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**

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
FIRST REQUESTS FOR INFORMATION OF THE KROGER COMPANY
DATED JANUARY 8, 2021

FILED: JANUARY 22, 2021

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 18th day of January 2021.

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Chief Operating Officer for Louisville Gas and Electric Company and Kentucky Utilities 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.

Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of January 2021.

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Chief Financial Officer 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.

K W Blake

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2021.

Judy Schooler

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, 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.

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of January 2021.

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Controller 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.

DocuSigned by:
Christopher M. Garrett
5B353C6385DE4D7...
Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of January 2021.

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

COMMONWEALTH OF NORTH CAROLINA)
)
COUNTY OF BUNCOMBE)

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 16 day of January 2021.

(SEAL)
Notary Public

Notary Public ID No. _____

My Commission Expires:
9/22/2025

Ryan Meagher
Notary Public
Henderson County, NC
My Commission Expires 9/22/25

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 1

Responding Witness: Daniel K. Arbough

Q-1. Please identify any proposed adjustments to revenues or expenses that are directly related to the COVID-19 pandemic. Please provide all relevant references, workpapers, and analyses to support the proposed adjustments.

A-1. Refer to the testimony of Mr. Sinclair and AG-KIUC 1-113 for the impacts to revenues related to load and to the corresponding expenses for cost of serving load. Refer to the testimony of Mrs. Saunders for the impacts to expenses for the additional costs of cleaning for facilities, of which $220,000 is allocated to KU. As noted in Mr. Blake's testimony, bad debt expense percentage was based on the historical five year average consistent with past practice and does not include the impacts of COVID-19 and the resulting recession.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 2

Responding Witness: Christopher M. Garrett

Q-2. With respect to KU's Application, please refer to Tab 13 - 807 KAR 5:001 Section 16(6)(f) Reconciliation of Capitalization and Rate Base.

a. Please explain in detail the reasons why the capitalization exceeds the amount of used and useful rate base.

b. Please explain in detail why the Companies believe it is appropriate to earn a return on a capitalization amount that is in excess of the amount of rate base assets that are used and useful in the provision of service to customers.

A-2.

a. The Companies do not agree with the premise to the requests, namely the application of the "used and useful."[1]

The difference between capitalization and rate base is primarily related to the fact that capitalization includes the funding for working capital under the balance sheet approach which includes regulatory assets and liabilities and other deferred debits. Rate base includes the funding of working capital through completion of a lead/lag study, which accounts for a portion of the Companies' cash working capital requirements, but this methodology does not adequately identify all sources of investor capital, unlike the overall balance sheet approach used by capitalization. See attachment to AG-KIUC 1-58a for additional detail.

b. The Companies believe that capitalization remains the most objective measure of valuation as evidenced by the Companies' use of capitalization as its valuation measure for the past 40 years. Capitalization appropriately addresses the extent to which the Companies fund its working capital, consistent with the overall balance sheet approach for evaluating cash working capital in a revenue requirement calculation as discussed in the Rate Case and Audit Manual prepared by NARUC Staff Subcommittee of

[1] *National-Southwire Aluminum Co. v. Big Rivers Electric Corp.*, 758 S.W.2d 503, 512 (Ky. Ct. App. 1990) ("Kentucky is simply not shackled to a mechanical application of the used and useful standard.").

Accounting and Finance (Summer 2003). In LG&E's Case No. 2000-00080, the Commission recognized that capitalization is a better measure of the real cost of providing service as it is the cost of debt and equity that is reflected in the financial statements of the utility. Capitalization measures the direct investment into the Companies' systems and is the more accurate method of measuring the financial health of the Companies' operations. Additionally, the Companies believe the exclusion of regulatory assets and liabilities from rate base directly related to the utilities' operations is not appropriate as the associated cash outflows or inflows should result in both investors (regulatory assets) and customers (regulatory liabilities) being fairly compensated for the use of those funds. (The Companies have not removed the associated ADIT balances for those regulatory assets and liabilities excluded from rate base given its long-standing use of capitalization.) Therefore, the Companies see no reason to change its valuation methodologies.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 3

Responding Witness: William Steven Seelye

Q-3. Refer to KU's response to Public Service Commission ("Commission") Staff Data Request 56, Attachment 2020_Att_KU_PSC_1-56_Exhibit_WSS-2,WSS-29,WSS-31_KU_COSS_LOLP, tab 'GS Unit Costs.' Please provide a similar workpaper that provides the unit costs for the Time of Day Secondary class.

