COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

Notice is given to all parties that the unofficial stenographic transcript of the evidentiary hearing conducted on May 9, 2017, and May 10, 2017, in this proceeding as transcribed by the court reporter has been filed into the record of this proceeding.

A copy of this Notice has been electronically served upon all parties listed at the end of this notice. Parties desiring an electronic copy of the stenographic transcript may submit a written request by electronic mail to pscfilings@ky.gov.

Done at Frankfort, Kentucky, this 30th day of May 2017.

Talina R. Mathews

Talina R. Mathews
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAY 30 2017

cc: Parties of Record

Original

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In the Matter of:

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

and

ELECTRIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES AND FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY,	)	Case No. 2016-00371

PUBLIC HEARING

DATE: MAY 9, 2017

DAY 1 OF 2

REPORTER: DIANA HALL LOEB, FPR, CSR

Sworn Testimony Court Reporting

Lexington, Kentucky

A P P E A R A N C E S

PUBLIC SERVICE COMMISSION COUNCIL MEMBERS:

Michael J. Schmitt, Chairman

Robert Cicero, Vice Chairman

Daniel L. Logsdon, Jr., Commissioner

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APPLICANT STAFF: As recorded on the record

COMMISSION STAFF: As recorded on the record

INTERVENORS: As recorded on the record

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(Thereupon, the hearing commenced at 12:57 p.m.)

MR. SCHMITT: You may be seated. Thank you. I apologize for making you stand.

We are now on the record. My name is Michael Schmitt. I'm Chairman of the Kentucky Public Service Commission. With me today seated to my right is Robert Cicero, Vice-Chairman, and to the left, Commissioner Daniel Logsdon.

If anyone has a cellphone, pager or any device which would make a noise and disturb the proceeding, please turn it off or down to low or buzz during the course of the proceeding. If you need to make a telephone call, please step outside in the hall to do it. As most of you know, the building door is locked. So make sure there is somebody at the desk that knows or you may not be able to get back in if you need to come back.

After our conference, I guess, our informal conference, which was on the record in late March and early April, we learned that there was a problem with people hearing behind the microphones when people speak or spoke, their back was turned. So what we have done in attempt to solve that problem, is we have two speakers in the back corner of the room to aid people in the audience, the attorneys, parties and anyone else who cares to be here. In addition, we have, I think, five or six headsets here, which are keyed into the system. So if anyone would like assistance in hearing by using a headset, they are on table at the back of the hearing room and please feel free to utilize those if need be.

Because of the number of people we have and the number of interested parties, it's impossible for counsel, all counsel of record to be present in front. So would -- if any of attorneys for the other Intervenors, when you are asked to identify yourselves, or if you would like to come forward and address the Commission, or other counsel or ask questions of witness, please come forward to the microphone that is just at the back of counsel for the Attorney General's office, and identify yourselves and speak up.

Otherwise, if you try to speak from where you are seated, there is a substantial chance that you might not be on the record. Okay? So, I will try to remind you. But in case I forget please somebody else do that, because we want your comments I am sure on the record.

There have been, I think, two rooms reserved for the parties, I think for the Attorney General's office and for Kentucky Utilities and LG&E. And I don't know if you know where the rooms are --

APPLICANT STAFF: No, I don't know.

MR. SCHMITT: I believe we have the list somewhere, but -- I am not sure that I have it. But Patsy -- here it is. No. Not it. There are two rooms however. And at a recess, Patsy, the receptionist will know which room that you will be going in. I believe the guess is that the Applicants, LG&E and KU, have this back hearing room. The second hearing room is the for the Attorney General's office who will have the conference room just across the hall.

Unfortunately, we don't have enough space for anyone else. If you like a room, we will have some vacancies and somebody will show you to the room if any party would like to do that.

Okay. The nature of the hearing today is for the purpose of taking evidence on cross-examination in Case Number 2016-00370, Application of Kentucky Utilities Company for an adjustment of its electric rates and for certificates of other convenience and necessity. Combined with Case Number 2016-00371, Application of Louisville Gas and Electric Company for an adjustment of its electric and gas rates and for certificate of public convenience and necessity.

As I understand it, perhaps at least Kentucky Utilities and Louisville Gas and Electric's application for request for public convenience, certificate of public convenience and necessity has been withdrawn at least in part; is that correct?

APPLICANT STAFF: Yes, Your Honor, it is -- Louisville Gas and Electric Company and Kentucky Utilities have occasioned for the certificate of public convenience and necessity for the AMS meters is proposed to be withdrawn per the stipulation. Their application for the certificates of public convenience and necessity for the DA CPCN is not. And the stipulation recommends that the Commission grant the CPCN for the DA project for the companies.

MR. SCHMITT: Thank you.

Now, as the Commission understands it, all parties have entered into a stipulation and recommendation that the Commission approve a settlement that was reached between the Kentucky Utilities and Louisville Gas and Electric and all of the Intervenors; is that correct.

APPLICANT STAFF: Yes, Your Honor. The settlement consists of two stipulations tendered and filed with the Commission on two separate days. The parties -- a large amount of the parties entered into the first stipulation which is the revenue requirement and cost of service issues. Second stipulation concerns only the pole attachment tariff. And Cable Telecommunications Association and AT&T. They are not in conflict and they are presented in joint.

MR. SCHMITT: We have read both stipulations and there, as I understand it, there is no objection by any party to either agreement with respect to the other. So the parties Bell South and the other parties that have an interest in the poles have no objection to the balance of any settlement involving the other Intervenors.

APPLICANT STAFF: That's correct, Your Honor.

MR. SCHMITT: And vice versa.

APPLICANT STAFF: That would be correct.

MR. SCHMITT: If anybody represents any of the Intervenors, please step forward now and let us know on the record.

I saw that the stipulations that were filed did not restrict the right of counsel for any of the parties to ask question or cross-examination. So anybody that wants to, any attorney that represents an Intervenor that would like to ask a question, you may obviously do so and would be given opportunities to do it.

So we are kind of informal on that basis. Normally, if we were in court I would say if you did not cross-examine on the first round and you came back to a redirect and a recross, I might say, no. But everybody will have a chance to ask any question if they want to ask.

But -- and if I don't see you, raise your hand or speak up or something, so that we can make sure everybody has an opportunity to exercise their right to ask questions.

Now, I will say this on behalf of the Commission to counsel and Louisville Gas and Electric and Kentucky Utilities and all the parties. We really appreciate the thorough manner in which you prepared the proposed settlement agreements and the way basically you addressed all the issues that we asked you to do. So, thank you very much from the Commission to all of you participating in that process.

At this time, would counsel for each of the parties to identify themselves and their clients that each represent starting with counsel for LG&E, and KU, and moving over to the Attorney General's office and then I have a list but since we -- I am not sure it's complete. One list I have 13 Intervenors and the other 15. So we'll just try to get through it as best we can so everybody -- we can identify everyone who is here.

Mr. Riggs, would you please identify

yourself, your co-counsel and your clients.

APPLICANT STAFF: Yes, Your Honor, thank you. Kendrick Riggs, from the firm Stoll, Keenon and Ogden, representing Louisville Gas and Electric Company and Kentucky Utilities Company. Also appearing as co-counsel with me are my colleagues from my firm, Lindsey Ingram, Duncan Crosby and Monica Braun. Ms. Allyson Sturgeon, who is Senior Partner Counsel for LG&E Services Company.

MR. SCHMITT: Thank you.

MR. CHANDLER: Kent Chandler and Larry Cook on behalf of the Office of Attorney General.

MR. KURTZ: Thank you, Your Honor Mike Kurtz and Jody Cohn for Kentucky Industrial Utility Customers. The members of KIUC participating in this case relative to need are AAK USA, Carbide Industries, SemEx, Ford Motor and the Chenmores Company. And the members of KIUC participating who are served by KU are Air Liquid, Industrial Gas, Alliance Pole, Clopay Plastic, Corning Incorporated, Dow Corning, Longevity, LexMark, North American Stainless and Toyota.

MR. SCHMITT: Thank you. I have a list. Maybe it would be best to go down the list as it's presented here to me. Is anyone here on behalf of Kroger Company.

Let me get Mr. Childers here. We can't let the Sierra Club go unnoticed.

MR. CHILDERS: Thank you, Mr. Chairman. Joe Childers of Joe F. Childers and Associates in Lexington, Kentucky. I have with me Casey Roberts, who is seated up front here. She is with the Sierra Club. Matthew Miller, who is back here, is with the Washington D.C. office and my associates Bethany Baxter is here and we have entered an appearance for her.

MR. SCHMITT: Thank you.

Okay. Kroger.

MR. MOORE: Mr. Chairman, Robert Moore.

MR. SCHMITT: Mr. Moore, you need to come forward because of our hearing system problems.

