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	**)**	**CASE NO. 2020-00349**
OF CERTAIN REGULATORY AND	**)**	
ACCOUNTING TREATMENTS, AND	**)**	
ESTABLISHMENT OF A ONE-YEAR	**)**	
SURCREDIT	**)**	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
SECOND REQUEST FOR INFORMATION OF THE
UNITED STATES DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL
EXECUTIVE AGENCIES
DATED FEBRUARY 5, 2021

FILED: FEBRUARY 19, 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 17th day of February 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 Bellar
Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of February 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, **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.

KW Blake

Kent W. Blake

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of February 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

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of February 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, **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
5B353C6395DE4D7...
Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of February 2021.

Notary Public

Notary Public ID No. 603967

My Commission Expires:

July 11, 2022

VERIFICATION

STATE 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.

W. Seelye
William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of February 2021.

Kyle Mello
NOTARY PUBLIC
BUNCOMBE COUNTY, NC
MY COMMISSION EXPIRES 7/29/2023

Kyle Mello (SEAL)
Notary Public

Notary Public ID No. 20182130006

My Commission Expires:

7/29/2023

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 1

Responding Witness: William Steven Seelye

Q-2-1. Referring to Schedule M-2.3, pages 2 through 26:

a. Please identify the impact on revenue at current rates for the retail system and each tariff rate class caused by the ECR mechanism rate.

b. Please identify the impact on revenue at proposed rates for the retail system and each tariff rate class caused by the ECR mechanism rate.

A-2-1.

a. The forecasted ECR revenues prior to the proposed project eliminations are reflected in the lines labeled "ECR Mechanism Revenue" and "ECR Base Revenue" for the rate classes subject to the ECR mechanism. The column labeled "Calculated Revenue at Current Rates" reflects the forecasted ECR revenues for the test year prior to the elimination of the proposed projects. The column labeled "Calculated Revenue After ECR Project Elim" reflects the forecasted ECR revenues for the test year after the elimination of the proposed projects. The ECR Base Revenue is net-neutral from a base rate revenue standpoint, but the ECR Mechanism Revenue is an increase in base rate revenues with a corresponding decrease in ECR Mechanism Revenue. The change in ECR Mechanism Revenue to base rate revenues is reflected in the line labeled "Adjustment to Reflect ECR Project Elimination". The net impact of the proposed ECR elimination on current rates is net-neutral as reflected in the line labeled "Total Revenues" for the columns noted.

b. There is no change in forecasted ECR Mechanism Revenue or ECR Base Revenue from the column labeled "Calculated Revenue After ECR Project Elim" to "Calculated Revenue at Proposed Rates". The amount for the "Adjustment to Reflect ECR Project Elimination", which was the increase in base rate revenues, was absorbed during the design of the proposed base rates in this proceeding.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 2

Responding Witness: William Steven Seelye

Q-2-2. In electronic spreadsheet format with all formulas intact, please show the development of the intermediate and peak demand charges for the Time of Day Primary customer class. Please explain how the split of production costs and transmission costs between these two rating periods was determined.

A-2-2. The intermediate and peak demand charges were developed in the rates that were filed in Case No. 2009-00548. See Case No. 2009-00548, Direct Testimony of William Steven Seelye, at pages 12-19. In the settlement and stipulation agreement in that proceeding, the parties agreed to a demand charge consisting of peak, intermediate and base demand charges. Prior to that proceeding, the Company's large customer rates consisted of only a base demand charge and a peak demand charge. The intermediate demand charge was introduced to give customers greater flexibility in reducing their demands during peak periods. In subsequent rate filings, the Company has maintained essentially the same percentage relationship between the peak and intermediate demand charges, as were developed in Case No. 2009-00548. In the current proceeding, the peak and intermediate demand charges were designed to maintain the same relationship between the peak and intermediate demand charges as the current charges.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 3

Responding Witness: William Steven Seelye

Q-2-3. In electronic spreadsheet format with all formulas intact, please show the development of the intermediate and peak demand charges for the Time of Day Primary customer class. Please explain how the split of production costs and transmission costs between these two rating periods was determined.

A-2-3. See the response to Question No. 2-2.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the United States Department of Defense and All Other Federal Executive Agencies Dated February 5, 2021

Case No. 2020-00349

Question No. 4

Responding Witness: William Steven Seelye

Q-2-4. In electronic spreadsheet format with all formulas intact, please show the development of the base, intermediate, and peak demand charges for the Retail Transmission Service customer class. Please explain how the split of production costs between the intermediate and peak demand periods was determined.