A-3. See attached.

Kentucky Utilities Company

Unit Cost of Service Based on the Cost of Service Study
For the 12 Months Ended June 30, 2022

Rate TODS

Description	Reference Total	Production		Transmission	Distribution		Customer Service Expenses	Total
		Demand-Related	Energy-Related	Demand-Related	Demand-Related	Customer-Related	Customer-Related	
(1) Rate Base	$ 424,876,670	$ 294,684,795	$ 8,253,333	$ 76,402,521	$ 43,613,366	$ 1,647,053	$ 275,602	$ 424,876,670
(2) Rate Base Adjustments	$ -	-	-	-	-	-	-	$ -
(3) Rate Base as Adjusted	$ 424,876,670	$ 294,684,795	$ 8,253,333	$ 76,402,521	$ 43,613,366	$ 1,647,053	$ 275,602	$ 424,876,670
(4) Rate of Return	6.51%	6.51%	6.51%	6.51%	6.51%	6.51%	6.51%	
(5) Return	$ 27,664,478	$ 19,187,453	$ 537,389	$ 4,974,704	$ 2,839,744	$ 107,243	$ 17,945	$ 27,664,478
(6) Interest Expenses	$ 9,087,020	$ 6,302,550	$ 176,518	$ 1,634,054	$ 932,778	$ 35,226	$ 5,894	$ 9,087,020
(7) Net Income	$ 18,577,458	$ 12,884,902	$ 360,872	$ 3,340,651	$ 1,906,966	$ 72,016	$ 12,051	$ 18,577,458
(8) Income Taxes	$ 5,237,125	$ 3,632,351	$ 101,732	$ 941,755	$ 537,588	$ 20,302	$ 3,397	$ 5,237,125
(9) Operation and Maintenance Expenses	$ 80,149,961	$ 13,195,262	$ 57,574,714	$ 5,173,036	$ 2,389,297	$ 219,889	$ 1,597,763	$ 80,149,961
(10) Depreciation Expenses	$ 33,401,356	$ 28,592,364	$ -	$ 3,141,796	$ 1,600,185	$ 67,010	$ -	$ 33,401,356
(11) Other Taxes	$ 4,107,385	$ 3,062,263	$ -	$ 632,638	$ 395,879	$ 16,605	$ -	$ 4,107,385
(12) Curtailable Service Credit	$ 1,847,284	$ 1,847,284						$ 1,847,284
(13) Expense Adjustments - Prod. Demand	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(14) Expense Adjustments - Energy	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(15) Expense Adjustments - Trans. Demand	$ -		$ -	$ -	$ -	$ -	$ -	$ -
(16) Expense Adjustments - Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(17) Expense Adjustments - Other	$ 75,147	$ 52,120	$ 1,460	$ 13,513	$ 7,714	$ 291	$ 49	$ 75,147
(18) Revenue Adjustments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(19) Expense Adjustments - Total	$ 75,147	$ 52,120	$ 1,460	$ 13,513	$ 7,714	$ 291	$ 49	$ 75,147
(20) Total Cost of Service	$ 152,482,735	$ 69,569,097	$ 58,215,295	$ 14,877,442	$ 7,770,407	$ 431,340	$ 1,619,154	$ 152,482,735
(21) Less: Misc Revenue - Prod Demand	$ (140,910)	$ (140,910)	$ -	$ -	$ -	$ -	$ -	$ (140,910)
(22) Less: Misc Revenue - Energy	$ (918,738)	$ -	$ (918,738)	$ -	$ -	$ -	$ -	$ (918,738)
(23) Less: Misc Revenue - Transmission	$ (2,378,963)	$ -	$ -	$ (2,378,963)	$ -	$ -	$ -	$ (2,378,963)
(24) Less: Misc Revenue - Other	$ (299,189)	$ (207,511)	$ (5,812)	$ (53,801)	$ (30,712)	$ (1,160)	$ (194)	$ (299,189)
(25) Less: Misc Revenue - Total	$ (3,737,800)	$ (348,421)	$ (924,550)	$ (2,432,764)	$ (30,712)	$ (1,160)	$ (194)	$ (3,737,800)
(26) Net Cost of Service	$ 148,744,935	$ 69,220,676	$ 57,290,746	$ 12,444,677	$ 7,739,695	$ 430,180	$ 1,618,959	$ 148,744,935
(27) Billing Units		4,588,574	1,784,202,424	6,217,430	6,217,430	9,195	9,195	
(28) Unit Costs		15.09	0.032110003	2.00	1.24	$ 1.53	$ 5.77	$ 7.31