MR. MOORE: Mr. Chairman, Members of the Commission, Robert Moore with Stites and Harbison representing The Kroger Company.

MR. SCHMITT: Thank you.

Association of Community Ministries.

MS. KILKELLY: Thank you Lisa Kilkelly

from the Legal Aid Society, representing Association of Community Ministries, and we're an Intervenor in the LG&E case only.

MR. SCHMITT: Metro Housing Coalition.

MR. FITZGERALD: Mr. Chairman, Tom FitzGerald representing Metropolitan Housing Coalition in the LG&E case only.

MR. SCHMITT: Walmart Stores East LP and Sam's East, Inc.

MR. HEATH: Mr. Chairman, I'm Mark Heath and Barry Thomas from Stone, Thomas and Dowel, representing both Walmart Stores East and Sam's East, Inc.

MR. SCHMITT: United States Department of Defense and all other federal executive agencies.

MS. MEDLYN: Chairman and Commissioners, I'm Emily Medlyn representing the Department of Defense. I also have co-counsel Houston Parish here.

MR. SCHMITT: Kentucky League of Cities.

MR. DUTTON: Good morning. My name is Greg Dutton. I'm with the firm Goldberg, Simpson and I'm here representing The Kentucky League of Cities, in the Kentucky Utilities case. Since I'm up here, I would also like to introduce myself as representing Louisville Metro in the LG&E case. I have with me today Jeff Durwin who is here from the Louisville Jefferson County, County Attorney's Office. He is with Louisville Metro as well.

MR. SCHMITT: Kentucky School Board Association.

MR. MALONE: Good afternoon, Mr. Chairman and Commissioners. Matt Malone with the law firm of Hurt, Deckard & May out of Lexington, representing Kentucky School Board Association and I have Mr. Ron Wilhack with me on behalf of the School Board as well. Thank you.

MR. SCHMITT: Kentucky Cable Telecommunications Association.

MR. SILKY: Good afternoon, Mr. Chairman, Members the Commission. I'm Larry Silky. With me is Randy Haliston, Executive Director of Kentucky Cable Telecommunication Association. And with your permission, Mr. Chairman, I would like to submit the Affidavit of Paul Werner who had to be in Ireland today on behalf of the Association.

MR. SCHMITT: Please step forward and we

can file that with the clerk.

If we need copies, we can mark with an Exhibit and then at a break, we can give it to our videographer.

(Thereupon, a document was marked Evidence Exhibit Number 1.)

It's actually being filed in lieu of witness testimony; is that correct?

APPLICANT STAFF: It's in lieu of counsel's affirmation.

MR. SCHMITT: Go ahead and file it in the record then.

J.B. Swift and Company.

THE WITNESS: Good afternoon, Mr. Chairman, Commissioners, Dennis G. Howell, II, of Howell Law, on behalf of J.B. Swift Company.

MR. SCHMITT: Bell South Communications LLC d/b/a AT&T Kentucky.

MS. WINN: Good afternoon, Mr. Chairman, Commission, Cheryl Winn of Waters Law Group on behalf of AT&T Kentucky. With me is co-counsel Patrick Turner and we have the Executive Director Tony Taylor.

MR. SCHMITT: Is there any other party or counsel for a party that we overlooked.

Oh, Lexington Fayette. I'm sorry.

MS. SKIDMORE: Good afternoon, Mr. Chairman and Commissioners. My name is Iris Skidmore and I represent the Community Action Council for Lexington Fayette, Urban, Harrison and Nicholas counties, and we are in the KU matter.

MR. SCHMITT: Okay. Mr. Gardner.

MR. GARDNER: Thank you, Mr. Chairman, Commissioners. My name is Jim Gardner and with me today is Todd Osterloh, with the law firm of Sturgill, Turner, Barker & Malone. We represent Lexington Fayette Urban Government in the Kentucky Utilities case. Thank you.

MR. SCHMITT: Okay. Is there anyone else? According to the list that ought to include all of the Intervenors. If there is anyone we've overlooked, now is the time to step up.

Mr. Riggs has noticed this proceeding. Has it been filed in the record?

APPLICANT STAFF: Yes, Your Honor, it has been filed in the record.

MR. SCHMITT: I notice that there are one or more confidentiality motions pending which have not been ruled upon at this time, but will be ruled upon as soon as possible after the hearing.

During the course of the hearing, if counsel for any of the parties believes that confidential materials not be the subject of testimony or otherwise disclosed, will you please come forward and let me know and we will then conduct that part of the hearing off of the public record.

I know there has also been one other motion filed by Kentucky Utilities and LG&E asking that, I think, a post-settlement or stipulation testimony in support of the second stipulation and recommendation be filed of record; is that correct?

APPLICANT STAFF: Yes, Your Honor.

MR. SCHMITT: And that will be and has been sustained and so that will be hence forth filed with the record.

Is there any other motion or are there any other motions that need to be addressed at this time?

APPLICANT STAFF: No, Your Honor.

MR. SCHMITT: All right. Since the public is allowed to comment, I will in just a second ask for any members of the public who wish to step forward and speak, to please do so. Or in the alternative, if they have something in writing to file, they can bring it forward and put it in the record.

I will advise counsel for all of the parties that late yesterday afternoon our mail was delivered here and I received a letter from Mr. William Wheeler who was at the Lexington meeting and provided public comments and he submitted just a letter along with a chart. And the letter just identifies the chart as something that he wished to present and it has been filed in the record as of today. So, I don't know if we can get everyone a copy. I was advised before the hearing that Mr. Wheeler was here and would like to speak.

MR. WHEELER: Yes.

MR. SCHMITT: Are you here?

MR. WHEELER: Yes.

MR. SCHMITT: Would you please come forward if you like to address --

MR. WHEELER: Thank you very much, Mr. Chairman. William Wheeler. I live in

Lexington, 187 Jesse Lynn drive. I am here for a special subject that came upon my agenda recently. In February, I looked at the insert that came in my February billing from Kentucky Utilities Company, KU, henceforth, which strangely it's very rare for me to look at any of these inserts, but I did this one. And I am glad I did.

The headline said, "A service charge with benefits?" Then it had a little image that showed a five percent savings. Well, that little oddity grabbed my attention. And I did some basic mathematics and I applied the KU recommendation or the KU request for a $22 fixed charge. They called it a basic charge. That's euphemism for a fixed charge and lower energy rate. Well applied those to my own 12 months usage and I found out that maybe what I was reading might have been a corporate double speak.

I found out -- well, first I looked at what they claimed was average usage, which computes to 14,000-kilowatt hours a year. And that average usage using their requested rates, would generate 6 percent increase using my usage monthly figures.

I then looked at the above average usage, 18,000, and that would give KU four percent increase instead of six. I looked at 22,000 usage and that would give them 2.6 percent increase instead of six. Then I looked at below average where my usage is, 10,000 -- remember average is 14. Ten thousand usage would have given KU an increase of 9.6 percent instead of six. And then 6,000 usage would give them 17 percent increase, instead of six.

So it became obvious to me and I am sure it would to most people in here, if not all, that that fixed charge is detrimental to the below average users and gives a benefit to the above average users. So I knew that was wrong.

And incidentally, the -- their insert said that the average rate increase monthly would be about seven-dollars. The 6,000 usage instead of $7.00 would be $9.40. And the 22000 usage would be $4.50.

So what appears to me is that a fixed charge on utility bills is very detrimental to the low usage customers and should not be allowed. Of course, KU did reduce their request from $22 to $12.25, which is a dollar and a half increase. Now, I realize the issue now is a dollar and a half in regards to the fixed charge. But I think the Commission should consider that any dollar in the fixed charge is detrimental to the low usage customers. And a lot of low usage customers have invested in solar energy and this is a smack in the face to them. And there are the -- if their average is 14,000, then many that -- probably half of their customers are going to be subsidizing a high usage. I repeat: The low usage customers will be subsidizing the high usage customers.

And I have one more set of facts to mention to you. The combined usage rate, I computed what the combined usage rate would be, taking the fixed charge and the kilowatt charge by the kilowatt usage. And for the -- their November process, it would have been 12 cents, 12.9 cents. And the -- for the low usage, the high usage would be .095 cents. That would be a combined rate. And the monthly bill increase using their initial request would be $9.40 increase and $3 23 increase for the high.

Now I'm about finished. So, my point is the $1.50 is -- is, I hope something that you will lean on heavily. You do -- you have a code and that is any increase must be just, must be fair and reasonable. Well, a fixed charge on a utility bill, affix none of those. And while a dollar and a half might be easy to approve, I suggest that you should not because it's obvious to me that KU eventually wants to get up, get the fixed charge on up to $20 and so.

In fact two years ago, they requested the charge go to $18. And for some lucky reason, lucky for many of their users, that was not approved. And I suggest that a dollar and a half today should not be approved.