A-2-4. The split of production costs between the intermediate and peak demand periods was determined in Case No. 2009-00548 based on the relative relationship between the system demands during the peak period and the intermediate peak period. See Case No. 2009-00548, Direct Testimony of William Steven Seelye, at pages 12-19. In subsequent rate filings, the Company has maintained essentially the percentage relationship between the peak and intermediate demand charges. In the current proceeding, the peak and intermediate demand charges were designed to maintain the same relationship between the peak and intermediate demand charges as the current rates. See the response to Question 2-2.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 5

Responding Witness: William Steven Seelye

Q-2-5. Please provide a copy of Schedule M-2.3 in electronic spreadsheet format with formulas intact.

A-2-5. See the attachment to the response to PSC 1-56 named "2020_Att_KU_PSC_1-56_ElecScheduleM_Forcasted.zip".

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 6

Responding Witness: N/A

Q-2-6. This request is intentionally blank.

A-2-6. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 7

Responding Witness: N/A

Q-2-7. This request is intentionally blank.

A-2-7. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 8

Responding Witness: N/A

Q-2-8. This request is intentionally blank.

A-2-8. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the United States Department of Defense and All Other Federal Executive Agencies Dated February 5, 2021

Case No. 2020-00349

Question No. 9

Responding Witness: N/A

Q-2-9. This request is intentionally blank.

A-2-9. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 10

Responding Witness: N/A

Q-2-10. This request is intentionally blank.

A-2-10. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 11

Responding Witness: N/A

Q-2-11. This request is intentionally blank.

A-2-11. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 12

Responding Witness: N/A

Q-2-12. This request is intentionally blank.

A-2-12. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 13

Responding Witness: N/A

Q-2-13. This request is intentionally blank.

A-2-13. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 14

Responding Witness: N/A

Q-2-14. This request is intentionally blank.

A-2-14. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 15

Responding Witness: Christopher M. Garrett

Q-2-15. Please provide workpapers in Microsoft Excel, with all formulas intact, that support Filing Requirement Tab 13 - Section 16(6)(f), the reconciliation of the rate base and capital used to determine the revenue requirement.

A-2-15. See response to AG-KIUC 1-58(a) for detail of reconciliation of capitalization and rate base in Microsoft Excel.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 16

Responding Witness: Daniel K. Arbough

Q-2-16. Please provide the amount of pension expense included in the Company's revenue requirement in this case and state whether returns on the pension trust were used to reduce the included amount of pension expense. If so, please provide workpapers supporting this calculation.

A-2-16. KU's test year pension expense is $7,359,950.

KU's external actuary calculates its pension cost in accordance with Accounting Standards Codification 715. Under that standard, one component of pension cost is Expected Return On Assets (EROA). KU's EROA is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements, and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

See actuary reports provided in response to AG-KIUC 1-50 which show that EROA is a component of KU's pension cost.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 17

Responding Witness: Daniel K. Arbough

Q-2-17. Please provide the amount of pension expense that was approved in the Company's last base rate case and is currently being recovered in rates. If this amount is not available, please provide the most recent Commission approved level of pension expense and the Order where it was approved.

A-2-17. The amount of pension expense that was included in the test year in KU Case No. 2018-00294 test year was $3,803,093.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the United States Department of Defense and All Other Federal Executive Agencies Dated February 5, 2021

Case No. 2020-00349

Question No. 18

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

Q-2-18. Referring to the $30,691,840 base period prepaid pension asset included on Schedule B-5.2, page 2, please answer the following questions:

a. Cite all Commission orders that allow for the inclusion of a prepaid pension asset in rate base.

b. Provide workpapers in Microsoft Excel, with all formulas intact, supporting the development of the prepaid pension asset.

c. If not already provided in response to part b., please provide workpapers in Microsoft Excel, with all formulas intact, showing the development of the prepaid pension asset, annual pension expense, and pension trust funding on an annual basis since inception and over the period where the prepaid asset balance was accumulated up through the end of the base period.

d. If not already provided in response to part b., please separately identify annual cash contributions by the Company, excess returns earned on the prepaid pension asset, and other factors (explain) that resulted in annual changes to the prepaid pension asset since inception and through the end of the base period.

e. Please identify the amount of discretionary contributions the Company has made to the prepaid pension asset since inception and through the end of the base period.

f. Please identify the ERISA minimum pension contribution since inception and through the end of the base period.

g. Please provide the amount of the prepaid pension asset at the end of the base period if the Company only made the ERISA minimum contribution.