Customer Cost	$ 7.31
Demand Cost	18.33
Energy Cost	0.03211

Case No. 2020-00349
Attachment to Response to Kroger-1 Question No. 3

Seelye

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 4

Responding Witness: Kent W. Blake

Q-4. Refer to Exhibit KWB-2 of KU's response to Commission Staff Data Requests. Please confirm the status quo case represents the scenario where the Companies do not implement the proposed AMI Project.

A-4. Confirmed.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 5

Responding Witness: Kent W. Blake

Q-5. With respect to KU's Application, refer to the Direct Testimony of Kent W. Blake, page 17. "The Companies would then begin amortization of the regulatory asset associated with the AMI project over years 6 through 10 at a level that would not create an incremental revenue requirement." Are the Companies proposing to waive any claim to amortize the regulatory asset if the actual benefits are not sufficient to offset the costs?

A-5. No such commitment is proposed. As stated in the Blake testimony, "[t]he Companies would expect to use the amortization of the regulatory assets and liabilities associated with the AMI project to address this up-front cost and long-term benefit issue such that customers would never see an increase in revenue requirements associated with implementing AMI." As detailed in Exhibit KWB-2, the Companies' current projections and proposed ratemaking treatment show the Companies can receive full cost recovery of the AMI project with no increase in the Companies' combined revenue requirement during implementation or for 10 years post-implementation of AMI with net annual savings for years thereafter.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 6

Responding Witness: Kent W. Blake

Q-6. With respect to KU's Application, refer to the Direct Testimony of Kent W. Blake, page 3. "[T]he Companies also sought thoughtful ways to (1) make these proceedings the last base rate cases the Companies will file for a number of years."

a. How many years do the Companies estimate it will be until they file another base rate case?

b. Are the Companies providing any firm commitment regarding the timing of the next base rate case?

i. If yes, please explain.

A-6.

a. The Companies' cannot say with certainty how long it will be; however, the factors that could lead to the Companies' need to file a subsequent rate case are discussed in the Blake testimony.

b. No.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 7

Responding Witness: Robert M. Conroy

Q-7. With respect to KU's Application, refer to the Direct Testimony of Kent W. Blake, page 7. "With respect to the proceeds from the refined coal agreements, all of those agreements are set to expire during the forecast test period. By returning them as a one-year surcredit, customers receive the full benefit to be provided while the Companies avoid embedding a permanent credit into base rates for a benefit it derived for its customers for a period of time that now no longer exists."

a. If the proceeds from the refined coal agreements are not returned as a one-year surcredit, please explain in detail how the Companies would embed a permanent credit into base rates?

b. What would be the revenue requirement impact if KU embedded a permanent credit into base rates instead of returning the proceeds as a one-year surcredit?

c. Why do the Companies believe that customers will be better off receiving a one-year surcredit instead of receiving a credit to base rates?

A-7.

a. It is not appropriate to continue to embed the proceeds from the refined coal agreements into base rates at this time because the refined coal agreements will expire, and the proceeds will not be an actual ongoing credit to the cost of service.

b. The revenue requirement impact of a permanent credit would be the annual impact of the refined coal agreements proceeds credited against the cost of service. Because the agreements upon which the proceeds are based expire in the forecast test year, it is inappropriate to create a permanent credit for this amount. Doing so will create a mismatch between revenues received and revenues collected through base rates.

c. As Mr. Blake explains in his testimony, customers will receive the full benefit of the refined coal agreement proceeds in a more rapid fashion through a one-year surcredit than if the proceeds were to be returned to customers over

multiple years. As noted above, the nature of these proceeds is temporary, not permanent.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 8

