

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

**In the Matter of:**

**ELECTRONIC EMERGENCY DOCKET                    )**  
**RELATED TO THE NOVEL CORONAVIRUS        )** **CASE NO. 2020-00085**  
**COVID-19    )**

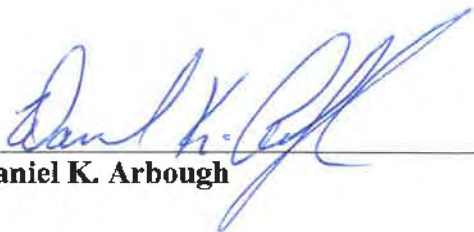
**SUPPLEMENTAL RESPONSES OF**  
**KENTUCKY UTILITIES COMPANY AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**TO**  
**THE COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION**  
**DATED JUNE 23, 2020**

**FILED: SEPTEMBER 11, 2020**

**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 11<sup>th</sup> day of September 2020.

  
\_\_\_\_\_  
Notary Public (SEAL)

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022






VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

The undersigned, **Eileen L. Saunders**, being duly sworn, deposes and says that she is Vice President, Customer Services for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
Eileen L. Saunders

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 11<sup>th</sup> day of September 2020.

 (SEAL)  
Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 3**

**Responding Witness: Eileen L. Saunders**

- Q-3. If a utility provides multiple services, such as both electric and gas residential service, provide the information requested for each service separately. For those customers that receive combined service, provide each service separately if separately served or combined if billed on a combined basis. Provide the average total bill for all customers for:
- a. 2017 as a year, not each month;
  - b. 2018 as a year, not each month;
  - c. 2019 as a year, not each month; and
  - d. Each month in 2020.

Total bill is defined as including charges for current service and past service that is unpaid, including the accumulation of fees.

A-3. **Original Response:**

See the attachment being provided in Excel format. The total amount billed is either the budget amount, if the customer participates in the Company's budget payment plan, or the sum of all amounts owed including current charges, arrearages, overpayments, deposits, late payment charges, and installment plan agreement.

**September 11, 2020 Supplemental Response for Question No. 3(d):**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 4**

**Responding Witness: Eileen L. Saunders**

- Q-4. If a utility provides multiple services, such as both electric and gas residential service, provide the information requested for each service separately. For those customers that receive combined service, provide each service separately if separately served or combined if billed on a combined basis. Provide the average total bill for all customers in each class for:
- a. 2017 as a year, not each month;
  - b. 2018 as a year, not each month;
  - c. 2019 as a year, not each month; and
  - d. Each month in 2020.

Total bill is defined as including charges for current service and past service that is unpaid, including the accumulation of fees.

A-4. **Original Response:**

See the attachment being provided in Excel format. The total amount billed is either the budget amount, if the customer participates in the Company's budget payment plan, or the sum of all amounts owed including current charges, arrearages, overpayments, deposits, late payment charges, and installment plan agreement.

**September 11, 2020 Supplemental Response for Question No. 4(d):**

The requested information has been updated through August 2020 and is being provided in Excel format.



The attachment is being provided in a separate file in Excel format.

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 5**

**Responding Witness: Eileen L. Saunders**

- Q-5. If a utility provides multiple services, such as both electric and gas residential service, provide the information requested for each service separately. For those customers that receive combined service, provide each service separately if separately served or combined if billed on a combined basis. Provide the average bill for current service for all customers for:
- a. 2017 as a year, not each month;
  - b. 2018 as a year, not each month;
  - c. 2019 as a year, not each month; and
  - d. Each month in 2020.

A-5. **Original Response:**

See the attachment being provided in Excel format.