A-2-18.

a. The Companies have included the prepaid pension asset in rate base as part of the balance sheet analyses of cash working capital consistent with the treatment utilized in the previous base rate cases, Case Nos. 2018-00294 and 2018-00295. See the response to AG-KIUC 2-11 for an analysis of the inclusion of the prepaid pension asset in rate base.

   In Kentucky-American Water's ("KAW") 1997 rate case, the Attorney General recommended that KAW's rate base be reduced to reflect its accrued pension liability. KAW agreed with the AG's adjustment "providing the Commission also finds that if the accrued balance reverses in the future and a pension asset is created, then the asset should be included as a base rate addition."[1] The Commission agreed with KAW "because it would be unfair to its stockholders to recognize the accrued pension balance only when it results in a rate base reduction."[2]

   KU further notes that it has used capitalization, not rate base, as its valuation method for the past 40 years. KU believes that capitalization remains the most objective measure of valuation and sees no reason to transition away from capitalization.

b. The $30,691,840 base period prepaid pension asset included on Schedule B-5.2, page 2, is the thirteen-month average of the actual and forecasted balance of the FERC 128 account. See attachment #1, provided in Excel format, which shows the development of the prepaid pension asset from 2019 when KU's allocation of the pension plan was in a liability position to the forecasted prepaid pension balances as of February 2021. Attachment #2 provides supporting information for attachment #1.

   The combination of the service cost, interest cost, and estimated return on assets components of pension cost for 2019 along with the impact of the actuarial re-valuation of the plan resulted in KU's allocation of the pension plan changing from a liability balance to a prepaid balance.

c. The development of the prepaid asset and pension trust funding are provided in part b. See attachment #1, provided in Excel format, for annual pension expense for 2019-2021.

d. Cash contributions to the pension plan are provided in part b. The returns on the pension assets are included in the calculation of the market related value of the assets, which is calculated by the Company's actuaries. The Company does not have an actuarial calculation isolating the excess returns on the

[1] *Application of Kentucky-American Water Company to Increase Its Rates*, Case No. 97-034, Order at 29-30 (Ky. PSC Sept. 30, 1997).
[2] *Id.*

prepaid pension assets. There are no other factors which resulted in changes to the prepaid pension assets other than those noted in the development of the pension assets provided in part b.

e. KU made cash contributions to its pension plan in the following amounts in 2019 and 2020.

KU	**2019**	**2020**
Cash Contributions	-	3,000,000

f. Financial reporting under U.S. GAAP is completed at the company level, so financial reporting information is readily available for KU. However, minimum required contributions for LG&E and KU Energy's defined benefit retirement plan are determined only at the plan level based on ERISA minimum funding regulations. As such, minimum required contributions are not available explicitly by company.

g. The Company is not able to provide this calculation as explained in part f.

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

Received from Willis Towers Watson on 1/18/2019

LG&E and KU Energy LLC Retirement Programs
Financial Statements Disclosure Information as of December 31, 2018 - Qualified Pension Plan

	Regulatory	Regulatory	Financial	Regulatory	Financial	Consolidated	Regulatory
		Non-Union Retirement Plan					Non-Union
	LG&E Union	LG&E	ServCo	KU	[redacted]		ServCo
Amounts recognized in the statement of financial position consist of:							
Noncurrent asset	$ -	$ -	$ -	$ -			$ -
Current liability	-	-	-	-			-
Noncurrent liability	(3,917,317)	(6,701,565)	(186,069,038)	(1,498,579)			(186,069,038)
Net amount recognized at end of year	$ (3,917,317)	$ (6,701,565)	$ (186,069,038)	$ (1,498,579)			$ (186,069,038)
				excel tab-b			
Amounts recognized in accumulated other comprehensive income consist of:							
Transition obligation (asset)	$ -	$ -	$ -	$ -			$ -
Prior service cost (credit)	21,684,269	2,241,526	8,634,039	2,220,571			8,634,043
Net actuarial (gain) loss	106,956,740	88,807,492	98,666,328	133,710,461			142,355,895
Accumulated other comprehensive income	$ 128,641,009	$ 91,049,018	$ 107,300,367	$ 135,931,032			$ 150,989,938
Expected Benefit Payments							
2019	$ 25,549,616	$ 16,744,914	$ 34,434,511	$ 29,664,365			$ 34,434,511
2020	24,784,130	17,523,952	34,582,817	30,044,985			34,582,817
2021	23,630,622	17,294,241	36,809,716	29,860,050			36,809,716
2022	22,879,716	17,535,312	37,181,407	29,716,902			37,181,407

[redacted]

Received from Willis Towers Watson on 5/2/2019

WillisTowersWatson

LG&E and KU Energy LLC ("LKE")
2019 Net Periodic Pension Cost Reflecting 15-year (Gain)/Loss Amortization Method
Qualified Pension Plans