Again, it will become one step and the next increase they will want more and more and the fixed charge is detrimental to low usage customers. I thank you much.

MR. SCHMITT: Thank you.

Is there any other member of public who would like to come forward and address the Commission or provide a letter or something in writing? No one stepping forward, we will move on.

Counsel, are there any documents which you intend to introduce or file within the course of testimony here today?

APPLICANT STAFF: No, Your Honor. We have filed all the documents that we intend to.

MR. SCHMITT: Okay. I'm sorry Commissioner Cicero. I had everyone introduce themselves, all the intervenor, except for the staff. And I apologize to the staff for that.

MR. NGYUEN: Thank you, Mr. Chairman. Guang Ngyuen, Richard Raff and Nancy Vinsel on behalf of the staff.

MR. SCHMITT: I kind of worked out a schedule for the hearing that I would like to bring to your attention. We may, obviously depending on circumstance, have to alter it slightly, and one person here indicated they might need a break every hour and a half for medical reasons and we may have to do that. But the schedule that we envisioned here was starting today at one o'clock, with a 15 minute or so recess between 3:00 and 3:30, with the evidence to conclude by 5:00 or 5:30. We start tomorrow at 9:00, probably break at 10:30.

We'll go to lunch at 12 or 12:30 and break in the afternoon about 3:30 and end around 5:00 or 5:30.

I suspect we will probably be finished by tomorrow, so we do not have to go a following day. If we do, we will go by the same schedule. But it will become apparent to us, what we know from the record and from what staff counsel intends to do, that we will probably not be as long as people originally believed. Okay.

Now, Mr. Riggs, you, on behalf of your clients submitted a list of witnesses and an order -- and listed them in order perhaps of 13 potential witnesses.

APPLICANT STAFF: Yes, Your Honor.

MR. SCHMITT: The staff, I think, would like for you to call them in the order that they're listed if that's possible.

APPLICANT STAFF: Yes, sir.

MR. SCHMITT: And then some, there may be questions for others or there may not. And think we have determined that because when get to the end of the list, a witness may say, well so and so will know that, so we will not excuse any of your witnesses until the last one has testified. Okay?

APPLICANT STAFF: All right. I may need to visit with you on that.

MR. SCHMITT: That's fine. If that becomes a problem, we'll see if we can work that out and we can do that at the first break and we can do it on the record while everyone else is on the break.

APPLICANT STAFF: Thank you, Your Honor.

MR. SCHMITT: All right. Would you, Mr. Riggs, would you please call your first witness.

APPLICANT STAFF: Yes, Your Honor. The company calls Mr. Victor Staffieri.

VICTOR STAFFIERI,

the witness herein, having been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Would you please state your name for the record?

A. Yes. My name is Victor Staffieri, S-T-A-F-F-I-E-R-I.

Q. What is your position with the Louisville

Gas and Electric and Kentucky Utilities?

A. I am the CEO and Chairman of both of those companies.

Q. Mr. Staffieri, subject to the errata that was filed with commission on May 4th, if I were to ask you questions pertaining to your direct testimony today, would your answers be the same?

A. They would be.

Q. Do you now adopt and confirm that as your testimony?

A. I do.

APPLICANT STAFF: Your Honor, I have no further questions.

MR. SCHMITT: Cross-examination?

STAFF COUNSEL: Not at this time.

MR. SCHMITT: Any questions from the Intervenor?

INTERVENOR STAFF: Yes, Your Honor.

CROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. Good afternoon.

A. Good afternoon, counsel.

Q. The rate application as filed requested revenue increases of 103.1 million for KU and 94.1 million for LG&E, while a settlement increases are for 54.9 million for KU, which equates to 53 percent of KU's request, and 59.4 million for LG&E Electric which equates to 63 percent of LG&E Electric's request.

Do those numbers sound approximately correct?

A. Subject to check, yes.

Q. Do KU and LG&E intend to reduce their respective capital spending as a result of the lower increases in revenues and granted or recommended in this case?

A. Other than from what I understand the automatic meter study, no.

Q. So all of the transmission upgrades that were budgeted will be --

A. Absolutely.

Q. And will they all be on the same schedule?

A. We certainly hope so.

Q. Okay. In your testimony on Page 10 you discuss the LG&E KU 10 megawatt solar facility ground station and the recent solar share program. Then over on Page 11, you refer to a business solar option for business and industrial customers who prefer to have an on-site solar facility. My question is, do the tariffs proposed in these rate cases include that business solar option?

A. I'm not -- I don't know counsel. We can ask that of someone else. But I know all the programs were approved by the Commission. I am not sure of the status of the tariff sheets.

Q. Okay. Staff has some questions for Greg Meiman related to employee benefits, but I would like you to explain the process by which decisions are made with respect to the types and levels of employee benefits provided by KU and LG&E?

A. We have a study that we do. We look at comparative benefits of other companies, other industries. We use that as a benchmark. We take into account the union negotiations with our existing unions and where we are and from the past where the Commission has been in the past, and we use that as a guideline for the future.

We also conduct -- I should say, excuse me, that with respect to the benefits, particularly medical, we have been concerned in the past about increases and we have worked very hard with our unions to try and find ways to cost share those expenses.

Q. Who actually makes the decisions with regards to the program?

A. They are made collectively by the Board, including myself.

Q. Who are the members of the Board?

A. Myself, Paul Thompson, Dick Sorgy from PP&L and Bill Spencer from PP&L.

Q. Is there any effort to review the benefits provided by PP&L to its employees to try to align them with what LG&E and KU are providing?

A. Not necessarily. We try to look at our market different. The state of Kentucky is different than Pennsylvania. They're a much more northeast corridor. I think we're less. And so we try to treat our customers consistent with Kentucky work practices and existing contracts with our unions.

Q. For many years Kentucky Utilities has provided full requirement electric service to ten municipal customers in Kentucky; is that correct?

A. That's correct.

Q. And those customers have given notice of termination of their contracts and also to be effective in early 2019?

A. That's correct.

Q. And those municipal customers account for approximately 300 megawatts of KU's load, not

include Missouri's?
A. I believe that is correct.
Q. And those customers, those municipal customers, pay KU approximately 60 million annually in demand charges through the power they purchase?
A. I'll accept that subject to check. I don't know off the top of my head.
Q. Okay. Can you tell me whether KU has secured new customers to purchase at generation that will be freed up when the Kentucky municipal terminate their contracts?
A. No, we have not. We will take into account what our load growth would be to the extent they have load growth, and we grow into those. But we do not have new municipals to replace for the ten that left our system.
Q. When KU files it's next rate case, if it is not secured to new customers to purchase the 300 megawatts of load that is now being purchased by the Kentucky municipals, what impact, if any, would be on KU retail rates?
A. I don't know. It all depends on the circumstance at the time when those municipals leave our territory. Depends on the rate forecast, depends on our planned service. I couldn't tell you

exactly the impact.

Q. Well, would there be an intent that Kentucky's retail customers should at that point in time pay for the generation that was historically purchased by the Kentucky municipals?

A. We don't generate power and assign it to any particular customer or to a particular plant. So we build for our expected load. I would expect that load, pardon me, the generation assets would be included, yes.

Q. Well, in the past for planning for the level of generation needed on you KU system, did KU include the 300 megawatts plus reserves needed to serve the Kentucky municipal?

A. Absolutely.

INTERVENOR STAFF: No further question, Mr. Staffieri.

THE WITNESS: Thank you.

MR. SCHMITT: Commission Cicero?

EXAMINATION

BY MR. CICERO:

Q. There are four board members --

A. Yes.

Q. -- for LG&E and KU and two are officers in the LG&E pay organization?

A. That's correct.
Q. So is there outside prospective that is given to the organization that's kind of a closed group of people?
A. Generally speaking, the -- when we get things to the board level at LG&E and KU, it would be at the -- it would be with the direction of PP&L and their Board of Directors.
Q. So you would characterize the benefits or salaries enjoyed by KU and LG&E as similar to what PP&L has.
A. No. That's not -- I'm sorry. I was saying you are asking in general, I apologize.
Q. And I was.
A. With respect to the benefits, I think that would be a comparative analysis that we would do here in Kentucky. And the analysis we would do with respect to our union in past practices, that would be an influence of outside parties and that is what the board would generally adopt.
Q. But those would be used to benchmark typically, right? You would look at Kentucky in general and say from a benchmarking standpoint we feel these are fair compensation levels and, therefore, it would be competitive and here is what

our benchmarks are.

A. I think that would be fair. I think Greg Meiman, who prepared the response to interrogatories last week, would be in a better position to tell you exactly what the benchmarks are.

Q. I have questions, but I am trying to get a general idea here about the organization itself and how it structures its compensation.

