COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES CASE NO. 2014-00371

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission the original, three paper copies, and an electronic copy of the following information, and with a copy to all parties of record. The information requested herein is due on January 23, 2015. Paper responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KU shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KU fails or
refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Tab 5 of the application, P.S.C. No. 16, Second Revision of Original Sheet No. 35.2, Lighting Service, and proposed P.S.C. No. 17, Original Sheet No. 36.2, Restricted Lighting Service. Confirm that KU's proposal to remove the Granville accessories from its tariff means that the accessories are not used for lighting service to the city of London.

2. Refer to Tab 5 of the application, proposed P.S.C. No. 17, Original Sheet No. 50, Curtailable Service Rider 10 ("CSR10"), and P.S.C. No. 17, Original Sheet No. 51, Curtailable Service Rider 30 ("CSR30").
   a. Explain the reason for the decrease from 375 hours to 100 hours in the number of hours the curtailment cannot exceed.
   b. Confirm that the text changes to the current tariffs would prohibit the purchase of buy-through power during a curtailment.
   c. State the number of customers KU has on CSR10 and CSR30.
   d. State whether KU has discussed the proposed changes with its CSR10 and CRS30 customers. If yes, provide the customers' responses.
3. Refer to Tab 5 of the application, proposed P.S.C. No. 17, Original Sheet No. 50.2, CSR10, and P.S.C. No. 17, Original Sheet No. 51.2, CSR30. Explain the reason for the deletion of the following text in the Terms and Conditions section: “Upon request by the Customer, the Company will provide, once per month, to the Customer an explanation of the reasons for any request for curtailment.”

4. Refer to Tab 5 of the application, proposed P.S.C. No. 17, Original Sheet No. 100, Terms and Conditions, Residential Rate Specific Terms and Conditions. Provide the reasons the text changes on this page are necessary and the effect the changes will have on current customers.

5. Refer to Tab 5 of the application, proposed P.S.C. No. 17, Original Sheet Nos. 104 and 104.1, Terms and Conditions, Bill Format. Identify and explain the text changes made to the bill format.

6. Refer to Tab 5 of the application, proposed P.S.C. No. 17, Original Sheet No. 106.2, Section G., Mobile Home Line Extensions. Explain the reason for the deletion of text relating to an August 9, 1991 Order in Case No. 91-213.¹

7. Refer to page 11, lines 17-21, of the Testimony of Victor A. Staffieri (“Staffieri Testimony”). Provide all articles, press releases, etc., regarding the Business First newspaper’s “Partners in Philanthropy Award” KU received in 2014.

8. Refer to page 12, lines 1-5, of the Staffieri Testimony.
   a. Provide the amounts awarded by the LG&E and KU Foundation (“Foundation”) in each of the calendar years 2011, 2012, and 2013.

b. For the shareholder contributions that are in addition to those made by the Foundation, provide a list of the organizations to which KU contributed in each of the calendar years 2011, 2012, and 2013.

9. Refer to page 13, lines 5-7, of the Staffieri Testimony. Provide all articles, press releases, etc., regarding the recognition KU received in the September 2014 issue of Site Selection magazine.

10. Refer to page 9, lines 19-23, of the Testimony of Kent W. Blake ("K. Blake Testimony").
   a. Of the headcount increase of 53 in the information technology group, provide the number applicable to KU.
   b. Provide the number of new KU information technology positions that will involve a contractor offset.
   c. Provide the number of KU information technology employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

11. Refer to page 10, lines 19-21, of the K. Blake Testimony.
   a. Of the headcount increase of 17 in the administrative departments, provide the number applicable to KU.
   b. Provide the number of new KU administrative positions that will involve a contractor offset.
   c. Provide the number of KU administrative employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.
12. Refer to page 21, line 19, continuing to page 23, line 3, of the K. Blake Testimony, and also to Filing Schedule J-2, page 3 of 3.


   b. Identify and describe the factors, expectations, assumptions, etc. cited by LIBOR in developing forward curves in which short-term rates are increasing by approximately one percent from 2015 to 2016.