**September 11, 2020 Supplemental Response for Question No. 5(d):**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

**KENTUCKY UTILITIES COMPANY  
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**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 6**

**Responding Witness: Eileen L. Saunders**

- Q-6. If a utility provides multiple services, such as both electric and gas residential service, provide the information requested for each service separately. For those customers that receive combined service, provide each service separately if separately served or combined if billed on a combined basis. Provide the average bill for current service for all customers in each class for:
- a. 2017 as a year, not each month;
  - b. 2018 as a year, not each month;
  - c. 2019 as a year, not each month; and
  - d. Each month in 2020.

The differences between request 3 and request 5, and request 4 and request 6 should provide the average arrearage for all customers and for each class, respectively.

A-6. **Original Response:**

See the attachment being provided in Excel format.

**September 11, 2020 Supplemental Response for Question No. 6(d):**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

**KENTUCKY UTILITIES COMPANY  
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**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 7**

**Responding Witness: Christopher M. Garrett / Eileen L. Saunders**

- Q-7. Explain how the utility calculates bad debt.
- a. Explain the decision criteria governing when the utility writes off bad debt.
  - b. Provide the monthly bad debt write-offs for each month in 2018, 2019, and 2020.
  - c. If the utility has changed its calculation or determination of bad debt in the past two years, explain its previous calculation or determination of bad debt and the reason for the change.

A-7. **Original Response:**

In summary, bad debt expense is determined by taking the actual monthly charge-offs less recoveries and adjusted for changes to the allowance for bad debts. The allowance for bad debts is derived from the use of historical charge-off information. For the past several years, the allowance for retail bad debts was based on the ratio of amounts charged off over the last 12 months to retail revenues over the same period, times the retail revenues over the last four months.

Accounts with no payment activity are charged off after four months or when deemed uncollectible (e.g. bankruptcy), although collection efforts continue thereafter. Effective June 30, 2020, the Companies made a change to their allowance for bad debt calculation which is discussed in subpart c. below.

- a. Excluding bankruptcies, once a customer account is closed for any reason, a final bill is issued and various attempts are made to collect the balance due. If unsuccessful for 120 days, the past due balance is written off. If a partial payment is made within the 120-day window, the timeframe resets for another 120 days before write offs occur.
- b. See the attachment being provided in Excel format.

- c. LG&E and KU made a change in the calculation of bad debt expense effective June 30, 2020. Previously, as discussed above, LG&E and KU applied a 12 month historical net charge-off percentage to the previous four months of sales in order to determine its allowance for bad debts. Effective June 30, 2020, the Companies made two changes to their allowance for bad debts calculation, which include:
- 1) adjusting the historical charge-off percentage to the elevated charge-offs experienced during the financial crisis in the late 2000s
  - 2) applying this elevated charge-off percentage to its outstanding receivable/unbilled revenue balances rather than the previous four months of revenues

The Companies re-assessed the reserve methodology due to COVID-19 and concluded that the previous, percentage of sales method, would not appropriately reflect an increase in the allowance due to customer non-payment as a result of COVID-19. Additionally, the previous methodology would result in lower bad debt expense as a result of depressed sales contrary to the increase in past due receivables as a result of COVID-19. The Companies believe that a percentage of receivables method would allow for this increase in the allowance and it would reflect an allowance that is more representative of the receivables that will not be collected. Additionally, the Companies believe that the adverse economic impacts of COVID-19 including the forced shutdown of businesses and increased unemployment will negatively impact collections. The most recent period with similar conditions is the 2008 financial crisis, where write-offs significantly escalated. As a result, LG&E and KU elected to use charge-off percentages from the financial crisis when determining their bad debt allowance.

The Companies note that bad debt expense in subpart b. was calculated using the percentage of sales method discussed above and does not reflect the impact of the change in accounting estimate being made effective June 30, 2020.

**September 11, 2020 Supplemental Response for Question No. 7(b):**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.



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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 8**

**Responding Witness: Eileen L. Saunders**

Q-8. Assuming the Commission's moratorium on disconnections was not in effect, provide the number of customers in each class that would be subject to disconnection and the date used for this determination.