	Reg-15	**Reg-15**	**Reg-15**	**Reg-15**	**Fin-15**
		Non-Union Retirement Plan			
	LG&E Union	**LG&E**	**KU**	**ServCo (Regulatory)**	**ServCo (Financial)**
Funded Status					
ABO	286,145,101	214,494,498	373,588,223	497,975,878	497,975,878
PBO	286,145,101	236,575,039	400,900,245	561,878,806	561,878,806
Fair value of assets	281,373,893	226,066,580	400,851,981	373,760,462	373,760,462
Funded status	(4,771,208)	(10,508,459)	(48,264)	(188,118,344)	(188,118,344)
Amounts recognized in accumulated other comprehensive income consist of:					
Net actuarial loss/(gain)	119,017,192	103,711,864	144,280,928	157,455,065	104,281,844
Prior service cost/(credit)	21,684,269	2,241,526	2,220,571	8,634,043	8,634,039
Transition obligation/(asset)	-	-	-	-	-
Total	140,701,461	105,953,390	146,501,499	166,089,108	112,915,883
Market related value of assets	310,403,838	251,679,405	444,363,019	411,227,667	411,227,667
2019 Net Periodic Pension Cost			excel tab-b		
Service cost	1,064,807	1,941,510	6,397,451	11,513,374	11,513,374
Interest cost	11,865,392	9,910,323	16,786,008	23,668,061	23,668,061
Expected return on assets	(21,671,596)	(17,612,272)	(31,127,731)	(29,878,707)	(29,878,707)
Amortization of:					
Transition obligation (asset)	-	-	-	-	-
Prior service cost (credit)	5,217,508	409,879	565,441	1,678,075	1,678,071
Actuarial (gain) loss	5,108,897	4,549,915	5,176,141	5,765,951	1,357,131
Net periodic pension cost	1,585,008	(800,645)	(2,202,690)	12,746,754	8,337,930
Key assumptions:					
Discount rate	4.33%	4.35%	4.35%	4.35%	4.35%
Expected return on plan assets	7.25%	7.25%	7.25%	7.25%	7.25%
Rate of compensation increase	N/A	3.50%	3.50%	3.50%	3.50%

The results contained in this document are based on the data provided by LKE's outside administrator as of January 1, 2019. All other assumptions, methods, and plan provisions are the same as those used for the year-end 2018 financial statement disclosures provided on January 18, 2019. The descriptions of the assumptions, methods, plan provisions, and limitations as set forth in the year-end 2018 financial statement disclosure letter should be considered part of these results.

Preliminary Trial Balance before Final Actuary Report

Company	Account	Description	Period Net	Ending Balance
0110	228304	PENSION PAYABLE	2,202,690.00	704,112.12
				excel tab-b

EiS eXpress Reporting

Report Name	LKE Account Balances for Pension
Report Parameters	
Currency Code	USD'
Period Name	DEC-2019'
Actual Flag	A'
Report Summary	
Responsibility Name	MULT_Reporting(Access Set => LGE ENERGY LLC)
Module Name	General Ledger
Requested By	E009093
Request Id	51261070
Process Id	571579
Request Date & Time	17-JAN-2020
Actual Start Date	17-JAN-202009:16:50 AM
Actual Completion Date	17-JAN-202009:16:50 AM

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 19

Responding Witness: Daniel K. Arbough

Q-2-19. Referring to the $42,744,320 forecast period prepaid pension asset included on Schedule B-5.2, page 5, please provide workpapers in Microsoft Excel, with all formulas intact, supporting the change from the base period amount to the forecasted period amount. In addition, please explain the large increase in the asset between the base period and the forecast period.

A-2-19. See response to Question No. 2-18 for the development of the base period prepaid pension asset and response to AG-KIUC 1-54, page 1, for the development of the test period prepaid pension asset. The response to AG-KIUC 1-54 in Excel is part of its response to Kroger 2-15. The increase in the prepaid pension asset between the base period and the test period is due to projected contributions and service cost, interest cost, and estimated return on assets during the test period.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 20

Responding Witness: N/A

Q-2-20. This request is intentionally blank.

A-2-20. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 21

Responding Witness: N/A

Q-2-21. This request is intentionally blank.

A-2-21. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 22

Responding Witness: N/A

Q-2-22. This request is intentionally blank.

A-2-22. N/A

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 23

Responding Witness: Christopher M. Garrett

Q-2-23. Please provide workpapers in Microsoft Excel, with all formulas intact, that breakdown the $48.3 million increase in the Company’s revenue requirement attributable to the new depreciation rates by the units shown on page 9 of Lonnie Bellar's direct testimony.