13. Refer to page 25, lines 7-12, of the K. Blake Testimony and the response to Item 45 of Commission Staff's First Request for Information ("Staff's First Request").

   a. The response to Staff's First Request contained monthly income statements for September and October 2014. For the months for which they are available, provide monthly income statements for the months since October 2014.

   b. Provide an updated base period income statement in which actual historical results for the months since August 2014 are substituted for the forecasted amounts for those months in the base period income statement in KU's application.

14. Refer to page 28, lines 7-9, of the K. Blake Testimony. Indicate the approximate time by which KU expects to have validated its pension assumptions.

15. Refer to Exhibit KWB-1, which is titled "5 Year Capital Expenditures." In the same categories as in the exhibit, provide KU's actual capital expenditures for calendar year 2014.

16. Refer to Exhibit KWB-3. Provide the same benchmark comparison as in the exhibit on an annual basis for calendar years 2011, 2012, and 2013.
17. Refer to page 23, line 23, continuing to page 24, line 3, of the Testimony of Paul W. Thompson ("Thompson Testimony"). Identify the key positions that KU has determined should be filled by company employees rather than have the required work performed by contractors.

18. Refer to page 31, lines 7-13, of the Thompson Testimony.
   a. Of the headcount increase of 19 in the transmission workforce, provide the number applicable to KU.
   b. Provide the number of new KU transmission positions which result from the "need to retain core skills and knowledge" of positions for which the work was previously contracted out.
   c. Provide the number of KU transmission employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

19. Refer to page 36, lines 2-4, of the Thompson Testimony. Explain whether the $242 per customer overall electric distribution expenditure reflects operating expenses, capital expenditures, or both.

20. Refer to page 42, lines 2-10, of the Thompson Testimony.
   a. Of the headcount increase of 53 in the distribution workforce, provide the number applicable to KU.
   b. Provide the number of new KU distribution positions that will involve a "corresponding contractor offset."
c. Provide the number of KU distribution employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.


22. Refer to page 62, lines 8-19, of the Thompson Testimony.
   a. Of the headcount increase of 93 in the customer service workforce, provide the number applicable to KU.
   b. Provide the number of new KU customer service positions that will involve a contractor offset.
   c. Provide the number of KU customer service employees: (1) as of the beginning of the base period; (2) as of December 31, 2014; and (3) included in the proposed test year.

23. Refer to page 23, Table 5, of the Testimony of David S. Sinclair ("Sinclair Testimony"). In the same format as in the table, provide the results of KU's monthly off-system sales for the months since August 2014.

24. Refer to page 27 of the Sinclair Testimony.
   a. Beginning at line 7, Mr. Sinclair states that "[t]he 'buy through' provision did nothing to alter the Companies' obligation to serve, and thus, the need for generating assets to meet load. All it did was effectively change the energy price for a customer on the CSR tariff to be equivalent to a simple cycle gas-fired combustion
turbine.” Explain why a “buy through” could not be a “buy through” of market power and therefore not rely on KU’s generating assets.

b. Beginning at line 19, Mr. Sinclair states that “…limiting the ability to call for a curtailment until a ‘system reliability event’ occurs reduces their ability to dispatch the system in a least-cost manner.” Explain how it reduces the ability to dispatch in a least-cost manner.

25. Refer to the Sinclair Testimony, Exhibit DSS-2. In Excel spreadsheet format, provide all calculations underlying the Base and Forecasted Test Period sales volumes and number of customers for each rate class, in sufficient detail to show all adjustments made to derive forecasted customers and sales volumes from historic customer numbers and sales volumes.

26. Refer to the Testimony of William E. Avera and Adrien M. McKenzie (“Avera and McKenzie Testimony”), page 7. Indicate which of the 20 proxy utilities have the ability to use future test year proceedings for rate increases.

27. Refer to the Avera and McKenzie Testimony, page 13. Confirm that the 2014 interest rates shown on Figure 2 have not risen to the level of the interest rate projections for 2014 contained in the Avera Testimony filed in Case No. 2012-00221.2 Also state whether 2014 interest rates have risen much above the rates in the “Current” column in Table WEA-1 on page 15 of the Avera Testimony in Case No. 2012-00221.


