

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

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**IN THE MATTER OF ELECTRONIC  
APPLICATION OF LOUISVILLE GAS AND  
ELECTRIC COMPANY FOR AN  
ADJUSTMENT OF ITS ELECTRIC AND  
GAS RATES, AND APPROVAL OF  
CERTAIN REGULATORY AND  
ACCOUNTING TREATMENTS**

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**Case No. 2025-00114**

**THE UNITED STATES DEPARTMENT OF DEFENSE  
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES’  
RESPONSES TO COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

**Data Request No. 1:**

Refer to the Direct Testimony of Jessica A. York (York Direct Testimony), pages 12-14. Explain how the adjustment made to the classification of Steam Production Maintenance expense will impact the rate of return on rate base and cost-based rates for each rate class. Additionally, provide the impact in an Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

**Responsible Witness: Jessica A. York**

**Response:**

Please refer to the workpapers labeled Attachment 1-1\_LGE and Attachment 1-1\_KU Redacted for the impact of Ms. York’s adjustment to the classification of Steam Production Maintenance expense for LG&E and KU, respectively. Ms. York only has Public workpapers, as she relied on the public data provided by the utilities in their respective applications, which includes some redactions.

For LG&E, Ms. York’s reclassification of Steam Production Maintenance expense is shown on the tab labeled “Input Prod O&M.” Results flow through the model. Rate of return results are shown on the tab labeled “COSS Summary (Sch 5),” and can be compared to the same tab in the LG&E’s filed electric cost of service study model. Unit costs of service are shown on the tab labeled “Rev Target Classification.”

For KU, Ms. York’s reclassification of Steam Production Maintenance expense is shown on the tab labeled “Input Prod O&M.” Results flow through the model. Rate of return results are shown on the tab labeled “COSS Summary (Sch 2),” and can be compared to

the same tab in the KU's filed electric cost of service study model. Unit costs of service are shown on the tab labeled "Rev Target Classification."

**Data Request No. 2:**

Refer to the Direct Testimony of Michael P. Gorman (Gorman Direct Testimony). Provide all workpapers and Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

**Responsible Witness: Michael P. Gorman**

**Response:**

Mr. Gorman's Public and Confidential workpapers are included in the enclosed folders, labeled Attachment\_1-2\_MPG\_Public and Attachment\_1-2\_MPG\_Confidential, respectively.

**Data Request No. 3:**

Refer to the Gorman Direct Testimony, page 33, lines 18-21. Explain how a 13-week period for calculating the average stock price is an adequate period of time to normalize short-term volatility to reflect the stock's long-term value.

**Responsible Witness: Michael P. Gorman**

**Response:**

The time period is a matter of judgement. Mr. Gorman chose a three month time period as reflective of recent market data and security valuations, but to include enough data to minimize the risk of the stock valuations being impacted by aberrant non-sustainable market movements.

**Data Request No. 4:**

Refer to the Gorman Direct Testimony, page 35, lines 3-8.

- a. Provide support for the use of Zacks, MI, and I/B/E/S as sources for analysts' growth rate estimates.
- b. Explain the reason for not including growth rate projections obtained from Value Line.
- c. Explain why dividend growth rates were not used and whether, in addition to earnings per share growth rates, the use of dividend growth rates should also be included in the analysis.

**Responsible Witness: Michael P. Gorman**

**Response:**

- a. Included in Mr. Gorman's workpapers.
- b. Value Line is not a consensus analyst growth rate service. Rather, Value Line reflects a single analyst growth rate projection.
- c. Mr. Gorman is not aware of consensus analysts dividend growth rate projections. However, in a constant growth DCF model, earnings and dividends are expected to grow at the same constant rate.

**Data Request No. 5:**

Refer to the Gorman Direct Testimony, page 41.

- a. Provide further justification for the use of a Multi-Stage Growth Discounted Cash Flow (DCF) Model.
- b. Compare the use of Multi-Stage Growth DCF Models and Constant Growth DCF Models in determining return on equity (ROE), generally.

**Responsible Witness: Michael P. Gorman**

**Response:**

- a. Mr. Gorman included in his testimony the support for the reliance of a multi-growth rate DCF model. This includes the academic support for multi-growth models, the academic and practitioner reliance on multi-stage growth models, and the

measurement of long-term sustainable growth based on academic and practitioner practices. See pages 41-49.

- b. Mr. Gorman testimony provides both DCF models, and he discusses the strengths and weaknesses of both DCF models. See pages 32-49 of his direct testimony.

**Data Request No. 6:**

Refer to the Gorman Direct Testimony, page 61, lines 6-13. Explain the use of only one source of beta values. In the response, include a discussion regarding beta values from sources such as S&P IQ in the context of ROE analyses.

**Responsible Witness: Michael P. Gorman**

**Response:**

Mr. Gorman's relied on Value Line published betas, and adjusted betas calculated using the Value Line methodology. See his testimony at pages 60-61. Mr. Gorman is not opposed to the use of other sources of forward looking betas.

**Data Request No. 7:**

Refer to the Gorman Direct Testimony, page 61, lines 15-21. Elaborate on the methodology used to calculate the estimated expected return on the market.

**Responsible Witness: Michael P. Gorman**

**Response:**

Mr. Gorman estimated a expected return on the market using a risk premium methodology. The expected market return is based on a normalized real return on the market as a proxy for the forward looking expected real market return, and a consensus economists' projection of future inflation. This methodology derives a market return that can be used to estimate the expected market risk premium.

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Case No. 2025-00113

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Case No. 2025-00114

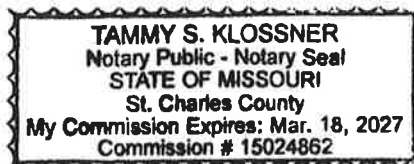
STATE OF MISSOURI     )  
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COUNTY OF ST. LOUIS   )

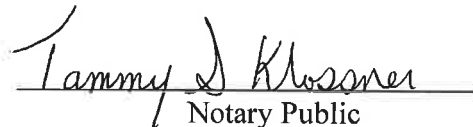
**VERIFICATION OF MICHAEL P. GORMAN**

The undersigned, **Michael P. Gorman**, being duly sworn, deposes and says that he is a Managing Principal of Brubaker & Associates, Inc., 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.

  
Michael P. Gorman

Subscribed and sworn to before me, a Notary Public in said County and State, this 23<sup>rd</sup> day of September, 2025.



  
Notary Public

**IN THE MATTER OF ELECTRONIC  
APPLICATION OF KENTUCKY UTILITIES  
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**STATE OF MISSOURI            )**  
                                       )  
**COUNTY OF ST. LOUIS      )**

**SS**

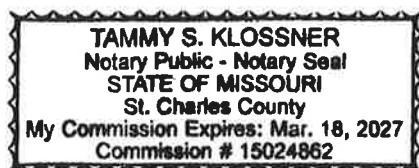
The undersigned, **Jessica A. York**, being duly sworn, deposes and says that she is a Principal of Brubaker & Associates, Inc., and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Jessie A. Clark

**Jessica A. York**

Subscribed and sworn to before me, a Notary Public in said County and State, this 23<sup>rd</sup>  
day of September, 2025.

Tammy J. Klossner  
Notary Public



September 23, 2025

Respectfully submitted,

/s/ Kyle J Smith  
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## **CERTIFICATE OF SERVICE**

I, Kyle J Smith, representative for DoD/FEA, hereby certify that a copy of DoD/FEA's Response to Commission Staff's First Request for Information was served electronically on September 23, 2025, along with the Read1st Cover Letter, on the following:

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/s/ Kyle J Smith\_\_\_\_\_