Q. DID THE COMPANY'S CALCULATION OF PAYROLL COSTS INCLUDE A VACANCY FACTOR?

A. No, the Company states that no vacancy factor was used.[4]

Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT?

A. As the Company has averaged 3.6% vacancies for the years 2020 – 2024, I recommend a reduction of 3.6% to payroll expense. This is a reduction of $610,390 as shown on Exhibit JD-1, Schedule C-1. This reduces the forecasted test period revenue requirement by $614,211 after the gross up for uncollectibles, regulatory assessment fees, and taxes which is shown in the Summary of Adjustments Table on page 5. I have also made corresponding adjustments to benefits expense and payroll taxes, shown on Schedules C-11 and C-12.

If the Commission rejects my reduction of 3.6% based on vacancies, I recommend a 6.05% reduction to payroll expense based on the Company's historical record of overbudgeting.

Incentive Compensation

Q. What amount of incentive compensation expense has the Company included in the forecasted test period?

A. The Company has included $3,171,584 in the forecasted test period ($1,867,075 for its Annual Performance Plan ("APP") and $1,304,509 for its Long-Term Performance Plan ("LTPP")).[5]

[4] Kentucky-American's response to the Attorney General's First Request, No. 140.
[5] Kentucky-American's response to the Attorney General's First Request, No. 116.