A. Okay.

Q. So if I look at some of the different plans that are offered by the organization, which are not being benchmarked in terms of whether there are rich or not rich, or competitive or not competitive, how would that process start with we need this plan, we need vision, we need dental, we need life insurance? What group goes through that review to make certain that you are offering a competitive package?

A. Our HR function would do that. Our human resource function by Mr. Meiman would do that, and senior management.

Q. I will ask my other questions to Mr. Meiman at this point and reserve possibly additional questions to yourself at a later point.

MR. SCHMITT: Mr. Logsdon, do you have any questions?

MR. LOGSDON: No questions.

MR. SCHMITT: I have no questions of this witness.

Mr. Riggs, do you have any questions?

APPLICANT STAFF: Yes, very brief.

REDIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Mr. Staffieri, are you aware that the agreement LG&E has for the tolling power agreement when Bluegrass expires in April of 2019?

A. Now that you have refreshed my recollection, I do.

Q. Did LG&E KU also cancel a proposed regeneration plant at the Green River location?

A. Yes.

APPLICANT STAFF: Thank you. Those are all the questions that I have.

MR. SCHMITT: Anyone representing one of the other Intervenors have any questions? If not, you may be excused from the stand, but please stay in the hearing room.

THE WITNESS: For two days? Yes, Your Honor.

MR. SCHMITT: Well, if there is an issue, we can discuss it at the break.

THE WITNESS: I apologize. You're right.

MR. SCHMITT: But if you can stay another 45 minutes.

THE WITNESS: Of course.

MR. SCHMITT: Okay. Thank you.

Call your next witness.

MR. RIGGS. The Company would call Mr. Paul Thompson.

PAUL THOMPSON,

the witness herein, having been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Good afternoon, Mr. Thompson. Would you state your name, title and business address for the record, please.

A. My name is Paul W. Thompson. I'm the President and Chief Operating Officer of LG&E and KU. The office is 220 West Main Street, Louisville, Kentucky.

Q. And subject to the errata filing that was referenced and filed on May 4th, if I were to ask you the same questions contained in your direct testimony, would your answers remain the same?

A. That is correct, yes.

APPLICANT STAFF: Okay. No further questions.

MR. SCHMITT: Staff?

COMMISSION STAFF: No questions.

MR. SCHMITT: Mr. Cicero?

MR. CICERO: No questions.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: No questions.

MR. SCHMITT: I have none.

Does any counsel representing any of the Intervenors have any question for Mr. Thompson? If not, you may be excused from the stand. Please remain in the hearing room until we have our first recess and discuss maybe additional questions later.

THE WITNESS: Yes, sir. Thank you.

MR. SCHMITT: Counsel, next witness.

APPLICANT STAFF: Thank you. We call Mr. Kent Blake.

KENT BLAKE,

the witness herein, having been duly placed under oath, was examined and testified as follows:

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DIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Would you please state your name.

A. Kent Blake.

Q. Mr. Blake, what is your title?

A. Chief Financial Officer for LG&E and KU.

Q. Mr. Blake, did you file written testimony pertaining to LG&E and KU in these proceedings?

A. I did.

Q. And did you also file rebuttal testimony?

A. I did.

Q. Finally, did you file testimony in support of what is referred to as the first stipulation for LG&E KU procedures?

A. I did.

Q. Subject to the erratas filed, if I were to ask you questions pertaining to those prefile testimony, would your answers would be the same?

A. They would.

Q. Do you adopt that testimony?

A. I do.

APPLICANT STAFF: Thank you. Mr. Blake is available for any questions.

MR. SCHMITT: Counsel for Staff, any questions?

COMMISSION STAFF: Yes, your Honor.

CROSS-EXAMINATION

BY COMMISSION STAFF:

Q. Good afternoon, Mr. Blake.

A. Good afternoon, Mr. Ngyuen.

Q. With reference to Exhibits 4, 5, 6 of the first stipulation, those were the revenue allocation schedules?

A. Okay.

Q. Post day request, can the companies provide those in Excel spreadsheet format?

A. Yes, they can.

Q. And if you can refer to paragraph 4.5, first paragraph regarding the five year limit on gas line track recovery.

A. I'm sorry. What was the paragraph reference?

Q. 4.5.

A. Okay.

Q. Okay. So this provision limits -- it's got a five-year limitation on the gas line track recovery and for the proposed transmission modernization and service private placement project; is that correct?

A. That's correct.

Q. Okay. And then it goes on to provide that any remaining costs for such a program would recover through base rates via a base rate roll-in effective for service rendered on or after July 1st, 2022; is that correct?

A. That's correct.

Q. Does this contemplate that LG&E Gas will be filing a base rate case in early 2022 with a proposed rate increase on or after July 1 of 2022?

A. No. Actually, the intent of the provision was simply to limit recovery of these programs through the gas line tracker through that date, and it happened to be a five-year period.

Q. Okay. So, in essence of a base rate application that he explained how and through what mechanism they'll be, LG&E envisioned rolling those remaining costs into base rates after that July 1 period?

A. I guess we could do it through a base rate proceeding or a separate proceeding in which we would lower the rate on the gas line tracker mechanism and role that into base rate. I guess you are right. It probably would be best handled through a rate case.

Q. So it could be either?

A. It could be either. It could be a separate tariff filing or a base rate, yes.

Q. But there will be some proceeding or application that will be filed by the company?

A. Correct. Subject to the Commission's approval.

Q. And then the first stipulation also provides for a revised depreciation rates that were agreed to; is that correct?

A. That's correct.

Q. And the agreed to depreciation rates reflect a decrease in appreciation rates for KU and LG&E steam plans; is that correct?

A. Relative to our filed depreciation study, correct. Not relative to current rates.

Q. Right.

So do the revised depreciation rates relative to the proposed rates, do those have a component for net salvage for those steamed in rate assets?

A. The stipulated rates?

Q. Yes.

A. I would say we are working through the components of those all in rates.

Q. Okay.

A. I think it's fair to say since the current rates that were in effect prior to this proceeding, did have a net terminal salvage value component and the depreciation rates in this case are higher than those, yet lower than our filed position.

Q. Right.

A. It's fair to assume that there would be a determined salvage value.

Q. But the company --

A. We have not broken down the depreciation rates. Through the course of negotiations, given the company's position and the various positions of Intervenors, we simply agreed to the all in depreciation rate.

Q. How long do you anticipate the companies to be able to breakdown those components?

A. We'll certainly have to do it before those rates take effect. Because from an accounting standpoint, any component to depreciation rates that are associated with determining that salvage value cost removal, have to be to booked to a separate permanent account.

Q. And will there -- be at this point, do you anticipate it being one that net salvage percentage value for all of the steam plant accounts, or will there be different net salvage values for each of the potential different ones?

A. Right. We haven't had that discussion yet to work through the mechanics. Chris Garrett may have some more information on that and he worked more closely with Mr. Spanos, who submitted our depreciation study.

Q. Okay.

A. So we're still working with him at this time.

Q. Will he -- will Mr. Garrett have more in terms of timeline --

A. Well, the timeline, I can tell you will be -- assuming approval or an order on June 30 and the new rates taking effect July 1st, we will have it worked out before June 30th because we'll have to book it in July.

Q. Give me one second.

So as a, I guess, a continuing pro se request, when the companies determine what the net salvage value is, could that be provided and submitted as soon as possible?

A. Yes, it can. And I probably should clarify. I do think that it will vary depending on the type of plant. For example, coal fire generation versus a combined cycle plant. And I do expect the components will reflect both a difference in assumed useful lives of the assets and the terminal salvage value.

Q. The first stipulation also has a provision relating to the eight-year average generator outage expense?

A. Yes.

Q. Okay. So if you turn to Page 12 of your testimony in support of the stipulation, Lines 4 through 14, you sort of describe the reason for the provision. And you state that, you know, the companies proposed the proceedings to include revenue requirement outage expenses that are projected forecast and tested. But that because those expenses can fluctuate and due to each generators major outage tend to occur -- tend to be within that eight-year period, that the companies agreed to a modification of that calculation of that outage expense to reflect an eight-year average. And that average reflects four historical years for budget or forecast; is that correct?

A. Right.

Q. So, if actual generator outage expenses were greater than the eight-year average, KU or LG&E

would record the incremental excess as a regulatory asset; is that correct?

A. Correct.

Q. Okay. And vice versa, if the actual expenses were lower than the eight-year average, LG&E and KU would then put as a regulatory liability?

A. That's correct.

Q. Okay. Given that, can you explain what checks and balances KU and LG&E have in place to insure that such expenses are reasonable?

A. I think it's the same philosophy that the company has always had, which is to look at every investment and every expenditure based on what is needed to provide safe, reliable service to our customers, and to do so in the most cost effective manner. We have obviously done that. We have a history of doing that regardless of incentive to do so. The most recent example that comes to mind would be the environmental compliance programs that lasted many years and were subject to quarterly reviews by the Commission consultant.

