTILITIES COMPANY AND)	
LOUISVILLE GAS AND ELECTRIC)	
COMPANY FOR AN ORDER APPROVING)	CASE NO. 2018-00304
THE ESTABLISHMENT OF REGULATORY)	
LIABILITIES AND REGULATORY ASSETS)	

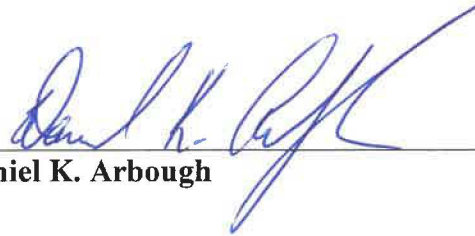
RESPONSE OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION
DATED NOVEMBER 30, 2018

FILED: DECEMBER 5, 2018

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer 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 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.



Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4th day of December 2018.



Notary Public

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

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 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.



John K. Wolfe

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of December 2018.



Notary Public

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

Commission Expires 7/11/2022

**KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's Post-hearing Request for Information
Dated November 30, 2018**

Case No. 2018-00304

Question No. 1

Responding Witness: Daniel K. Arbough

Q-1. Refer to the Attorney General's Hearing Exhibit 14. Provide the portion of the operation and maintenance (O&M) variance shown for Storm Damage and Vegetation Management, identified separately, for the July 2018 year-to-date and October 2018 year-to-date periods.

A-1. The July 2018 year-to-date O&M variance for Storm Damage is \$8.096 million higher than budget and Vegetation Management is \$1.253 million lower than budget.

The October 2018 year-to date O&M variance for Storm Damage is \$7.885 million higher than budget and Vegetation Management is \$0.621 million lower than budget.

The monthly detail is available in the response to AG 2-2(a).

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Question No. 2

Responding Witness: John K. Wolfe

- Q-2. Refer to the Attorney General's Hearing Exhibit 1, which contains KU/LG&E's response to Commission Staff's Second Request for Information, Item 3. Refer specifically to the table on page 4 of 5 of that response. Confirm whether the LG&E storms identified as "Jul 2004 Derecho" and "Feb 2014 Ice Storm" were categorized internally by LG&E as a Level 4 storm event.
- A-2. The Companies' current methodology for categorizing "Emergency Event Levels", was originally established by and documented in its *Electric Distribution Emergency Preparedness and Response Plan* ("Plan") which was published internally and filed with the Commission during October 2014. The applicable pages of the Plan are attached.

The Jul 2004 Derecho occurred prior to establishment of the Companies' "Emergency Event Level" classification methodology. Under the current definition, the Jul 2004 Derecho would have met the criteria for a Level IV classification due to its restoration duration, activation level and off-system resource requirements.

The Feb 2014 Ice Storm also occurred prior to establishment of the Companies' "Emergency Event Level" classification methodology, but would have only met the criteria for a Level III classification.

ELECTRIC DISTRIBUTION EMERGENCY PREPAREDNESS AND RESPONSE PLAN



Section 1.2 Emergency Event Levels





Effective Date: 9/30/2014

Version No. 1

1.2. Emergency Event Levels

At the onset of most significant outage events, it is difficult to accurately determine the extent of system damages prior to performance of damage assessment surveys in the field. Electric Distribution has established four emergency level definitions to help classify damage and outage levels, predict resource needs, and effectively execute organizational, safety, and communications plans.

- **Level I** - A level I emergency is defined as an outage event on the electric distribution system that is expected to be resolved within six (6) hours and requires the use of local Company personnel and resident contractors to restore service and make necessary repairs.
- **Level II** - A Level II emergency is defined as an outage event on the electric distribution system that is expected to be resolved within six (6) to twenty four (24) hours and requires the use of regional Company personnel and resident contractors. Typically, the Distribution Control Center (DCC) continues to control the electric distribution system, assign hold cards, and dispatch field crews.
- **Level III** - A Level III emergency is defined as an outage event on the electric distribution system that is expected to be resolved within twenty four (24) to seventy two (72) hours. This level of event requires the use of all available company personnel and resident contractors, and usually necessitates the utilization of off-system resources secured via mutual assistance or existing business partner relationships. This level of event also typically necessitates that the DCC decentralize event prioritizations and assignment processes to local resource managers.
- **Level IV** - A Level IV emergency is defined as an extreme outage event on the electric distribution system that will require more than seventy two (72) hours to resolve and jeopardizes the general health and welfare of customers and the communities the Company serves. This level of event requires the use of all available company personnel and resident contractors, and necessitates the utilization of off-system resources secured via mutual assistance or from existing business partner relationships. This level of event also typically necessitates that the DCC decentralize event prioritizations and assignment processes to local resource managers.

