

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

**THE KROGER CO.'S FIRST REQUESTS FOR INFORMATION TO KENTUCKY
UTILITIES COMPANY**

The Kroger Co. ("Kroger"), by and through counsel, hereby submits the following First Requests for Information to Kentucky Utilities Company ("KU").

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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?

RESPONSE:

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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?

RESPONSE:

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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.

RESPONSE:

REQUEST NO. 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?

RESPONSE:

Respectfully submitted,

/s/ Robert C. Moore

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COUNSEL FOR THE KROGER CO.

January 8, 2021

CERTIFICATE OF COMPLIANCE

I hereby certify that the foregoing is a true and accurate copy of the document being filed with the Commission in paper medium; that the electronic filing was transmitted to the Commission on January 8, 2021; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to the Commission's Orders entered in Case No. 2020-00085, Electronic Emergency Docket Related to the Novel Coronavirus COVID-19, a deviation has been granted excusing this party from filing with the Commission an original copy of this filing as normally required by 807 KAR 5:001, Section 8(12)(a)(2). However, the original copy shall be filed with the Commission within 30 days of the lifting of the state of emergency.

/s/ Robert C. Moore

Robert C. Moore