At the end of that time, while we had those plans, those programs approved, and had timely recovery of that investment of and on that investment, we actually brought the projects in well under budget and on schedule. So I would say that incentive is always there. I certainly don't like to come here for rate cases, so we like to keep our costs down as low as possible.

I think certainly there will be -- with regard to specifically these planned outages and the accounting for that, I would say that if there was going to be a level of major plan outages embedded into rates, because that a reoccurring operating expense of the company per diem per cost. The issue was that as you have stated, that number does tend to bounce around depending on which plants you have outages scheduled for that year. After they do the last, we generally have on average eight-years between outages.

Everyone was looking for some means and some recognized that at least for LG&E, it was one of higher years, the forecasted test year happened to be. That was not really the case on KU.

So to more normalize that, yet give the companies the opportunity to recover all of those incurred costs, this is the methodology that was negotiated as part of the stipulation as a whole.

So, I think there is that incentive. I

think clearly within every rate case that follows this, there will be a look at that regulatory asset or regulatory liability balance to determine what the companies have running through there and what is remaining in that balance.

So I think there will be the added review in such rate cases since we will have a regulatory asset or liability for the difference between cost incurred and what's currently embedded in the rates.

Q. Okay. And then there are -- well, there is a provision in the first stipulation as well addressing regulatory accounting for over and under recovery of regulatory assets, and this is in particular for short-lived regulatory assets; is that correct?

A. That's correct.

Q. Okay. Can you give me an example of how this provision would work for, you know, short-lived regulatory assets?

A. Sure.

Q. How -- this is going to be a multi-part question. So an example of that, how the provision differs from a current practice and why there is a need for this change from the current practice?

A. Once again, I would say that provision, like every other provision here, was the product of settlement negotiations over the course of the three days here at the Commission. One of the issues raised in the record by a number of parties was part of our cost of service in calculating revenue requirement was the amortization of existing previously approved regulatory assets.

There was a concern raised that some of those assets did not have much left to go from the original amortization period that was approved for the recovery of those assets. The concern was, if you embed that amortization in current rates, the company goes a lengthy time without coming back in for another rate case, if you look at that item in isolation, the companies are potentially over-recovering that original cost that was approved as a regulatory asset. So that's what this provision addresses.

So there is an amount that's calculated as part of the review requirement for the amortization for each of those stated assets. So we will credit that against the regulatory asset based on the amounts and rates.

To the extent that given the -- that amortization level and the time between this case and our next case, we actually do amortize and recover more than the amount originally approved rather than that going essentially to the bottom line income of utilities, it would be reported as a regulatory liability. So it would essentially take that original cost approved as a regulatory asset and turn it into a liability.

And it's similar to what we did with the MISO exit fee, that there was an amount improved associated with transmission expense embedded in base rates when we were approved to exit MISO back in 2006. And so that amount was credited against the regulatory asset and ultimately did become a liability that was then returned back to customers.

Q. One second.

Mr. Blake, from a financial prospective, does KU have any concerns about losing 60 million dollars in demand charges in 2019 when the contract ends with the Kentucky municipal customers?

A. Certainly. It was certainly not the loss of those nine municipal customers. I should point out that two did stay. So, it was not our choice that they leave. We did what we thought we could to try to entice them to stay with KU, but they had a contractual right by termination notice, and they did, and that termination will take effect April 30. And I heard the questions asked of Mr. Staffieri and the questions asked by Mr. Riggs to Mr. Staffieri and I would -- I think of it this way: When we received that notice of termination, you may recall that we withdrew a certificate -- a request for a certificate of public convenience necessity to build a combined cycle gas plant at our Green River location. With the loss of that 300 megawatts of load, we weren't going to need that. So that is why we withdrew it with the assumption that the municipal would, in fact, make -- continue with their commitment and leave the system April 30th of 2019.

We also, not coincidentally, for demand power needs, capacity need, between now and April 30, 2019, we entered into an agreement to Mr. Riggs referenced a tolling agreement effectively leasing a combined cycle plant at the Bluegrass facility in northern Kentucky. That goes away at the same time the municipals leave the system?

So -- but more importantly on the combined cycle plan, I would tend to say that it is fair that all else being equal, there are a number of factors that will come into play, all of us being equal, Kentucky retail customers, our Kays Virginia retail customers, the remaining municipal customers, will have a larger slice of that capacity come May of 2019 or our next rate case after that date.

However, that pie of that cost, generation capacity cost, will be smaller because that combined cycle gas plant at Green River will not be in there and Bluegrass lease will not be in there as well.

Q. Do you recall what the proposed capacity of Bluegrass -- I'm sorry, the Green River combined cycle project?

A. I want to say it was similar to our Cane Run seven plants. Probably in that 700 megawatt area.

Q. And then what's the -- is it -- it's for one of Bluegrass CT units, correct?

A. It's for one of the units, right.

Q. And what is the capacity for that?

A. It's -- I think it's similar to ours. I think it's in that 150 megawatt area, but I am guessing on that. I don't recall exactly.

Q. And if it's confidential, that's fine, you do not have to respond. But in terms of contractual rate for the Bluegrass tolling agreement, do you know what the contract --

A. No. Not off the top of my head.

Q. Okay. And was the Bluegrass tolling agreement allocated 100 percent to LG&E or were there allocations to KU as well?

A. It was 100 percent to LG&E. And so that will be a consideration, as well would be reserve margins, once we lose that resource and the nine municipals depart the system for KU, we will be looking at -- and our start we have been, we will continue to look at reserve margins for LG&E versus those at KU looking at generation capacity relative to demand.

Q. Are you aware of any specific efforts currently being taken by KU and/or LG&E to secure alternative buyers for the 300 megawatts of generation that will no longer be purchased by the departing customers?

A. No active solicitation that I am aware of.

COMMISSION STAFF: Those are all the questions. Thank you, Your Honor.

MR. SCHMITT: Mr. Cicero, do you have any questions?

MR. CICERO: No, sir.

MR. LOGSDON: I have just one.

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EXAMINATION

BY MR. LOGSDON:

Q. I know you just said you had not done any formal studies or looked at a specific vendor, but in your experience -- that's a dangerous question, but are off season sales something that you can mitigate the loss of the customers?

A. They can. It obviously depends on, as you know, our generation capacity goes to serve retail load first. So the cheapest resources will go to serve our retail customers.

So it becomes a question, if you have extra capacity on any given hour, is the variable cost of generating that power less than the current market price for energy. So it would be depending on the market.

Q. I know you are not members of MISO, but you sell into MISO?

A. We sell into MISO, we sell into PJM and we sell through other vehicles as well.

Q. Okay.

MR. SCHMITT: Any further questions?

APPLICANT STAFF: No, Your Honor.

MR. SCHMITT: Staff?

COMMISSION STAFF: No.

MR. SCHMITT: Counsel for any Intervenor, do have any questions for this witness?

If not, you may step down.

THE WITNESS: Thank you.

MR. SCHMITT: Counselor, you may call your next witness.

APPLICANT STAFF: Yes, sir. Mr. Robert Conroy.

Ms. Sturgeon will present the Company.

ROBERT CONROY,

the witness herein, having been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Good afternoon, Mr. Conroy, can you state --

A. Good afternoon.

Q. -- your name, title and business address, please?

A. Yes. My name is Robert M. Conroy. I am Vice-President of State Regulation and Rates for LG&E KU. My business address is 220 West Main Street.

Q. Okay. And if I were to ask you the same questions today that were contained in your testimony filed through the date of responses, subject to the corrections in the errata sheets that have already been filed, would your answers remain the same?

A. Yes, they would.

MS. STURGEON: No further questions.

MR. SCHMITT: Staff?

COMMISSION STAFF: Yes.

CROSS-EXAMINATION

BY COMMISSION STAFF:

Q. Mr. Conway, can you turn to Page 25 in your direct testimony in the KU matter?

A. In --

Q. KU?

A. KU. Yes.

Q. You have similar testimonies in the LG&E case.

A. Okay.

Q. So Page 25 of your KU testimony discussed the proposal to eliminate the meter data processing charge; is that correct?

A. Yes, it does.

Q. Okay. If you go to Line 19, you state that, "The company proposes to stop offering the service in favor of transitioning to having customers receive the same information at no cost via a portal on the company's website negating the need for the charge"; is that correct?

A. That's correct.

Q. Okay. The tariffs have filed a stipulation showing the charge has been removed; is that correct?

A. You're referring to Stipulation Exhibit 7?

Q. Yes.

A. Seven is KU.

Q. Yes.

A. Yes. It's not shown on the Stipulation Exhibit because it was -- this a red line to the original file of tariff, and the original file of tariff in the application had it red lined and it was removed.