ELECTRIC DISTRIBUTION EMERGENCY PREPAREDNESS AND RESPONSE PLAN		
	Section 1.2 Emergency Event Levels	
Effective Date: 9/30/2014		Version No. 1

Incident Commanders and Operations Section Chiefs shall be jointly responsible for constantly monitoring outage counts and system conditions and determining the level of an outage event.

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Question No. 3

Responding Witness: Robert M. Conroy

- Q-3. If level of expense is a criteria for KU and LG&E to request regulatory asset treatment of storm damage regardless of whether a storm is categorized as a Level 4 storm, explain why LG&E did not formally request Commission approval to establish a regulatory asset for the two storms, identified in Item 2 above, in light of the fact that the expenses related to those two storms are greater than the costs associated with the accounting deferral request being made for the July 20, 2018 storm in the instant proceeding.
- A-3. Under its current methodology for determining whether to request regulatory asset treatment of storm damage, the minimum criterion is whether the storm is categorized as a Level IV storm. If a storm meets this minimum criterion, the level of expense associated with this storm relative to the amount of Storm Damage expense included in base rates is next considered. If an extraordinary storm meets both criteria, such a determination gives the Companies the option, rather than the obligation, to file for approval of regulatory asset treatment.

Even though the July 2004 Derecho would have qualified as a Level IV storm and related storm expense exceeded the amount included in base rates, the Companies elected not to request regulatory asset treatment for a number of reasons, including: (1) KU and LG&E had received their first base rate increases in 20 and 14 years, respectively; (2) both base rate case orders were subject to rehearing requests by the Attorney General which were granted by the Commission; and (3) both rate case proceedings were subject to investigations as a result of the Attorney General's allegations of improper communications. Under these very unique circumstances, LG&E and KU determined to not seek regulatory asset treatment for the July 2004 Derecho event.

As referenced in the response to Question No. 2, the 2014 Ice storm would only have been classified as a Level III event and therefore did not rise to the level of an extraordinary storm event.

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Question No. 4

Responding Witness: Robert M. Conroy

- Q-4. Provide KU/LG&E's internal procedure and underlying criteria for determining whether to request a regulatory asset be established for storm damage expenses.
- A-4. The Companies will consider seeking Commission approval to establish a regulatory asset if a storm event meets the Level IV Emergency Event criteria, and its associated expenses exceed the storm restoration amounts in base rates for either Company. The Companies' current methodology for categorizing "Emergency Event Levels" is set forth in its *Electric Distribution Emergency Preparedness and Response Plan* . See the response to Question No. 2. The Companies establish annual storm budgets based on an average of historic costs incurred, excluding costs associated with extraordinary storms which have received approved regulatory asset treatment. When filing for regulatory asset treatment, the Companies typically present the impact of the Level IV storm for each utility and the associated cost of the storm for each utility to present a complete picture to the Commission.

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Question No. 5

Responding Witness: John K. Wolfe

- Q-5. Provide the industry best practices policy or guideline referenced during the hearing, which KU/LG&E relies upon in establishing the four levels of storm events.
- A-5. Representatives of the Companies actively participate in and provide leadership for national and regional industry emergency preparedness and mutual assistance organizations such as Edison Electric Institute, Association of Edison Illuminating Companies, Southeastern Electric Exchange and Great Lakes Mutual Assistance Group. Through these associations, the Companies discuss industry best practices for emergency preparedness and response.

Event categorization is considered an industry best practice for the purpose of planning and executing emergency response activation, resource acquisition and external communications, including provision of estimated restoration times. Generally, utilities reserve the highest classification level for non-routine and extraordinary events which do not have a defined restoration period and necessitate resource assistance from multiple regional mutual assistance groups.

Standardization of levels by the industry has proven to be difficult due to the significant variability of utility characteristics, including size, service area geography, customer density, weather patterns, construction standards and system threats. As a result, the electric industry does not publish standard policies or guidelines for storm levels.

The Companies' current methodology for categorizing "Emergency Event Levels" documented in its *Electric Distribution Emergency Preparedness and Response Plan* reflects the industry best practices for emergency preparedness and response discussed and presented at these national and regional industry emergency preparedness and mutual assistance organizations.