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a. Explain changes to the proxy group selection criteria in comparison to those described in the Avera Testimony in Case No. 2012-00221, and why those changes were made.

b. Considering the exclusion of utilities involved in a major merger or acquisition, confirm that Duke Energy does not need to be excluded based on the major asset acquisition reported in the August 22, 2014 issue of Value Line.

29. Refer to the Avera and McKenzie Testimony, page 21, lines 22-26, and Exhibit 4, page 1. Considering that only two of the proxy group have higher common equity ratios than the 52.75 percent common equity ratio used by KU, state whether it would be reasonable to exclude CMS Energy Corp. and Dominion Resources from the proxy group based on their respective 31.3 and 35.6 percent common equity ratios.


31. Refer to the Avera and McKenzie Testimony, page 29. State whether dividend yields have decreased for the proxy group since the preparation of the DCF analysis for this application.

32. Refer to the Avera and McKenzie Testimony, pages 37-38 and Exhibit No. 5.
a. Confirm that the previously cited FERC opinion in footnote 13 of the Avera and McKenzie Testimony used the Moody’s Baa six-month average plus 100 basis points to establish the low end for its outlier test.

b. Confirm that using the same approach as described in part a. of this request for the proxy group used in this proceeding would exclude only companies with cost of equity estimates of 5.7 percent or lower from the estimates in Exhibit 5, which, in this case, would exclude only Entergy Corp.

33. Refer to the Avera and McKenzie Testimony, pages 20 and 40-44, and Exhibit 7.

a. Explain why the Empirical Capital Asset Pricing Model (“ECAPM”) is used to estimate the cost of equity as opposed to the Capital Asset Pricing Model (“CAPM”), that was used in the Avera Testimony in Case No. 2012-00221.

b. For comparison purposes, provide a cost of common equity estimate calculated with the ECAPM using KU’s .65 beta as referenced on page 20.

c. For comparison purposes, provide an ECAPM cost of equity estimate using a historical market risk premium as opposed to an estimated forward-looking market risk premium.

d. Explain why it was necessary to weight the firms in the calculations as described on lines 16-19, page 42, as opposed to performing the calculations on an unweighted basis.

e. Explain the nature of the relationship between firm size and return and how analysts use this relationship in a non-regulated environment where product and service prices are set by the market.
f. Provide the calculation for the dividend as explained in footnote (a) of pages 1 and 2 of Exhibit 7.

g. Provide the IBES growth rates referenced in footnote (b) on pages 1 and 2 of Exhibit 7 and show how the 10.8 percent growth rate was calculated.

h. Provide Table 10 referenced in footnote (g) on pages 1 and 2 of Exhibit 7.

34. Refer to the Avera and McKenzie Testimony, pages 45-46, and to Exhibit 8, page 3. Provide an update of the Risk Premium calculation when Allowed ROEs are available for calendar year 2014 from Regulatory Research Associates.

35. In Excel spreadsheet format, provide all work papers supporting the Avera and McKenzie Testimony and Exhibits.

36. Refer to page 5, line 22, and to page 6, line 2, of the Testimony of John J. Spanos ("Spanos Testimony").

   a. Provide the accounting entries Mr. Spanos reviewed that were part of the 2011 depreciation studies referenced by Mr. Spanos.

   b. Explain whether Cane Run Unit 7 being the first combined cycle combustion turbine generating unit in which KU has an ownership interest affects the relevance of the review of the 2011 depreciation studies performed by Mr. Spanos.

37. Refer to page 8, lines 15-19, of the Spanos Testimony. The last phrase in the text is, "typical life spans experienced and used by other electric utilities for similar facilities." Identify the other utilities and similar facilities to which Mr. Spanos refers.

38. Refer to page 9, lines 3-5, of the Spanos Testimony. In estimating the net salvage percentages, explain why the period chosen for reviewing historical data was

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2004-2011. Explain specifically (1) why a longer period was not used and (2) why the period reviewed did not include more recent data.