A-8. **Original Response:**

The attachment being provided in Excel format indicates customers by class reaching eligibility for disconnection by month from the beginning of the moratorium, March 16, 2020, through June 30, 2020.

**September 11, 2020 Supplemental Response:**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 9**

**Responding Witness: Eileen L. Saunders**

- Q-9. Provide the percent of customers, by class, that pay on time for:
- a. 2017 as a year, not each month;
  - b. 2018 as a year, not each month;
  - c. 2019 as a year, not each month; and
  - d. Each month in 2020.

A-9. **Original Response:**

a-d. See the attachment being provided in Excel format. For each response, the percent of customers that pay on time is defined as customers who did not receive a termination notice.

**September 11, 2020 Supplemental Response for Question No. 9(d):**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 11**

**Responding Witness: Christopher M. Garrett**

- Q-11. Provide the total income received from late payment fees for:
- a. Each month in 2017;
  - b. Each month in 2018;
  - c. Each month in 2019; and
  - d. Each month in 2020.

A-11. **Original Response:**

a-d. See the attachment being provided in Excel format.

**September 11, 2020 Supplemental Response for Question No. 11(d):**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 12**

**Responding Witness: Eileen L. Saunders**

Q-12. Quantify the amount of late payment fees the utility would have assessed since March 16, 2020, absent the Commission's directive.

A-12. **Original Response:**

See the attachment being provided in Excel format.

**September 11, 2020 Supplemental Response:**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.



**KENTUCKY UTILITIES COMPANY  
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**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 14**

**Responding Witness: Daniel K. Arbough / Christopher M. Garrett**

Q-14. Provide a detailed explanation and breakout of any cost increases and decreased income (by customer class if applicable) the utility has experienced as a result of the COVID-19 State of Emergency.

A-14. **Original Response:**

The attached file provided in excel format provides a list of lower revenue attributed to the COVID-19 virus. The reduction in Late Payment Charges is based on the actual number of customers that have been past due and charges that would have accrued absent the moratorium issued by the Commission. Other reductions in revenue are estimates compared to budgeted amounts. The Companies base their budget on normal weather, and actual non-fuel energy charges have been weather normalized to eliminate the impact of weather. The remaining impact is a result of lower volumes of energy being sold than budgeted. These variances could be from a variety of factors, but the primary driver of the differences is COVID-19 related closure or reduced operation of many customer facilities. The Companies have provided weather normalized 2020 vs. weather normalized 2019 results to validate the reasonableness of the 2020 budget. The 2019 results have been adjusted to reflect the higher rates that became effective May 1, 2019 to ensure a valid comparison.

The incremental costs incurred by the Companies includes small amounts of labor related to employees working specifically on COVID-19 related matters such as taking temperatures of incoming employees and contractors or filling in for someone having to quarantine due to exposure to the virus. The non-labor O&M includes a variety of items including costs associated with additional cleaning and disinfecting of Company facilities, purchasing of hand sanitizer, thermometers, and face coverings for employee usage as well as costs incurred to be prepared to sequester employees at power generation plants and control rooms for transmission and distribution operations. The non-labor convenience charges are actual fees absorbed by the Companies that customers would normally pay when using a credit card, debit card, or e-check to pay their utility bills or paying

through a third party vendor at retail locations such as Kroger and Wal-Mart. The Companies absorbed these fees from April 1 through July 1, but customers are now paying these fees again. In addition to the items shown on the attachment, bad debt expense is expected to increase this year although this has not yet been reflected in actual results through May. Past due account balances are higher this year than in the past and more write-offs are expected as the COVID related closures continue to impact employment and businesses in Kentucky. In spite of lower sales and lower outstanding receivables, as of the end of June past due balances represented approximately 16% of all outstanding amounts whereas past due balances were only about 10% of all outstanding amounts prior to the moratorium.

The income tax line is calculated based on statutory tax rates.

**September 11, 2020 Supplemental Response:**

The requested information has been updated through August 2020 and is being provided in Excel format.