Q. Okay. And given that the AMS project has been withdrawn as part of the stipulation, can you confirm that it's still the intent of KU and LG&E to delete this charge.

A. Yes, it is.

Q. Okay. Turn now to Page 26 of your direct KU testimony. It's regarding unauthorized reconnect charge?

A. Okay.

Q. Okay. On Line 19, it shows a charge of $174 for tampering an unauthorized connection or reconnection that requires the placement of a single phase or automatic meter system or AMS meter. Given that the AMS project has been withdrawn as part of the stipulation, is there a reason why the company has proposed KU and LG&E has the same -- you had the same testimony in the LG&E case. Is the reason why the company has proposed to leave that part of the unauthorized reconnect charge and the tariffs, is because of AMS meters being installed through the DSM program?

A. Yeah. The fact that we're removing full deployment, AMS doesn't effect the DMS program that we have where we do already have AMS meters out there. We will leave this charge in place to address any unauthorized reconnects or disconnects from those customers.

Q. So there's reasons outside the AMS project?

A. That's correct.

Q. And switching now to the -- if you can refer to LG&E's revised electric tariff, Exhibit 8 to the stipulation, sheet number 97?

A. Okay.

Q. In the application for service section, the first paragraph, there were revisions to this paragraph that were not made to the corresponding application for service section on sheet number 97, LG&E's gas tariff which was attached as Exhibit 9 to the stipulation. And you had responded, in response to Item 12 of Staff's Second Data Request, that due to oversight, LG&E felt that those were the same changes to sheet number 97 of LG&E's gas tariff and LG&E would propose those same changes.

Do you recall that response?

A. Yes, I do.

Q. Okay. So does LG&E plan to file the same revised language with an application for service section of the gas tariff when it makes the filing?

A. Yes. It looks like we inadvertently, in preparing the stipulation to the exhibits, did not pick up the revision from that data response.

Q. Okay. And those were just, in terms of the application on how it could be accepted; is that right?

A. That's correct.

Q. Okay. So if you can refer to now your stipulation testimony Pages 7 through 9. This deals with the provisions in the stipulation of the two pilot tariffs with schools subject to KRS 160.325?

A. Yes.

Q. Okay. Can you tell us the purpose of these pilot school tariffs? What type of information will be obtained from these tariffs and what the company plans to do with the information?

A. In the record in this case as well as in the record in probably the last several cases, there's been information that related to schools being different than other commercial customers. They have different low profiles. They were served on the same rates. In the stipulation we agreed to offer a pilot program that would allow us to determine whether these schools do have a different profile, but then other commercial investor customers on our PS rates and time of day rates.

So this would allow us to have a limited number of customers on it, and collect the data that would be necessary to determine whether there is a different low profile, a different cost of service for those types of customers.

Q. Okay. And the data that you have collected, would that be sort of formalized in a report or how would that be shared, or will that be shared, with the member schools that participate with -- through KSPA?

A. I would anticipate that it would be the subject of an extra rate case, where we look at cost of service studies and look at the class in and of itself and determine whether there is a different cost to serve those types of customers, than other commercial industrial customers on rate PS and rate TOD.

Q. Turning now to Exhibit RMC-1 to your stipulation testimony?

A. Okay.

Q. That Exhibit is an Excel spreadsheet that calculates the updated gas line tracker rates; is that correct?

A. That's correct.

Q. Okay.

A. I have a print-out of it, but if we need to, we can pull it out.

Q. No, that's fine.

The ROR tab includes a return on equity component of 10 percent; is that correct?

A. That is correct. That is currently the authorized ROE for the gas line tracker mechanism.

Q. Okay. So the stipulation, the agreed to ROE is not 7.5 percent in the stipulation; is that

correct?
A. The stipulation is 9.75 for the determination of base rates.
Q. So is that the reason why LG&E is using the 10 percent instead of a 90 percent project?
A. That's correct. For the gas line tracker, that's the current ROE authorized.
Q. Okay. As opposed to a data request, can you provide the revised spreadsheet showing 9.75 percent instead of the 10 percent?
A. Yes, we can.
Q. And besides the GLT rates, were any other rates calculated using ample costs based on an ROE other than 9.75 percent?
A. When you say any of the other rates, are you referring to the tariffed rates?
Q. Excluding any surcharges?
A. Excluding surcharges, I do not believe so.
Q. Okay.
A. We did not recalculate the solar share capacity rates within this proceeding. Those were approved a couple weeks before we actually filed this case. So we left them there.
Q. Okay. Do you have your response, or LG&E's response, to Staff's Third Request, Item 32?

A. I believe she can get it pulled up.

Q. Okay. Do you have it?

A. I have it, but I believe they want it on the screen.

APPLICANT STAFF: Mr. Conroy is looking at the file on his monitor, which is identical to what's shown on the screen.

BY COMMISSION STAFF:

Q. Okay. So, the question is asking LG&E with respect to whether LG&E would be willing to continue to include the gas line cost component on its vary rate schedules. And the response provides the rationale as to why LG&E is removing it from those various rate schedules. And at the very end, LG&E states that, "Should the Commission desire this information, we'll require it, that LG&E will comply with that requirement."

So, is LG&E still willing to continue to include the gas as a component on its various rate schedules against gas tariff?

A. As stated here, we think it's more efficient to not include on every care. We have to revise that every three months when we file the gas line tracker. However, if the Commission wants to have it on the individual tariffs, we are willing to include that.

Q. Sure. And we recognize that it's more efficient for the company to do so in terms of customers that it would be better for to have the information included like the rate schedule as well?

A. I understand.

Q. So would this be included in LG&E Gas compliance tariff?

A. Yes. We can include it back in the tariffs when we file them.

Q. Okay. And in the applications, both LG&E and KU, request authority to establish regulatory asset for the remaining network value of the electric meters that would have been retired as a result of the AMS project. They also request deviation of certain condition regulations regarding meter inspection and testing in connection with the deployment of the proposed AMS project. Given that the companies have agreed to withdrew their request for CPC to the AMS project, I understand the companies are also withdrawing their request for establishment of regulatory asset and deviations with respect to meter inspection and testing?

A. Yes. The request for the regulatory asset would not be needed any longer and the deviations we requested that are stated in my testimony are no longer needed as well at this time.

Q. So, do the tariffs proposed in these cases include the business solar opportunity referred by Mr. Staffieri at Page 11 of his testimony?

A. There was a data request, I believe, in the second round of information where they asked about that. The tariff provisions do not include solar. It is not tariff offering. It is an offering that would do with individual customers and their contract. And that special contract would be filed with the Commission for approval.

So there is no specific tariff offering for business solar. It is an offer that we have to large customers that we would do under special contract specifically where we'd have to file with the Commission.

Q. So in terms of that offering, how would those large customers be made aware of that potential option to have a business solar option?

A. With all of our large customers, we have major account reps who interact with those accounts. They've had correspondence with them on this offering. I believe they're on our website. There is also reference to business solar offering along with the solar share program.

Q. So for potential new customers that would want to relocate within LG&E and KU's service territories, how would those customers be made aware of this potential option as well?

A. The fact that we are offering business solar is out there in the public in different publications or economic development, along with the other options that we have for solar and the fact that we have ground solar as well. So that is a key to attracting businesses to the state who need to have renewables. So we do have offers that is communicated through the economic development cabinet as target marketing for those potential customers as well.

Q. So are you saying --

A. Yes. It would be part of any discussions that our economic development folks would have with prospective clients and customers that want to locate to the state.

Q. Okay. So, I guess -- I guess I don't have a full understanding of what a potential customer is seeing to relocate, what the logistics are. If -- if LG&E doesn't know, you know, a customer is seeking to relocate, a potential customer to locate within its territory, how would that customer be made aware of that potential offering if there are no other means to do so?

A. Again, I believe on our corporate website there is information related to the business solar offering. Subject to check, we could look into that as well. It is -- has been communicated to the different magazines and publications that promote the state. So I believe the information is out there. Mr. Malloy would have some background on that as well that he could fill in.

Q. Okay. Let's go back to the pilot program for the schools. If the data collected over the next couple of years indicate that schools have a unique low profile, will KU and LG&E propose a special rate for schools in their next rate cases?

A. I would have to say we would have to re-evaluate the data and see what the cost of service would say and design rates similar to what we have in this case.

Q. So does that mean that if it indeed shows that the schools have a low profile that is unique to the characteristics different from customers that starting up the rate schedule, would KU and LG&E propose a separate rate schedule for the schools?

A. Again, this -- this program is a pilot to analyze the data. We would have to take the data and decide how best to proceed once we get through the pilot. I can't say that we would propose something specific at this time without reviewing what the information says.

We would work with our consultant on cost of service and determine what the best offering would be, if they are unique and different.