39. Refer to page 10, lines 9-14, of the Spanos Testimony. It states that survivor curve 50-R1.5 was selected for account 344, generators, but that a 40-year life span for the Cane Run 7 generators was determined to be appropriate.
   a. Explain how the 40-year life span was derived from the 50-R1.5 survivor curve.
   b. If the 40-year life span was not derived from the 50-R1.5 survivor curve, explain how it was determined and explain why it is appropriate.

40. Refer to the depreciation summary sheets shown in KU's application filed in Case No. 2012-00221 at pages III-4 through III-10 of John Spanos' Direct Testimony and refer to Exhibit 7 of the stipulated agreement filed in that case that was approved by Commission Order dated December 20, 2012. Using the same format presented on the depreciation summary sheets shown in the Spanos Testimony, show the calculation of the depreciation rates listed in Exhibit 7.

41. Refer to Exhibit JJS-1, page 1, of the Spanos Testimony and Section 2.3 of the Stipulation and Agreement approved by the Commission in Case No. 2012-00221. In Section 2.3, KU agreed that terminal net salvage was approximately (2) percent rather than the (10) percent it originally requested. In this proceeding, as shown on Exhibit JJS, KU assigns a (5) percent net salvage value to accounts 342, 343, and 345 for the Cane Run 7 facilities and a (10) percent net salvage value to account 344.
a. Explain whether the salvage values assigned to the Cane Run 7 facilities on Exhibit JJS-1 conform to the (2) percent terminal net salvage value agreed to by KU in the Stipulation and Agreement.

b. If the salvage values shown on Exhibit JJS-1 are nonconforming, restate Exhibit JJS using salvage values that are conforming.

42. Refer to the Spanos Testimony, Exhibit JJS-1, Page 1. Provide the calculation of the composite remaining life that is assigned to each plant account group.

43. Refer to page 3 of the Testimony of Dr. Martin Blake ("M. Blake Testimony"). Beginning at line 9, Dr. Blake states that KU's cost of service study ("COSS") was prepared using cost of service methodologies accepted by the Commission in previous cases. State whether all balance sheet and income statement accounts in the COSS filed in this proceeding, including the jurisdictional separation study, have been allocated using the same methodology and allocation factors as used in the prior base rate proceeding. If not, provide the changes and the reasons for the changes.

44. Refer to page 7 of the M. Blake Testimony, lines 19-20, which states that peak costs are assigned to the summer peak period. For the most recent five-year period, provide the summer and winter individual peaks for KU and Louisville Gas and Electric Company ("LG&E") and the combined KU/LG&E peaks.

45. Refer to page 19 of the M. Blake Testimony, lines 1-2, wherein he states that "[i]ncreasing each rate class by the same percentage comports with gradualism and will minimize rate shock." Explain how increasing each rate class by the same percentage comports with gradualism.
46. Refer to pages 19-23 of the M. Blake Testimony. State whether KU considered proposing increases to its residential customer charges that are more in line with the percentage increases in base rate revenues applied to the residential class. The response should include: (1) how the proposed 67 percent increase to the customer charge is preferable to a more gradual increase, and (2) the extent to which KU believes its existing level of customer charges have been inadequate to recover costs not collected through its volumetric rates.

47. Refer to pages 26-27 of the M. Blake Testimony and Exhibits MJB-10 and MJB-11.

a. Provide the calculation of the proposed off-peak energy rate for the Residential Time of Day Energy ("RTOD-Energy") class as described on lines 12-14 of page 26.

b. Provide the calculation of the proposed energy charge for the Residential Time of Day Demand ("RTOD-Demand") class as described on lines 1-2 of page 27.

c. Provide the calculation of the proposed off-peak demand rate for the RTOD-Demand rate as described on lines 3-4 of page 27.

48. Refer to pages 27-29 of the M. Blake Testimony wherein he describes how the proposed increases in the Redundant Capacity charges and Supplemental/Standby Service charges were calculated. State whether the methodology used to calculate the charges is the same as that used in prior base rate proceedings. If not, provide and explain the differences.