A-2-23. See attachment being provided in Excel format. Additionally, see the response to Kroger 2-7 for additional information on the impact of the change in depreciation rates on the revenue requirement.

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

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 24

Responding Witness: Lonnie E. Bellar

Q-2-24. For each unit shown on page 9 of Lonnie Bellar's direct testimony, please state whether the Commission has previously reviewed and approved the new retirement year.

A-2-24. The Commission has not previously reviewed the "Updated" retirement years. The Commission does not approve retirement dates for generation facilities. The Commission has previously reviewed and approved the Companies' current depreciation rates which are based on the "Current" expected retirement years shown in the table on page 9 of the Bellar direct testimony.

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 25

Responding Witness: Robert M. Conroy

Q-2-25. Please state whether the Commission approved the new retirement year for Mill Creek Unit 1 in the Company's most recent environmental cost recovery case.

A-2-25. No. The Commission's Order expressly states, "Decisions to retire generation units are effectively in the hands of utilities, while the rate implications of such decisions nevertheless rest with the Commission."[3] The Company presented in its 2020 environmental cost recovery ("ECR") plan that Mill Creek 1 is expected to be retired at the end of 2024 due to the cost of complying with Effluent Limitation Guidelines.[4] The Commission approved the Company's ECR plan in Case No. 2020-00060.[5]

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[3] *Electronic Application of Kentucky Utilities Company for Approval of its 2020 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2020-00060, Order at 12 (Ky. PSC Sept. 29, 2020).

[4] *Electronic Application of Kentucky Utilities Company for Approval of its 2020 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2020-00060, Direct Testimony of Stuart A. Wilson (Ky. PSC Mar. 31, 2020).

[5] *Electronic Application of Kentucky Utilities Company for Approval of its 2020 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2020-00060, Order (Ky. PSC Sept. 29, 2020).

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 26

Responding Witness: Kent W. Blake

Q-2-26. Please provide a copy of Exhibit KWB-1 that includes only KU costs.

A-2-26. See the attachment being provided in Excel format. Exhibit KWB-1 was prepared for these proceedings on a combined utility basis. In order to be responsive to this request, the attachment includes an allocation of all costs capitalized within CWIP, regulatory assets, regulatory liabilities, and accumulated deferred income taxes between LG&E and KU such that, when combined, the figures shown tie to the as filed Exhibit KWB-1.

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

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 27

Responding Witness: Kent W. Blake

Q-2-27. Please provide the source of the 4.02% average cost of debt used on Exhibit KWB1.

A-2-27. See attachment being provided in Excel format.

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

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the United States Department of Defense and All Other Federal Executive Agencies Dated February 5, 2021

Case No. 2020-00349

Question No. 28

Responding Witness: Kent W. Blake

Q-2-28. Please provide a copy of Exhibit KWB-2 that includes only KU costs.

A-2-28. See the attachment being provided in Excel format. Exhibit KWB-2 was prepared for these proceedings on a combined utility basis. As stated on pages 16-18 of the Blake direct testimony, the amortization of regulatory liabilities and regulatory assets were optimized for the customers' benefit to avoid any increase in the combined revenue requirement of the Companies over the analysis period. In order to be responsive to this request, the attachment includes an allocation of all costs capitalized within CWIP, regulatory assets, regulatory liabilities, and accumulated deferred income taxes between LG&E and KU such that, when combined, the figures shown tie to the as filed Exhibit KWB-2. This is likely not optimized on an individual utility basis as it shows an increase in the revenue requirement of LG&E in certain years with an offsetting reduction in the revenue requirement of KU in those same years. The Companies would expect to consider actual costs, projected benefits, allocations, as well as regulatory asset and liability balances in their next base rate proceedings following full AMI deployment to optimize cost recovery for the benefit of LG&E and KU customers at that time.

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

KENTUCKY UTILITIES COMPANY

Response to Second Request for Information of the
United States Department of Defense and All Other Federal Executive Agencies
Dated February 5, 2021

Case No. 2020-00349

Question No. 29

Responding Witness: Kent W. Blake

Q-2-29. Referring to Exhibit KWB-1, please provide workpapers in Microsoft Excel, with all formulas intact, that calculate the AFUDC average debt and equity rates used in the exhibit.

A-2-29. See attachment being provided in Excel format for the calculation of the AFUDC average debt and equity rates using the FERC methodology. Please see the attachment to Question No. 2-27 for the calculation of the AFUDC average debt and equity rates used in the WACC methodology.

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