

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC APPLICATION OF)
LOUISVILLE GAS AND ELECTRIC)
COMPANY FOR AN ADJUSTMENT OF ITS)
ELECTRIC AND GAS 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. 2020-00350

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

DATED APRIL 1, 2021

WALMART INC.

CASE NO. 2020-00350

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 Louisville Gas and Electric Company's (LG&E) 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.

CASE NO. 2020-00350

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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 LG&E be awarded a ROE of 9.3 percent. If not, explain whether Walmart has a specific ROE or ROE range that it recommends for LG&E.

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 LG&E. Since the Commission awarded KPCo a 9.3 percent, it seems logical that LG&E, 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.¹ In contrast, in this case, Mr. McKenzie recommends a 10.0 percent ROE for LG&E.² KPCo also has a lower credit rating than LG&E; Moody's rates KPCo as Baa3³ whereas LG&E is rated A3.⁴ Finally, KPCo sought approval of a debt equity ratio with only 43.24 percent equity.⁵ In contrast, LG&E here seeks an equity ratio of 53 percent.⁶

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.

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

² Case No. 2020-00350, Direct Testimony of Adrien McKenzie ("McKenzie Direct"), p. 6, lines 19-22.

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

⁴ Case No. 2020-00350, McKenzie Direct, p. 15, lines 1-3.

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

⁶ Case No. 2020-00350, McKenzie Direct, p. 11, lines 3-5.

WALMART INC.

CASE NO. 2020-00350

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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

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SURCREDIT)
STATE OF ARKANSAS)
COUNTY OF BENTON)

CASE NO. 2020-00350

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.

L.V. Perry (handwritten signature)
Lisa V. Perry

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

Jesus Rojas (handwritten signature) (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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