49. Refer to Exhibit MJB-3.
a. Refer to page 1 of 29.

(1) Reconcile the $1,642,376,592 shown on line 23 of Column 2 as Operating Revenues with the $1,416,158,457 shown as Total Operating Revenues on Exhibit MJB-9, page 23 of 38, Column 3, line 670.

(2) Reconcile the $1,396,436,424 shown on line 34 of Column 2 as Total Operating Expenses with the $1,240,778,888 shown as Total Operating Expenses on Exhibit MJB-9, page 23 of 38, Column 3, line 683.

b. Refer to page 20 of 29. Provide a detailed description for each production allocator shown on lines 1–11.

50. Refer to Exhibit MJB-4, page 1 of 1.

a. Explain how the minimum system demand figure was calculated or whether it is simply the low point on the system load curve.

b. Explain how the winter and summer peak hours are calculated.

c. This exhibit provides the application of the modified BIP methodology which is based on combined system results for KU and LG&E. Provide the information presented in this exhibit for KU and LG&E individually.

d. Confirm that the Winter Peak Period Costs percentage on row 10 was calculated as follows: (Line 7/Line 9 x Line 6).

51. Refer to Exhibit MJB-8, pages 49-52 of 52. Explain in detail how each of the following functional vectors was calculated: F019, F020, F021, F022, F023, F024, F027, and PROFIX.

52. Refer to Exhibit MJB-9, page 37 of 38, line 1163. Explain how the Production Base Demand Allocator was calculated.
53. Refer to Exhibit MJB-11, pages 3-4, and to pages 20-22 of the Testimony of Robert M. Conroy ("Conroy Testimony"). Confirm that KU is not proposing that the RTOD-Energy and RTOD-Demand tariffs be implemented as pilot programs.

54. Refer to page 23 of the Conroy Testimony. Beginning at line 20, Mr. Conroy states that, for customers taking service under the proposed RTOD-Energy and RTOD-Demand tariffs, meter reading personnel will have to collect data each month from multiple registers and transfer that data into the billing system. Explain why meters would not be used for these customers that would be capable of automatically collecting and transferring the necessary billing data.

55. Refer to page 24 of the Conroy Testimony, lines 9-15, wherein Mr. Conroy discusses the usage limit of 300 kWh for a detached garage in order for the garage to be eligible to be served under one of the proposed RTOD-Energy or RTOD-Demand tariffs. Mr. Conroy states that the restriction is the same as the one that currently applies to the Low Emission Vehicle ("Rate LEV") tariff. Explain why the limit of 300 kWh was initially established for Rate LEV.

56. Refer to page 27 of the Conroy Testimony.
   a. Beginning at line 6, Mr. Conroy states that "[t]he Company will make all reasonable efforts to contact Rate LEV customers to advise them of their new rate options after the Commission approves the new rates but before they take effect (at which time Rate LEV will terminate)." Provide the methods KU will use to contact customers.
   
   b. Beginning at line 14, Mr. Conroy states that the Rate LEV tariff customers who do not inform KU of the rate under which they would like to take service
before new rates are effective will automatically be transferred to Rate RTOD-Energy. For each Rate LEV customer, provide the percentage increase the customer would receive if switched from Rate LEV to the proposed RTOD-Energy class.

57. Refer to pages 33-34 of the Conroy Testimony wherein Mr. Conroy discusses text changes to the Economic Development Rider ("EDR").

a. Refer to page 33, lines 9-11, wherein Mr. Conroy discusses a change to "... clarify that the rider applies only to monthly minimum billing loads, not to annual averages of monthly billing loads." State whether this is a change from current practice.

b. Refer to page 34, lines 1-4, which include a discussion of new language stating that KU will not provide a billing credit under the EDR tariff in any billing month in which the metered load is less than the load required to be eligible for the rider. State whether this is a change from current practice.