Responding Witness: Daniel K. Arbough

Q-8. Regarding non-fuel, non-labor (to be consistent with paragraphs a – d below, should this be "non-labor, non-fuel") O&M expense inflation/escalation:

a. Please indicate whether any inflation, price escalation, or unit cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses for the estimated portion of the base period or the Forecasted Test Period.

b. If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please provide KU's best estimate of the dollar amount of inflation included in the Forecasted Test Period applicable to non-labor, non-fuel O&M expenses.

c. If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please explain how the inflation or cost escalation factors were derived, and provide the inflation or cost escalation factors applicable to each affected FERC account for both the estimated portion of the Base Period and the Forecasted Test Period, if applicable.

d. If inflation or cost escalation has been included in the calculation of non-labor, non-fuel O&M expenses, please provide detailed workpapers in Excel format with intact formulas which apply the inflation or cost escalation factors to the actual historical data. For each affected FERC account, please provide the actual historical non-labor, non-fuel O&M expense amount to which the inflation/escalation is applied, the amount of the inflation/escalation, and the projected O&M expense amount after inflation/escalation.

e. If not otherwise provided in the Companies' response to part (d), please provide workpapers in Excel format which link the inflation/escalation amounts to the Filing Requirements schedules and/or revenue requirement model, or otherwise demonstrate how these inflation/escalation amounts are integrated into the Base Period and Forecasted Test Period.

A-8.

a. When the Company prepares its business plan ("BP") it does not apply a generic inflation adjustment or unit cost escalation factor. Instead, the budget is prepared from the bottom up as described below:

1. Known contracts are factored into the BP. For example, contracts are already in place for certain segments of the business, and the escalation rates that can be derived from those contracts are included. Estimated increases in contracts that will expire in the BP are also included, based on the best known information for the applicable contracts.

2. Specific scopes of work are factored into the BP. For example, there is a power plant planned outage schedule for each year in the BP. This is based on the historical and estimated run-times and operating hours of each unit, and the work to be done is a function of where each unit is in its outage cycle, as well as other scopes of work that have been identified to address known or trending issues on that particular generating unit. The specific scopes of work for each of those segments of the outage plan are estimated by the outage planners, using the most current cost estimates for each particular scope of work, not an inflation escalation. For the Electric Distribution areas factors such as the work order backlog and historic work volumes at the time that the BP is prepared are factored into their costs. Depending on the extent of the backlog, contractor costs can be increased or decreased in a particular BP.

3. Variable costs are factored in based on levels of production. For example, the Generation forecast includes generation by unit by month. Each unit has a variable cost of production to cover costs such as limestone and ammonia usage.

4. Storm outage restoration costs are based on a 5-year average of historical costs, which is then brought into "current dollars" based on a Consumer Price Index projection.

5. Bad debt expense is based on a five-year average write-off percentage and the change in receivable balances which is then applied to updated projected revenues.

6. For the remainder of the items, each area determines reasonable cost estimates based on levels of activity in the period and market conditions.

b. See the response to part (a).

c. See the response to part (a).

d. See the response to part (a).

e. See the response to part (a).

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 9

Responding Witness: Christopher M. Garrett

Q-9. With respect to KU's Application, please refer to the Direct Testimony of Lonnie E. Bellar, page 23. "[T]he Companies propose to use average actual outage expense for 2017, 2018, 2019, and 2020 through August, combined with forecasted outage expense for the balance of 2020 through 2024. This approach has the effect of increasing expense associated with outage maintenance, but will ultimately be more accurate than 5-year historical average and will reduce the need to recover past outage expense in future rate increases through regulatory accounting."

a. Please provide KU's actual and forecasted outage expense for the proposed 8 year period.

b. Please provide KU's actual outage expense for 2012, 2013, 2014, 2015, and 2016.

c. Please explain in detail the reasons why this proposed approach will increase expense relative to using the 5-year historical average.

d. Do the Companies believe that the stipulation from the 2018 rate case that allowed it to continue the use of regulatory asset and liability accounting for generator outage expense sets a precedent to continue to use the same accounting treatment in this case? Please explain why or why not.

e. Please explain why the Companies believe it is appropriate to continue the use of regulatory asset and liability accounting for generator outage expense in this case.

