

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY	)	
UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS	)	CASE NO.
ELECTRIC RATES AND FOR CERTIFICATES OF	)	2016-00370
PUBLIC CONVENIENCE AND NECESSITY	)	

ELECTRONIC APPLICATION OF LOUISVILLE GAS AND	)	
ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS	)	CASE NO.
ELECTRIC AND GAS RATES AND FOR CERTIFICATES	)	2016-00371
OF PUBLIC CONVENIENCE AND NECESSITY	)	

ORDER

On March 30, 2017, Kentucky Industrial Utility Customers (“KIUC”) filed motions to amend the existing procedural schedule to allow it the opportunity to file supplemental testimony in response to revisions filed by Kentucky Utilities Company and Louisville Gas and Electric Company (collectively “Utilities”) to their respective cost-of-service studies. KIUC states that it has filed testimonies in these non-consolidated cases citing errors in the Utilities’ respective cost-of-service studies, and that the Utilities subsequently filed supplemental data responses in an effort to correct those errors. KIUC now believes that the Utilities’ respective cost-of-service studies are still not accurate, and KIUC proposed to file supplemental testimony and additional cost-of-service studies no later than April 14, 2017. The Utilities filed a response stating that they have no objection to KIUC’s motions to amend the procedural schedule.

On March 31, 2017, certain intervenors jointly filed motions (“Joint Motions”) in these rate cases requesting the Commission to dismiss these cases or, in the alternative,

either to strike the Utilities' cost-of-service studies or to revise the existing procedural schedule. The Joint Motions, filed by the Attorney General's Office of Rate Intervention, Wal-Mart Store East, LP and Sam's East, Inc., Lexington-Fayette Urban County Government, Kentucky League of Cities, and Louisville/Jefferson County Metro Government, assert that the revisions filed by the Utilities to their respective cost-of-service studies are substantial, claim that the studies as originally filed are inherently unreliable, and request the Commission to reject the studies as a basis for increasing the Utilities' revenue. In the absence of valid cost-of-service studies, the Joint Motions seek dismissal without prejudice of these rate cases until valid cost-of-service studies are filed and discovery is conducted. In the alternative, the Joint Motions request either that the Utilities' cost-of-service studies be stricken or that the Commission adopt proposed revisions to the existing procedural schedule to provide an opportunity to file supplemental testimony limited to the issue of the cost-of-service studies and to conduct further discovery on that issue. The Joint Motions also note that most of the intervenors to these cases who have not joined in the Joint Motions either do not oppose the relief requested or have no objection to the request.<sup>1</sup>

The Utilities filed a joint response addressing the KIUC motions and the Joint Motions. With respect to the KIUC motions, the Utilities noted that they have already filed a joint response stating no objection to revising the procedural schedule to allow for the filing of supplemental testimony by April 14, 2017. With respect to the Joint Motions, the Utilities request the Commission to deny the relief sought therein, except for the request

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<sup>1</sup> Those other intervenors include: Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.; Sierra Club; the Kentucky Cable Telecommunications Association; and JBS Swift and Co.

to allow the filing of supplemental testimony by April 14, 2017. Acknowledging that KIUC's testimony as filed on March 3, 2017, cited errors in the Utilities' respective cost-of-service studies, the joint response states that the Utilities "moved quickly yet deliberately to address the issues raised by [KIUC's testimony]" by filing corrections on March 28, 2017. The Utilities assert that since the corrections they filed were not substantial, there is no basis to dismiss these cases, to allow additional discovery, or to delay the hearing date. The Utilities further state that if the Commission decides to allow for further discovery, the dates proposed in the Joint Motion should be adopted, but the hearing scheduled to begin on May 2, 2017, should not be delayed. The Kentucky School Boards Association, an intervenor in both cases, also filed a response stating that it does not object to the requests set forth in either KIUC's motions or in the Joint Motions to revise the procedural schedule.

The intervenors that joined in the Joint Motions filed a reply in which they note the 25-day delay between the filing of KIUC's testimony citing errors in the Utilities' cost-of-service studies and the Utilities' filing to correct those errors. The intervenors question whether all of the errors have actually been corrected. The reply also asserts that the Utilities' errors are prejudicial to the intervenors, and that to remedy that prejudice, the Commission needs to grant relief as requested in the Joint Motions.

Based on the motions and being otherwise sufficiently advised, the Commission finds that the intervenors have raised serious issues relating to the accuracy of the Utilities' cost-of-service studies. Those studies were filed by the Utilities to support their proposed methodologies for allocating the additional revenues requested in these rate cases. The issues as raised by the intervenors are evidentiary in nature and cannot be

summarily decided without the opportunity for a hearing and cross-examination of witnesses. The Commission also notes that there have been rate cases in which increased revenues have been granted and allocated to rates without the use of a cost-of-service study. Thus, the relief requested by the Joint Motions in the form of dismissal of these cases or striking the cost-of-service studies is neither appropriate nor justified under the facts presented here. However, the Commission does recognize the need to fully explore the accuracy of the Utilities' cost-of-service studies, and for that reason, we will revise the existing procedural schedule to allow for the filing of supplemental testimony and conducting additional discovery. These revisions to the procedural schedule will necessitate a rescheduling of the evidentiary hearing.

IT IS THEREFORE ORDERED that:

1. KIUC's motions to revise the procedural schedules to allow for the filing of supplemental testimony on the issues of the Utilities' cost-of-service studies are granted.
2. The Joint Motions' request to dismiss these rate cases or to strike the Utilities' cost-of-service studies is denied, and the alternative relief to revise the procedural schedules is granted.
3. The revised procedural schedule set forth in the Appendix to this Order shall be followed in each of these rate cases.

By the Commission

ATTEST:

  
Executive Director



APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NOS. 2016-00370 and 2016-00371 DATED

**APR 07 2017**

- Utilities shall file, in verified prepared form, their respective rebuttal testimonies, if any, no later than..... 04/14/17
- Intervenor supplemental testimony, if any, in verified prepared form, on the issue of cost of service shall be filed no later than ..... 04/14/17
- All requests for information to Utilities and intervenors on the issue of cost of service shall be filed no later than ..... 04/21/17
- Utilities and intervenors shall file responses to requests for information on cost of service no later than ..... 04/28/17
- Utilities shall file, in verified prepared form, their respective rebuttal testimonies, if any, on the issue of cost of service no later than ..... 05/02/17
- Last day for Utilities to publish notice of hearing ..... 05/02/17
- Public Hearing to be held at 1:00 p.m. Eastern Daylight Time in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses of Utilities and Intervenors ..... 05/09/17
- Simultaneous Briefs, if any, ..... To be scheduled

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