58. Refer to page 35 of the Conroy Testimony, lines 11-15, which discuss a text change to the Terms and Conditions, Tariff Sheet No. 97.3, "... to clarify that a customer who asks the Company to relocate or change facilities must pay for such relocations or change to the extent the requested relocations or changes are supported by additional load." State whether Mr. Conroy meant to say "to the extent the requested relocations or changes are not supported by additional load."

59. Refer to pages 35-36 of the Conroy Testimony. Beginning at line 23 on page 35, Mr. Conroy discusses changes to expand the definition of written notices or communications provided to customers concerning discontinuance of service. Mr.
Conroy states that the expanded definition would include non-paper forms of communication, and this would include using electronic mail to issue "brown bills."

a. State whether "brown bill" refers to a disconnect notice. If not, explain what is meant by "brown bill."

b. State whether, under the proposed change, a customer who chooses to receive a paper bill could be sent a “brown bill” by electronic mail.

c. State whether KU requests an e-mail address for new customers.

60. To the extent not already provided, provide an electronic copy in Excel spreadsheet format of all of the exhibits, work papers, and schedules, with the formulas intact and unprotected and with all columns and rows accessible, of Kent W. Blake, Dr. Martin Blake, and Robert Conroy, including all billing analyses.

61. Refer to Exhibit RMC-1, page 1 of 4. Explain how the Lighting Hours per Month were determined.

62. Refer to page 26 of the November 14, 2014 Order in Case No. 2014-00003 wherein the Commission stated that, during KU’s next general rate cases, the Commission would review KU’s definition of industrial customers by North American Industry Classification System ("NAICS") codes for reasonableness. KU’s Demand Side Management (“DSM”) tariff states “For purposes of rate application hereunder, non-residential customers will be considered ‘industrial’ if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification

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System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as 'commercial.'

a. Explain how each of the NAICS sections cited in the DSM tariff was determined to be the sections applicable in determining the definition of an industrial customer.

b. Explain why other sections of the NAICS are not applicable.

c. KU's response to Item 7 of the Supplement Information Request of Wallace McMullen and the Sierra Club in Case No. 2014-00003 stated that KU had 2,965 customers receiving service under industrial tariffs. If this number is no longer accurate, provide an updated number of customers receiving service under industrial tariffs.

(1) State the rate classes under which these customers are currently receiving service and the number of customers served under each rate class.

(2) State the number of these customers by rate class that is exempt from the DSM charge.

(4) Provide a breakdown of the industrial customer number by NAICS under which they are exempt from the DSM charge (for example, 245 are exempt under section 21, 300 are exempt under Section 22, etc.).

(5) For the 25 industrial customers with the highest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

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(6) For the 25 industrial customers with the lowest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

63. Refer to Tab 65 of the application, Schedule M-2.3, pages 3-21. Explain the "Correction Factor" that appears on these pages and why they differ between pages.

64. Refer to Tab 65 of the application, Schedule M-2.3, page 4 of 21. Explain why the Calculated Revenue at Proposed Rates is shown as $4,309 instead of $3,194 ($62,620 kWh x $.05100).

65. Refer to Schedule B-2.1, pages 4 and 6.
   a. Describe the nature of the adjustment to reduce Account 312, Boiler Plant Equipment, by $1,007.6 billion, from $3,326.2 billion, to $2,318.6 billion.
   b. Describe the nature of the adjustment to reduce Account 397, Communication Equipment, by $4.9 million, from $47.7 million, to $42.8 million.

66. Refer to Schedule B-2.3, pages 4 and 5.
   a. Describe the nature of the adjustment to increase Account 303, Miscellaneous Intangible Plant, which has a beginning balance of $89.6 million, by 10.1 million.
   b. Describe the nature of the adjustment to increase Account 312, Boiler Plant Equipment, which has a beginning balance of $3,619.2 billion, by $380.9 million.
c. Describe the nature of the adjustment to increase Account 342, Fuel Holders, Producers, Accessories, which has a beginning balance of $25.43 million, by $7.7 million.

d. Describe the nature of the adjustment to increase Account 391, Office Furniture and Equipment, which has a beginning balance of $49.4 million, by $8.3 million.

e. Describe the nature of the adjustment to increase Account 397, Communication Equipment, which has a beginning balance of $49.8 million, by $5.2 million.