The attachment is being provided in a separate file in Excel format.

**KENTUCKY UTILITIES COMPANY  
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**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 15**

**Responding Witness: Daniel K. Arbough / Christopher M. Garrett**

Q-15. Provide a detailed explanation and breakout of any cost decreases and increased income the utility has experienced as a result of the COVID-19 State of Emergency.

A-15. **Original Response:**

The attached file provided in excel format shows the additional revenue the Companies have realized from the residential customer class as many customers have been home more due to COVID-19 restrictions. These amounts have been derived in the same way as the revenue reductions included in response to Question No. 14 where actual results were weather normalized.

The lower level of sales to commercial and industrial customers has also resulted in lower usage of certain reactant and reagents in the generation process. The Companies do not have the ability to weather normalize the use of these items so some portion of the savings is not attributable to the COVID emergency, but is a result of milder than normal weather.

Non-labor O&M reductions are primarily related to reductions in training, travel, and associated meals. COVID-19 restrictions have limited the amount of training courses being offered in person.

Once again, the income tax impact is calculated using statutory tax rates.

**September 11, 2020 Supplemental Response:**

The requested information has been updated through August 2020 and is being provided in Excel format. Non-labor O&M decreases for March 2020 through May 2020 were revised and corrected from the original submission.

The attachment is being provided in a separate file in Excel format.

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

**Supplemental Response to Commission Staff's Initial Request for Information  
Dated June 23, 2020**

**Case No. 2020-00085**

**Question No. 16**

**Responding Witness: Robert M. Conroy / Eileen L. Saunders**

Q-16. Provide any additional information or data the utility believes the Commission should consider in amending or vacating its previous Orders in this matter.

A-16. **Original Response:**

LG&E and KU have witnessed during the current state of emergency in which a vast majority of Kentuckians are required to stay at home, that utility service is a necessity for many activities, specifically activities necessary for sanitary, disinfection, and health reasons.

The Companies believe an end to the suspension of disconnections should strike a balance between protecting customers from service disconnections during this unprecedented emergency and recognizing that a moratorium on all service disconnections due to unpaid bills is not sustainable on an unlimited basis. Determining an appropriate end date will require input from utilities, government officials, and health authorities. When considering the end to the moratorium, the Company respectfully urges the Commission to consider the need for uniformity versus allowing utilities to voluntarily impose different measures regarding service disconnections.

Additionally, in determining an end date for the moratorium, the Companies respectfully requests that the Commission provide 30-45 days' notice before the end of the moratorium. LG&E and KU have determined that this time is necessary for it to set up the appropriate processes and notify customers.

The Companies continue to recognize the unprecedented emergency posed by COVID-19 and the high levels of unemployment. Regardless of when the Commission determines the moratorium should end, LG&E and KU will continue to work with customers to offer extended payment plans for all charges incurred during this period and will work to connect customers with resources for additional support.

**September 11, 2020 Supplemental Response:**

See the attachment provided in Excel format for monthly trends in past due dollars and year-over-year comparison for the number of past due customers.

As the moratorium continues, the number of customers past due and the amount of their account balances continue to grow. For instance, past due amounts greater than 91 days has grown from \$2.5 million in February 2020 to \$13.8 million through August 2020, and the number of customers carrying balances greater than 91 days has grown from approximately 32 thousand in August 2019 to just over 75 thousand in August 2020.

Of particular note, as the data in the attachment shows, there has been a significant change in the total past due amounts greater than 31 days in the month of August. Past due amounts greater than 31 days grew from \$24.9 million in February 2020 to \$34.4 million in July 2020 (a change of \$9.5 million over the first 5 months of the moratorium). However, that amount grew to \$43.8 million in August 2020 which is a change of \$9.4 million in one month. This significant of an increase in one month is concerning regarding trends in future months as the moratorium continues.

The attachment is being provided in a separate file in Excel format.