Q. So it could be a range of options?

A. Yes.

Q. Has KU and LG&E considered whether a special rate for schools could be a violation of KRS 278.035?

A. We don't believe it is, because it is a pilot program. The companies aren't selecting it, selecting the customers to be on it. The KSBA is responsible in identifying those schools to go on the rate.

And again, it is a pilot program to collect data. There are costs that are involved in implementing that pilot program, are they not, in terms of a rate that is different for the schools that are participating in the pilot program that -- that those schools would otherwise be under, and that differential is then allocated to other different rates classes.

As part of the settlement and stipulation, everybody that signed on and agreed to the reallocation of approximately $750,000 for the school's rate, and that was agreed to on totality and we believe that is a reasonable resolution to the case and for the pilot program to offer.

COMMISSION STAFF: Those are all the questions. Thank you.

MR. SCHMITT: Commissioner Cicero, any question?

EXAMINATION

BY MR. CICERO:

Q. $750,000 or 1.5 million?

A. $750,000. One for each company.

Q. Are there any specifics to this pilot program or something that was just pulled out of the air to determine, we're going to do a study. We don't really have an idea on how we are going to conduct it. We have some data that we're going to gather, but we are not sure where it's going. Can you give me specifics?

A. There is information in the record with the testimony of Mr. Wilhite in this case and in prior cases that talks about the low profile of the schools.

Schools all are on different rates. They're on rate PS, they're on rate TOD. There are some for KU and on rate AES and they're on rate GS. We can't identify every school there is in terms of the low characteristics; we rely on Mr. Wilhite's testimony and the information that he provided to come to the conclusions to offer the pilot program.

Q. How many schools do you think will be in this program?

A. That will depend on how much -- how large the schools are and their low profile to how far the $750,000 can go. I don't have a sense at this point to know how many schools that will end up being.

Q. So really this is pretty wide open at this point from what I can tell and what your statements are in regards to what the staff has asked. It's $750,000 for a program that was agreed to in a stipulation based on testimony that was provided by the KSPA and their witness and therefore you're going forward as part of the stipulation; is that correct?

A. Part of the stip -- the agreement that everybody agreed to, yes. We are going to offer the program. We'll evaluate the rates that they would have been on compared to the new rates. And once we get all the schools up to $750,000, we'll close the pilot and then evaluate.

Q. However many schools that is?

A. What's that?

Q. However many schools that is?

A. That's correct.

MR. CICERO: Okay. I have no other questions.

MR. SCHMITT: Commissioner Logsdon?

MR. LOGSDON: No, sir.

MR. SCHMITT: I have no questions. Counsel, any further questions?

APPLICANT STAFF: No, Your Honor.

MR. SCHMITT: Staff?

COMMISSION STAFF: Nothing further.

MR. SCHMITT: Counsel for any of the Intervenors?

MR. CICERO: I have one more.

CONTINUED EXAMINATION

BY MR. CICERO:

Q. Mr. Conway, are you the one that we would talk to about the bus program or would that be someone else for LG&E KU?

A. I could be the one that you could talk to. I'll do my best.

Q. As far as the bus study, I understand that this is an opportunity for LG&E and KU to generate more business possibly if the program is developed where Jefferson county is able to have rates that are supplied to make it competitive with diesel fuel because right now the rates are like 27 cents difference or somewhere thereabouts. And then based on the number of buses they have, it's not cost competitive. So, I am not questioning the fact that a study needs to be done, although I am not certain how much money is being dedicated to the study; that is probably a question you can answer. Is it 40 or $50,000?

A. There's -- there's no money included in the rates for the study. The company agreed to pay for the study and the expectation would be that it would be around 30 to 40 to $50,000. There's a lot of uncertainty of what we're going to end up doing on the study. We'll be looking at infrastructure. Are there different infrastructures that are needed in the city of Louisville and the city of Lexington to provide electric buses for the community?

We will look at rates to see if there are types of any special rates or different rate structures that would make it more economical to use cleaner burning electricity for the buses. There is no expectation on what the outcome is going to be. We are going to work with the cities to determine what we can come up with, if we can come up with anything.

Q. So as I stated, I understand that there is a benefit for both parties, so I believe a study is probably a good idea. But from my prospective, I have a hard time understanding why a bus study is included in a rate case. To me, that is a separate transaction that occurs between two parties outside of a rate case. That's a business transaction that has nothing to do with the rate case from my prospective.

And other than the fact that the parties in the case were the ones that we were talking to, it has nothing to do with the rates that we're charging customers in this case.

We do communicate with customers on an ongoing basis and work with different parts of the city, Lexington and Louisville. We've offered charging stations for electrical vehicles, working with those communities as well. We have worked on

LED lighting within the different cities.

Q. All of those are good things. I am just trying to understand how this business transaction is involved in the rate case. I think that as Mr. Wheeler pointed out, fair, just and reasonable rates are overseen by the Commission to make sure that's what happened. And I am not sure how a study on buses has anything to do with that. That's just my two cents on it. I am not asking for your comment on it.

MR. SCHMITT: No questions.

Yes, Ms. Sturgeon.

REDIRECT EXAMINATION

BY APPLICANT STAFF:

Q. One re-direct.

Although the shareholders will be funding the study, if, in fact, information is derived from that study that could result in new offerings in the future, wouldn't those be rates that would be subject to the jurisdiction of this PSC?

A. Yes. Anything that comes out of this study for infrastructure or for rates would be included in a future filing of this Commission.

MR. CICERO: My only comment to that would be you could almost tie anything back with this case. You have to get the first part done under a business transaction and then if you want to talk about rates, that's a different story.

EXAMINATION

BY MR. SCHMITT:

Q. Mr. Conroy, shareholders are paid for the cost of this study as opposed to other rate payers?

A. Well, the fact that it's not included in our test year in this case, then it will not be picked up in the development rates.

MR. SCHMITT: Commissioner Logsdon?

MR. LOGSDON: No questions.

MR. SCHMITT: Counsel?

APPLICANT STAFF: Nothing further.

MR. SCHMITT: Staff?

COMMISSION STAFF: One follow-up question, Your Honor.

RECROSS-EXAMINATION

BY COMMISSION STAFF:

Q. You say that cost for the study will not be recovered through base rates. But will the expenditure be recorded as a line item in the company's income statement, so that there is an impact on the financial aspect for the company?

A. I would assume that it would be recorded on our expenses. But again, with the forecast in next year, it's not going to be included in the record requirement for rates.

MR. NGYUEN: Thank you, Your Honor.

MR. CICERO: No further questions.

Yes, Mr. Cook.

MR. COOK: Thank you, Your Honor.

RECROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. Mr. Conway, to your knowledge, with regard to the existing electric charging stations, are those also funded by the shareholders?

A. I believe there are charging stations that are paid for by those who are actually charged to the extent they cover that the revenue requirement for those, otherwise, they're not picked up in rates.

INTERVENOR STAFF: Thank you.

MR. SCHMITT: Any other questions?

Any others any questions from counsel for the Intervenors?

If nothing further, Mr. Conroy you may stand down at this time.

Let's take a 15 minute recess until 2:55.

(Thereupon, a brief recess was held.)

MR. SCHMITT: We are back on the record. Before we proceed with testimony, we have a couple of, I guess, housekeeping measures. Mr. Chandler, would you care to introduce additional counsel for the A.G's office?

MR. CHANDLER: I would love to take the opportunity to do so. Also, here on behalf of the Attorney General's Office is the Executive Director of the Office of Rate Intervention Rebecca Goodman.

MS. GOODMAN: Thank you, Your Honor.

MR. CHANDLER: We would also like to renew our motions. We have three outstanding motions for partial deviations from the binary requirements. They are exhibits otherwise filed electronically and due to their size, we would ask for a deviation to provide the hardcopies.

The motions were filed on March 16th, March 31st and April 22nd.

MR. SCHMITT: Has any objection to the motions been filed?

APPLICANT STAFF: No objections, Your Honor.

MR. SCHMITT: Counsel for any of the Intervenors, do you have any objections to the motions? If not, motion sustained, and they will be entered appropriately.

During the break, we had a discussion with Staff. And because of time requirements of Mr. Staffieri, we thought we could take another witness out of order and then allow him to perhaps leave. And that witness would be Mr. Meiman.

APPLICANT STAFF: Yes, Your Honor.

MR. SCHMITT: With that understanding, would counsel go ahead and call Mr. Meiman to the stand.

APPLICANT STAFF: Mr. Meiman, please.

GREGORY J. MEIMAN,

the witness herein, having been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Mr. Meiman, you did not file any testimony in that case, did you?

A. That's correct.

Q. However, were you the responsible witness on several data responses that have been filed in the record in this case?

A. Yes, that's correct.

APPLICANT STAFF: Mr. Meiman is available for cross-examination.

