

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

**In the Matter of:**

**ELECTRONIC APPLICATION OF )  
KENTUCKY UTILITIES COMPANY FOR )  
AN ADJUSTMENT OF ITS ELECTRIC )  
RATES, A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO )  
DEPLOY ADVANCED METERING )  
INFRASTRUCTURE, APPROVAL OF )  
CERTAIN REGULATORY AND )  
ACCOUNTING TREATMENTS, AND )  
ESTABLISHMENT OF A ONE-YEAR )  
SURCREDIT )**

**CASE NO. 2020-00349**

**RESPONSES OF WALMART INC. TO  
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

**DATED APRIL 1, 2021**

**WALMART INC.**

**CASE NO. 2020-00349**

**Response to Commission Staff's First Request for Information**

**Dated April 1, 2021**

**Question No. 1**

**Responding Witness: Lisa V. Perry**

1. Refer to the Direct Testimony of Lisa V. Perry (Perry Testimony), page 9, lines 2-6, and pages 11-12. In light of the awarded returns on equity (ROE) that the Kentucky Public Service Commission and other state regulatory commissions have awarded regulated electric utilities recently, explain whether Walmart believes that Kentucky Utilities Company's (KU) current ROE is excessive and that a ROE less than the current ROE is warranted.

**RESPONSE:** Based on the returns on equity ("ROE") recently awarded by this Commission and other state regulatory commissions, it does appear that the Company's currently authorized ROE is excessive.

**WALMART INC.**

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**Dated April 1, 2021**

**Question No. 2**

**Responding Witness: Lisa V. Perry**

2. Refer to the Perry Testimony, page 13, lines 1-8 and lines 20-22. Explain whether Walmart is recommending that KU be awarded a ROE of 9.3 percent. If not, explain whether Walmart has a specific ROE or ROE range that it recommends for KU.

**RESPONSE:** Walmart has not conducted its own independent cost of equity analysis, however, Walmart believes that the evidence supports an ROE of no higher than 9.3 percent. In this case, the Company's requested ROE is supported by the testimony of Adrien M. McKenzie. Mr. McKenzie was also the ROE witness on behalf of Kentucky Power Company ("KPCo") in their recent general rate case, Case No. 2020-00174. When we compare Mr. McKenzie's testimony in this case and in the KPCo case, it appears that KPCo is a riskier utility than KU. Since the Commission awarded KPCo a 9.3 percent, it seems logical that KU, as a less risky utility, requires an ROE no higher than the ROE awarded to KPCo.

Among other things, in the KPCo rate case, Mr. McKenzie recommended a 10.3 percent ROE.<sup>1</sup> In contrast, in this case, Mr. McKenzie recommends a 10.0 percent ROE for KU.<sup>2</sup> KPCo also has a lower credit rating than KU; Moody's rates KPCo as Baa3<sup>3</sup> whereas KU is rated A3.<sup>4</sup> Finally, KPCo sought approval of a debt equity ratio with only 43.24 percent equity.<sup>5</sup> In contrast, KU here seeks an equity ratio of 53 percent.<sup>6</sup>

Taking these factors into account coupled with the ROE awarded to KPCo by this Commission just a few months ago, Walmart is generally supportive of the ROE range of the Attorney General ("AG")/Kentucky Industrial Utility Customers ("KIUC") witness Richard A. Baudino.

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<sup>1</sup> Case No. 2020-00179, Direct Testimony of Adrien McKenzie, p. 4, lines 7-11.

<sup>2</sup> Case No. 2020-00349, Direct Testimony of Adrien McKenzie ("McKenzie Direct"), p. 6, lines 19-22.

<sup>3</sup> Case No. 2020-00179, Direct Testimony of Adrien McKenzie, p. 19, lines 2-5.

<sup>4</sup> Case No. 2020-00349, McKenzie Direct, p. 15, lines 1-3.

<sup>5</sup> Case No. 2020-00179, Direct Testimony of Adrien McKenzie, p. 15, lines 8-10.

<sup>6</sup> Case No. 2020-00349, McKenzie Direct, p. 11, lines 3-5.

**WALMART INC.**

**CASE NO. 2020-00349**

**Response to Commission Staff's First Request for Information**

**Dated April 1, 2021**

**Question No. 3**

**Responding Witness: Lisa V. Perry**

3. Refer to the Perry Testimony, Exhibit LVP-3. Provide the source document of the reported authorized ROE.

**RESPONSE:** The source document for Exhibit LVP-3 is being electronically provided to counsel contemporaneously with these responses.

VERIFICATION

In the Matter of:

ELECTRONIC APPLICATION OF )  
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 AN ADJUSTMENT OF ITS ELECTRIC )  
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 SURCREDIT )

STATE OF ARKANSAS )  
 )  
 COUNTY OF BENTON )

CASE NO. 2020-00349

The undersigned, Lisa V. Perry, being duly sworn, deposes and says that she is Senior Manager, Energy Services for Walmart, Inc., and that she has personal knowledge of the matters set forth in the foregoing Responses, and that the answers contained herein is true and correct to the best of her information, knowledge, and belief.

  
 Lisa V. Perry

Subscribed and sworn to before me, a Notary Public in and before said County and State, this <sup>March 12</sup> 20<sup>th</sup> day of April, 2021.

 (SEAL)  
 Notary Public

My Commission Expires: 01-31-2030

OFFICIAL SEAL-#12709921  
 Jesus Rojas  
 NOTARY PUBLIC-ARKANSAS  
 BENTON COUNTY  
 MY COMMISSION EXPIRES 01-31-2030

## CERTIFICATE OF SERVICE

I hereby certify that Walmart's April 1, 2021, electronic filing is a true and accurate copy the Responses of Walmart Inc. to Commission Staff's First Request for Information; and that on April 1, 2021, the electronic filing has been transmitted to the Commission. Pursuant to the Commission's Order dated March 24, 2020, in Case No. 2020-00085, and in accord with all other applicable law, counsel certifies that an electronic copy of the foregoing was served by email to the following. A physical copy of the filing will be submitted to the Commission within 30 days after the Governor lifts the current State of Emergency.

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