A-9.

a. See the response to AG-KIUC 1-38.

b. See attached.

c. A 5-year historical average for outage maintenance expense is inappropriate to use as a predictor of future outage expense. Major overhauls typically occur about every eight years, depending on the type of generating unit and the condition of the unit as assessed through regular inspections and monitoring. Yearly outage expense for a particular unit will vary depending on when a major overhaul is performed, among other factors. Outage expense may be lower in the years following a major overhaul, and higher as a unit approaches its next major inspection. A five-year historical average does not account for those variations and an 8-year cycle more accurately reflects the aforementioned variations. For example, only $6 million of outage expense for 2013 was included in the $16 million 5-year historical average (2013-2017) utilized in the previous case. Additionally, the 5-year historical average utilized in the previous case did not capture outage expense for the Cane Run 7 (CR7) Combined Cycle Gas Turbine unit, commissioned in 2015. An 8-year average also incorporates market conditions associated with the contracting skilled labor and materials market for coal-fired units.

d. The Stipulation and Recommendation approved by the Commission in Case Nos. 2018-00294 and -00295 contains section 1.2 (F), Five-Year Historical Average for Generator Outage Expenses; Related Use of Regulatory Accounting, which states as follows:

> The Parties stipulate to the use of a five-year historical average of generator outage expenses in the Utilities' stipulated amounts provided in Section 1.1, which reduces the Utilities' proposed electric revenue requirement increases as set forth in their applications by $6.73 million for KU and $ 1.78 million for LG&E. Relatedly, the Parties stipulate and recommend Commission approval of the Utilities continuing use of regulatory asset and liability accounting related to generator outage expenses that are greater or less than the updated amount to be included in base rates. This regulatory accounting will ensure the Utilities may collect, or will have to return to customers, through future base rates any amounts that are above or below the base rate base line average embedded in the electric revenue requirement increases in these proceedings.

Comparable language is also contained in Section 2.2(F) in the Stipulation and Recommendation approved by the Commission in Case Nos. 2016-00370 and -00371. If the Commission should order in this case that such normalization be discontinued and use forecast test year expense for ratemaking purposes, it would not be reasonable or lawful to deny the Companies' full cost recovery via amortization of past under-collections under the normalization methodology agreed to and approved by the

Commission in the previous four rate cases. The Companies only agreed in the context of a settlement to the incorporation into rates of the artificially low 5-year historic average in the 2018 rate cases based on the cost recovery provided for under the agreed-upon and approved methodology. The Companies' rebuttal testimony demonstrated the historic projections were unreasonable low projections of the expected outages. Actual results have confirmed that position. The true-up in the normalization methodology made it a cash flow timing issue only and not a permanent loss of cost recovery. It is not appropriate to "undo" prior settlement provisions agreed to by all parties unless the modification is also agreed to by all parties and approved by the Commission.[2]

e. The Companies believe it is appropriate to continue the use of regulatory asset and liability accounting for generator outage expenses for the reasons set forth in Mr. Bellar's testimony. Generator outage expenses can fluctuate significantly from year to year; major outages typically occur on an eight-year cycle. Normalization provides a smoothing of what is a cyclical expense – essentially treating it like a capital expense and spreading it over an eight-year period. Use of the forecast test year expense rather than a normalized level in this case would result in general the same combined plant outage cost of about $43 million; however, that is not the case by utility due to the cyclical nature of this type of expense. Past maintenance costs are not necessarily a reasonable estimate of future maintenance costs. Deferral accounting ensures the Companies ultimately may collect, or will have to return to customers, through future base rates any amounts that are above or below the average embedded in the electric revenue requirement increases in these proceedings.[3]

[2] *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) an Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; (4) An Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) An Order Granting All Other Required Approvals and Relief,* Case No. 2017-00179, Order at 5-6, 7-8 (Ky. PSC June 28, 2018); *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief,* Case No. 2020-00174, Order at 28-30 (Ky. PSC Jan. 13, 2021).

[3] Case No. 2016-00370 and Case No. 2016-00371, Stipulation and Recommendation, Article II, Section 2.2(F) (Ky. PSC Apr. 19, 2017).