67. Refer to Schedule B-3, page 4. Explain the nature of the $27.8 million adjustment to the reserve to Account 312, Boiler Plant Equipment.

68. Refer to Schedule B-3.1. Explain why the adjustment to remove “ECR amounts excluded from rate base” for Account 312, Boiler Plant Equipment, in the forecasted period is $27.8 million, $16.3 million larger than the corresponding adjustment in the base period.

69. Refer to Schedule B-3.2, pages 1 and 4. Explain why Account 343, Prime Movers, increases from $330.2 million in the base period to a 13-month average of $720.5 million in the forecasted period.

70. Refer to Schedule D-1, page 2, line 22. The description of the adjustment to Account 500, Steam Operation Supervision and Engineering, reads “Variance reflects changes in headcount, assumed 3% average wage inflation and changes in generation.” Provide a breakdown of the $2,076,070 adjustment that shows the amount attributable to each of these three factors.
71. Refer to Schedule D-1, page 4, line 77, and page 5, Line 78. The descriptions of the adjustments to Accounts 570 and 571, respectively, Maintenance of Station Equipment and Maintenance of Overhead Lines, both read, "Customary changes in the ordinary course of business based on specific work in a given period...."

   a. Provide a description of the specific work scheduled in the forecasted period that accounts for an increase of $303,585 (14.4 percent) from the base period level of $2,106,072 to $2,409,675 in the forecasted period in Account 570.

   b. Provide a description of the specific work scheduled in the forecasted period that accounts for the decrease of $959,147 (19.8 percent) from the base period level of $4,856,898 to $3,897,752 in the forecasted period in Account 571.

72. Refer to Schedule D-1, page 7, line 124. The description of the adjustment to Account 920, Administrative and General Salaries, reads "Variance reflects changes in headcount and assumed 3% average wage inflation." Provide a breakdown of the $3,275,573 adjustment which shows the amount attributable to each of these two factors.

73. Refer to Tab 59 of the application, specifically the attachment with the headings "Payroll Costs" on page 1 and "Payroll Analysis" on page 2. Confirm that the differences between the amounts on Line 12, Total Labor Dollars, and Line 16, O&M Labor Dollars, reflects what could be considered "Capitalized Labor Dollars." If this cannot be confirmed, explain what makes up the differences.

74. Refer to Tab 59 of the application, specifically the attachment with the heading "Officer Compensation." Footnote 2 on page 2 of the attachment reads "Of the total salary and other compensation, 25.6% is allocated to the cost of providing service
to KU ratepayers. Other compensation includes cash based short-term incentives and stock based long-term incentives. None of the incentive pay is included in the cost of service."

a. Explain whether incentive pay makes up 100 percent of Other Compensation.

b. The amounts shown on page 2 as the average of all officers for Salary and Other Compensation indicate a roughly 50-50 split between the two forms of compensation. Assuming the response to part a. of this request is affirmative, meaning Other Compensation consists solely of incentive pay, if no incentive pay is in the cost of service and 25.6 percent of the total of Salary and Other Compensation/incentive pay is in the cost of service, confirm whether it is correct to conclude that approximately 50 percent of the total Salary amount is included in the cost of service. If this cannot be confirmed, explain why.

c. If 25.6 percent of the total of Salary and Other Compensation is included in the cost of service, confirm/explain if this means that the other 74.4 percent is treated as a below-the-line expense for ratemaking purposes.

75. Refer to the response to Item 13 of Staff's First Request and page 1 of the attachment to part b. of the response.

a. Part c. of the response indicates, with the result for capital projects that are recovered in base rates being a slippage factor of 97.803 percent, that KU believes there is no need to apply a slippage factor. Provide the percentage at which KU believes there would be a need to apply a slippage factor.
b. Using the slippage factor of 97.803 percent shown on page 1 of the attachment to part b. of the response, provide the resulting net investment rate base, capitalization, COSS, and revised revenue requirement for KU for the base period and forecasted period. Include all work papers, spreadsheets, etc. which show the derivation of each item for each period in Excel spreadsheet format with the formulas intact and unprotected and with all columns and rows accessible.

