

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)	CASE NO.
ELECTRIC AND GAS RATES AND FOR CERTIFICATES)	2016-00371
OF PUBLIC CONVENIENCE AND NECESSITY)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF KENTUCKY

The Attorney General of Kentucky ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies in paper medium and an electronic version of the following information. The information requested herein is due no later than March 31, 2017. Responses to requests for information in paper medium 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.

The AG 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 the AG 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. When filing a paper containing personal information, the AG shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Ralph C. Smith ("Smith Testimony"), specifically, Mr. Smith's discussion of incentive compensation and his recommended adjustment to reduce test-year incentive compensation expense by one-fourth based on the Net Income Component ("NI Component") making up 25.3 percent of the base period's Team Incentive Award ("TIA") expense. Mr. Smith's table of the NI Component as a percentage of TIA expense in 2015, 2016, and the base period shows 52.94 as the 2015 percentage, 30.07 as the 2016 percentage, and 25.32 as the base period percentage. Explain why Mr. Smith chose to use only the base period percentage in calculating his recommend adjustment.

2. Refer to the Smith Testimony, page 57, specifically, Mr. Smith's discussion of the amortization period for the net book value of retired meters that are to be replaced with meters being installed with the roll-out of Automated Metering Systems ("AMS"). The second full sentence in the response to the question, "Do you agree with that Company proposal?" states, "I would recommend, consistent with Commission precedent, that the amortization of the remaining book value of the replaced existing meters be over the same period that the Commission determines for the average service life for the new AMS meters." There was no footnote reference for this sentence. Identify and describe the Commission precedent to which Mr. Smith alludes.

3. Refer to the Direct Testimony of Glenn A Watkins ("Watkins Testimony"), pages 21–27, and the Direct Testimony of Stephen J. Baron filed in this proceeding on behalf of Kentucky Industrial Utility Customers, Inc., pages 11–23, wherein Mr. Baron discussed alleged errors in the hourly load data used in Kentucky Utilities Company's and Louisville Gas and Electric Company's (jointly "Companies") cost-of-service studies.

a. Beginning at the bottom of page 22 of his testimony, Mr. Baron states, "[B]ased on my review, the KU and LG&E hourly loads that are used to produce the demand allocation factors directly used in the Companies' class cost of service studies (both BIP and LOLP) are incorrect and therefore the cost of service results themselves cannot be relied on in this case." State whether Mr. Watkins agrees with Mr. Baron that the errors exist and the cost-of-service studies are unreliable. If not, explain.

b. If the response to part a. is yes, state whether the errors in the Companies' cost of service studies make the cost of service study results presented by Mr. Watkins also unusable. If no, explain.

4. Refer to the Watkins Testimony, page 40, lines 26–27, which reference a report published by the National Association of Regulatory Utility Commissioners (“NARUC”).

a. Confirm that the referenced report was a paper prepared by the Regulatory Assistance Project for NARUC.

b. Confirm that page 2 of the report states that “[t]he views and opinions expressed herein are strictly those of the authors and may not necessarily agree with, state, or reflect the positions of NARUC, the Energy Foundation, or those who commented on the paper during its drafting.”

5. Refer to the Watkins Testimony, page 49, the table titled “OAG Proposed Class Revenue Distribution At the Company’s Proposed Overall Increase.” Explain the reasons for keeping the percentage increase for the residential class the same as that proposed by LG&E.

6. Refer to the Watkins Testimony. Provide the customer charge results from each of the cost-of-service studies discussed by Mr. Watkins.

7. Refer to the Direct Testimony of J. Randall Woolridge, Ph.D. (“Woolridge Testimony”), page 24, lines 17–21. Explain why Dr. Woolridge develops three proxy groups instead of just one proxy group consisting of utilities that offer both gas and electric.

8. Refer to the Woolridge Testimony, Exhibit JRW-4, page 1 of 3.

a. Refer to Panel A, Electric Proxy Group, and Panel B, McKenzie Proxy Group. Explain why the AG's proposed return on equity ("ROE") of 8.75 percent for LG&E electric utility operations is representative of investors' expectations, given that the average earned ROE for electric utilities is 9.5 percent and for combination electric and gas utilities, as shown in Panel B, is 9.8 percent.

b. Refer to Panel C, Gas Proxy Group. Explain why the AG's proposed ROE of 8.7 percent for LG&E gas utility operations is representative of investors' expectations, given that the average earned ROE for gas utilities is 9.2 percent.

9. Refer to the Woolridge Testimony, page 48, lines 1–9, which discuss that it is common for analysts to adjust the dividend yield by some fraction of the long-term expected growth rate, and state that the growth rate is adjusted by one-half. Explain why one-half was chosen.

10. Refer to the Woolridge Testimony, Exhibit JRW-10.

a. Refer to page 2 of 6.

(1) Provide a copy of the source documents for the annual dividends and 30-, 90-, and 180-day dividend yields.

(2) If any of the above is calculated, provide the calculations.

b. Refer to pages 3–5 of 6.

(1) Explain why negative growth rates were included in the calculation of mean values.

(2) Explain why the median values produce more meaningful estimates than mean values.

(3) Explain why averaging median values produces meaningful estimates.

11. Provide the most recently authorized ROE awards for the AG's proxy groups, and the dates they were awarded.

12. Refer to the Direct Testimony of Paul Alvarez ("Alvarez Testimony"), pages 49 and 50 which discuss the Green Button Connect My Data program. Also refer to the LG&E's Direct Testimony of John P. Malloy, Exhibit JPM-1, page 19, which state "[f]ull deployment of AMS technology would make this feature available to all customers within [the] scope of this project. The Green Button Download My Data system provides every utility customer with the ability to download their personal energy consumption data directly to their computer in a secure manner." Explain if the program referenced in Exhibit JPM-1 is the same program referenced in the Alvarez Testimony.

13. Refer to the Direct Testimony of Larry W. Holloway, P.E., page 25, lines 6-7. State whether the AG objects to including the initiative to modernize LG&E's gas transmission program in an extended Gas Line Tracker recovery mechanism.



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cc: Parties of Record

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