KU Jurisdictional Generator Outage - Not normalized Unit	FERC	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
0301- TRIMBLE COUNTY COMMON - GENERATION	510	$ 275,250	$ -	$ -	$ -	$ -
	511		-	-	-	-
	512	19,585	-	-	-	-
	513	(12,861)	-	-	-	-
0321 - TRIMBLE COUNTY 2 - GENERATION	510	-	-	170,631	-	246,762
	511	-	-	-	2,693	-
	512	366,037	1,989	1,992,060	494,326	1,121,821
	513	360,599	1,436	168,959	139,686	838,407
5591 - KU GENERATION - COMMON	510	40,524	57,941	(62,537)	-	442
	513	-	-	-	-	-
5603 - TYRONE UNIT 3[3]	512	-	-	-	-	-
5613 - GREEN RIVER UNIT 3 [1]	500	-	13,472	-	-	-
	510	79,754	44,178	-	-	-
	511		3,813	34,979	2,722	-
	512	664,344	186,803	698,782	249,813	-
	513	220,639	12,570	84,493	7,211	-
	514	-	-	-	-	-
5614 - GREEN RIVER UNIT 4[1]	500	-	80,138	-	-	-
	511	189	24,640	42,034	-	-
	512	294,640	834,933	652,914	686,268	-
	513	20,326	92,316	81,101	36,934	-
	514		15,692	3,436	489	-
5616 - GREEN RIVER COMMON[1]	500	-	-	-	-	-
	511		-	-	-	-
	512	37,226	-	-	-	-
	513	7,495	-	-	-	-
	514	318	-	-	-	-
5620 - E W BROWN COMMON STEAM	511		-	-	-	-
	512	105,316	-	-	-	-
5621 - E W BROWN UNIT 1[2]	510	65,878	54,019	-	234,710	-
	511	-	-	-	28,185	2,551
	512	519,930	314,065	342,658	770,115	424,173
	513	120,848	39,697	27,379	2,814,425	746,401
	514	-				
5622 - E W BROWN UNIT 2[2]	510	157,992	95,776	155,756	(170,598)	(7,422)
	511	-	-	5,310	-	-
	512	381,433	688,190	519,286	177,554	524,039
	513	29,560	379,582	440,069	69,033	13,200

KU Jurisdictional Generator Outage - Not normalized Unit	FERC	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
	514	-	-	-	-	-
5623 - E W BROWN UNIT 3	510	457,693	140,322	-	-	224,361
	511	290	-	-	1,930	-
	512	1,759,947	352,651	1,072,508	1,002,174	645,014
	513	5,329,961	59,679	90,586	566,909	77,949
	514	180	1,044	-	5,676	842
5624 - E W BROWN UNITS 1 & 2[(2)]	512	1,511	12,840	523	2,156	1,128
	513		8,839	-	-	2,497
	514	88	832	-	-	-
5625 - E W BROWN UNITS 2 & 3[(2)]	512		-	8,793	-	25,188
	513					
5630 - E W BROWN STEAM UNITS 1,2,3 SCRUBBER[(2)]	511	-	759	153,162	-	285,730
	512	5,359	-	-	-	-
	514	-	-	-	-	-
5651 - GHENT UNIT 1	510		-	-	701,055	-
	511	41,374	41,916	15,149	288,139	82,540
	512	2,104,589	1,967,332	2,150,500	3,921,111	1,365,142
	513	1,142,927	317,370	181,478	4,228,284	515,167
	514	635	715	79	53	321
5652 - GHENT UNIT 2	510	251,782	15,067	-	270,844	21,862
	511	52,822	9,231	24,888	38,347	44,419
	512	4,341,755	532,846	1,276,945	3,374,848	1,661,414
	513	3,811,000	99,002	358,005	748,493	596,452
	514	1,306	-	-	-	-
5653 - GHENT UNIT 3	510		-	283,560	-	-
	511	7,748	5,100	5,342	330	38,566
	512	1,521,487	864,538	3,587,624	2,220,256	2,282,186
	513	1,184,874	136,085	292,935	1,030,676	638,626
	514		-	144	180	-
5654 - GHENT UNIT 4	510		-	707,460	128,295	-
	511	29,776	409	52,774	8,577	112,854
	512	934,535	889,084	3,420,107	(97,614)	1,932,458
	513	194,411	89,934	3,519,889	119,526	350,705
	514	-	-	5,325	-	-
5655 - GHENT UNITS 1 & 2	511	-	-	-	1,985	-
	512	92,371	20,421	8,827	988	-
	513		-	598	1,687	20,994
5656 - GHENT UNITS 3 & 4	511		129	-	49	5,884