76. Refer to the attachment to the response to Item 32 of Staff's First Request, which reflects, for the months from January 2011 to October 2014 (excluding January and February 2014), that KU's actual employee headcount has typically fallen short of its budgeted headcount by 20 to 80 employees. The attachment also includes budgeted employee headcounts for the last four months of the base period and the 12 months of the forecasted period.

a. Describe in detail how this historic "shortfall" was incorporated into the employee headcounts used to develop the labor costs in the forecasted period.

b. Provide work papers, spreadsheets, etc. which show the calculation of the labor costs reflected in KU's operating expenses in the forecasted period. Include any necessary narrative description of the calculations and provide a means to reconcile the amounts in the calculations to the amounts included in KU's application.

77. Refer to the response to Item 35 of Staff's First Request, which shows, for years 2012 and 2013, that executives, senior managers, managers, exempt, and non-exempt employees all received larger annual percentage increases in salaries or wages than union employees. The response also shows that larger percentage increases are
budgeted for those employee groups during the base period and forecasted period than the percentage increase budgeted for union employees.

a. While the percentage differences are relatively small (2.9 to 3.1 percent for the non-union employee groups versus 2.5 percent for union employees), explain why these consistent differences occur.

b. Labor contracts typically determine annual percentage increases for union employees. Explain how percentage increases for the non-union employees groups are determined.

78. Refer to the response to Item 40 of Staff's First Request, which states that the "possible retirement" of Green River Units 3 and 4 is included in the forecasted test period.

a. Explain in detail what is meant by the "possible retirement" of these two units.

b. Provide the current number of on-site employees that make up the staff at Green River Units 3 and 4.

c. Describe in detail how the difference in staffing requirements based on the retirement of Green River Units 3 and 4 was incorporated into the employee headcounts used to develop the labor costs in the forecasted period.

79. Refer to the response to Item 41 of Staff's First Request. Part b. of the response reads, in part "The majority of benefit changes occurred in the pension plan expense during the period due to an increase in the discount rate for the plans of over 90 basis points for each plan."
a. The pension amounts in the attachment to the response indicate an increase of $16.2 million ($11.9 million to $28.1 million), from the base period to the forecasted period. Explain how much of this increase is attributable to the discount rate increase.

b. Describe the factors driving the discount rate increase.

c. Explain whether the discount rates used in the forecast period are related to the pension assumptions referenced on page 28, lines 7-9, of the K. Blake Testimony.

80. Refer to the response to Item 53 of Staff's First Request, which provides KU's expenses for research and development for 2011, 2012, 2013, and the base period. Provide the amount for research and development expenses included in the forecast period for KU.

81. Refer to the response to Item 57 of Staff's First Request. Explain how the 51.66 percent of salaries and benefits of G.R. Siemens and D.J. Friebert that are reported "below-the-line" was derived.

82. Item 47.a.(10) of Staff's First Request asked for information on franchise fees "during the test year." Provide the amount and franchise location of each franchise payment included in the forecasted test year ending June 30, 2016. For each such franchise payment, indicate whether it will be booked as expenses or as a pass-through franchise and indicate the amount of each payment that is for 2015 or for 2016.

83. KU's response to Item 47.a.(10) of Staff's First Request provided information on franchise fees paid during calendar year 2013. Provide an update to that response showing franchise fees paid for calendar year 2014.
84. The Franchise Agreement between KU and the Lexington-Fayette Urban County Government, dated April 11, 2013, references in paragraph 2 the bid of KU and indicates that such bid is attached to the Franchise Agreement as "Exhibit B." Provide a copy of KU's bid as referenced in that Franchise Agreement. Also provide a copy of the ordinance increasing the franchise fee from 3 percent to 4 percent.

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DATED JAN 08 2015

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