KU Jurisdictional Generator Outage - Not normalized Unit	FERC	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual
	512	23,754	1,716	5,592	-	-
	513		-	618	769	311
5657 - GHENT COMMON	511		-	-	-	-
	512	124,972	-	-	-	-
	514	535	-	-	-	-
0172 - CANE RUN CC GT 2016	549	-	-	-	51,497	22
	551	-	-	-	-	-
	552	-	-	-	5,043	65,558
	553	-	-	-	133,338	680,409
	554	-	-	-	56,148	212,949
0432 - PADDYS RUN GT 13	553	(4,579)	33,788	76,980	44,366	59,562
	554	-	315	-	-	-
0474 - TRIMBLE COUNTY #7 COMBUSTION TURBINE	553	-	-	-	1,093	-
5635 - E W BROWN COMBUSTION TURBINE UNIT 5	553	-	-	-	-	-
	554		-	-	12,158	-
5636 - E W BROWN COMBUSTION TURBINE UNIT 6	551	-	-	-	-	-
	552	-	-	-	-	-
	553	14,191	23,019	63,267	18,187	6,492
	554		-	-	-	-
5637 - E W BROWN COMBUSTION TURBINE UNIT 7	553	129,050	(34,813)	130,959	(62,547)	29,506
	554		-	-	-	-
5639 - E W BROWN COMBUSTION TURBINE UNIT 9	553	-	244,891	(14,057)	-	-
	554	-	-	30,555	-	-
5640 - E W BROWN COMBUSTION TURBINE UNIT 10	553	-	-	23,135	274,447	-
	554	-	-	-	33,825	-
5641 - E W BROWN COMBUSTION TURBINE UNIT 11	553	-	-	-	-	-
5645 - E W BROWN CT UNIT 9 GAS PIPELINE	554	2	-	-	-	141,017
5693 - HAEFLING UNIT 1	553	1,914	6,033	65	-	-
5694 - HAEFLING UNIT 2	553		6,033	65	-	-
5695 - CLOSED 03/14 - HAEFLING UNIT 3[(3)]	553	-	133,418	-	-	-
Total		**$ 27,313,282**	**$ 8,921,794**	**$ 22,891,690**	**$ 24,676,845**	**$ 16,038,500**

(1) Green River units 3 and 4 were retired in 2015.
(2) E.W. Brown units 1 and 2 were retired in 2019.
(3) Haefling unit 3 and Tyrone unit 3 were retired in 2013.

KENTUCKY UTILITIES COMPANY

Response to First Requests for Information of the Kroger Company
Dated January 8, 2021

Case No. 2020-00349

Question No. 10

Responding Witness: Lonnie E. Bellar

Q-10. With respect to KU's Application, please refer to the Direct Testimony of Lonnie E. Bellar, table at the top of page 40.

	KU	LG&E	Total
Proactive Replacement	242.2	63.2	305.4
Reliability	23.1	5.4	28.5
Transmission Expansion Plan	61.7	14.6	76.3
All Other	27	10.5	37.5
Total:	354	93.7	447.7

a. Please explain why the increase in transmission costs is substantially greater for KU than LG&E?

b. Please explain in detail how transmission costs are allocated between KU and LG&E?

A-10.

a. Investment is based on LG&E and KU system need and emphasizes safety, reliability, and resiliency. Investment within the KU system was higher to address those needs, in part because KU's transmission system is larger, spans many more line miles, and contains more assets than does the LG&E system

The following table summarizes assets across the LG&E and KU system.

LG&E and KU Transmission System Asset Count

Asset Type	KU	LGE
Substations	120	45
Power Transformers	86	41
Power Circuit Breakers	781	441
Circuit Line Miles	4,294	913
Line Structures	33,080	9,358

b. Costs are charged to the utility that owns the asset.