BY APPLICANT STAFF:

Q. I'm sorry. Would you state your name for the record, please, and title. I'm very sorry.

A. My name is Gregory Meiman and I am Vice-President of HR for the companies. My business address is 220 West Main Street.

MR. SCHMITT: Staff, any questions?

CROSS-EXAMINATION

BY COMMISSION STAFF:

Q. Good afternoon, Mr. Meiman.

A. Good afternoon.

Q. I would first -- actually, all of my questions are going to come from primarily the response to the Sixth -- the Staff's Sixth Data Request. So if you have that in front of you?

A. Yes. I will pull that up. Yes, ma'am.

Q. Thank you.

The data that's provided in here is in the aggregate for Kentucky Utilities and Louisville Gas and Electric; is that correct?

A. That is correct.

Q. And Staff is aware of the way the question was asked. Can you tell me in considering or calculating KU's portion of this, did you consider the entirety of KU or strictly the jurisdictional portion of KU that applies to Kentucky?

A. The ultimate expense that does get allocated to KU would be the jurisdictional portion. The responses are presented at a plan level, because that is how we administer the plan and account for the plan, at an aggregate plan level.

Q. If we were to ask you to break these out into KU jurisdictional, would that be possible?

A. I think the information that we've already filed with regard to the forecasted test period actually has been broken out by the jurisdictional amounts.

Q. Okay. I just wanted to confirm that. Thank you.

A. Yes. And keep in mind, if I may.

Q. Please.

A. The -- that request that we received, we did endeavor to provide some information that we thought would be useful and very responsive. And as such, we did use actual 2016 data. And so it does reflect real numbers of the plan.

Q. And we noted that -- the Staff noted that and we thank you.

A. Thank you.

Q. Could we start by looking at the response to Question 1, Item B, and also Attachment 3 is really what we are looking at. This question was regarding health insurance costs and calculating them in a particular way?

A. Yes, ma'am.

Q. And this is a -- as a post-hearing data request. And for Counsel's benefit, this will be written up and provided in written form afterwards.

APPLICANT STAFF: Thank you.

BY MS. VINSEL:

Q. So for Attachment 3, if you could provide that same information for the non-union medical enrollment by benefit plan, by coverage level, by salary, exactly the same. I -- we would ask two changes. The first is in the formula. Keeping the assumption about employee contributions, the 21, 32 percent split that was asked originally, if you could calculate the total health care and medical cost by adding the employer premium contribution, employee premium contribution, so omitting the deductibles. And we would ask that they be provided or broken out KU jurisdictional, by LG&E Electric and LG&E Gas?

A. Okay.

Q. Going next to the response, to 1D and Attachment 6 to that question. And 1D is referring to the dental costs. If you could provide in that same -- the same format as Attachment 6 in terms of, again, nonunion dental enrollment by benefit plan, coverage level and salary administration, but with the following changes. In the formula, one of the changes will be that there would be an assumption that employees pay 60 percent of the cost rather than that 21, 32 percent from the original question.

We would also ask that the total dental cost be calculated by adding employer premium contribution and employee premium contribution. And again, breaking this out by KU jurisdictional, LG&E Electric and LG&E Gas.

A. Subject to making sure that the information is available from the carrier, we will do that, yes.

Q. Thank you.

Thank you for your patience with that.

Looking at 1E, the response to 1E, which is in regards to long-term disability, as we heard from Mr. Staffieri, the companies conduct a benchmarking every year. Is there a benchmarking performed for the long-term disability insurance?

A. With regard to the benefit package, I think it is important to note that we do look at it in the aggregate and it is a combination of a lot of complex information, a lot of information with regard to the market in terms of what is changing, what is not changing. And with regard specifically to certain of the, what we would call ancillary benefits. So, benefits that typically do not change on an annual basis. Those are looked at on a periodic basis, typically, in conjunction with our union negotiations as we prepare and see what available benefits are being provided by other employers. And so there is annual benchmarking with regard to medical benefits, because that is more subject to change and more volatile in terms of what the offerings in the marketplace are.

Q. So due to the nature of the benefit, the ancillary benefit, the union negotiations, it's not been part of the benchmarking?

A. We, just to be clear, we get and we are always receiving information on the marketplace. We annually consult with Mercer on our benefit package.

And in conjunction with that, we do -- we do receive information with regard to the benefits that are being offered in the marketplace.

Having said that, we also participate in a number over groups where we receive information with regard to benefit changes, evolution in the marketplace. We're tracking union contracts to see what sort of benefits are being negotiated by other unions. And so our folks are always out there and consistently looking at what sort of changes are occurring in the benefit marketplace. So, I think that answers your question.

Q. It does. Thank you.

A. And I apologize in advance if I get too carried away. I get excited about this stuff.

Q. That is completely all right. I do too.

When you talk about, and again looking at the long-term disability, are you seeing -- well, let me back up. Excuse me. Because the companies do pay 100 percent of this benefit, and in one of -- in your answers there is a footnote, you provide a footnote to the Bureau of Labor Statistics cite and provided a lot of tables. And one of the tables, although the table cited in that footnote is not what I would reference. I looked at Table 28 and it showed percentages of who is offering employer/employee contributions long-term disability. I want to make sure I get all of this out correctly.

A. Okay.

Q. Are you seeing any trends in moving towards employers not paying 100 percent of that cost?

A. Well, one of the -- one of the factors that we do look at, obviously, would be general industry and then also with regard to utilities and what they are offering. And I think it is important to keep in mind that as utility, we do endeavor to provide a very comprehensive cohesive set of benefits that are influenced by a number of factors. The factors are, as we have talked about already, one, the cost to our customers is obviously important, the cost to our employees, the benefit packages that our employees need to have the type of coverages that they need and want. And so we offer a variety of options for them in our benefit packages.

The fact that we are a utility and the folks are dealing with very -- many of the folks are dealing with very dangerous situations in their normal day-to-day work. Disability is one of those benefits that gives them some comfort. So, the folks that we are asking, you know, to work 24/7, 365 days a year, their families can have some degree of comfort that we are taking care of them in the unfortunate event that something happens. And certainly, safety is a primary objective of our company and, you know, the benefits that we construct, whether it be a medical plan in terms of the various options that we offer so that people can tailor their benefits the way they want to meet their unique circumstances, whether it be family members or single coverage, all of those things kind of influence our overall view of how we construct the benefit package. And so it is very complicated and there are a lot of moving parts, changes in law. There are changes in demographics in our plans, obviously, as people retire, etc.

And so we are constantly keeping track of all of those moving pieces to try to provide some benefits to give our folks the comfort they need.

In H.R., our job is track and retain people. And we feel like we can attract people that we need. Although we don't have a long line of qualified people always outside of our door for some of our positions, but with regard to retention, certainly the benefit package is a key element in all of that.

And to your point, in general industry, I would say that there probably has been a trend away from disability coverage. Once again, though, within the utility industry I think we are in line with where we need to be.

Q. Thank you.

In your response to 1E, you provided the total employer cost --

A. Yes, ma'am.

Q. -- 1.69, a million dollars for the long-term disability. As opposed to hearing data request, could you provide a schedule that breaks down that amount, the cost for the long-term disability premiums paid by the company, by KU jurisdictional, by LG&E Electric and by LG&E Gas?

A. Yes, I believe we should be able to do that subject to check from the experts back at the office.

Q. And similarly, with your response to 1F, which is in regards to the premiums for the group life coverage in excess of $50,000. And again, we have got the aggregate amount.

A. Yes, ma'am.

Q. As opposed to a data request to provide that cost for the premiums paid for the group life insurance coverage in excess of $50,000 broken out by KU jurisdictional, LG&E Electric, LG&E Gas?

A. Yes, ma'am. Subject to the same sort of check.

Q. Understood.

A. Right.

Q. Moving onto your response to Item 3 and the attachment to that; this question is in regard to the retirement plans.

A. Yes, ma'am.

Q. And I know in the response to -- Staff's Fourth Data Request Item 1, you provided some -- a good overview and information about contributions. Can I clarify and make sure that we are understanding what retirement plans are offered at LG&E KU?

A. Absolutely.

Q. There is a defined benefit plan for which anyone hired before January 1st, 2006 are eligible?

A. That's correct.

Q. Going forward, there is a defined contribution plan, which is a savings plan, which at the employee's selection can either be a 401K pretax or a Roth IRA post-tax; is that correct?

A. That is correct.

Under that same -- I don't know if you want me to go ahead, but under that same plan, there is what we call a retirement income account, which is an employer only dropped into their individual account. And, you know, the rationale behind that really is that when we made the change back in 2006, we were coming off the heels of a major reduction in 2001 in our employee population. So, in 2006, we did -- to the point I made earlier about watching trends, etc., we -- we saw an emerging trend of people closing their entry into defined benefit plans. And as such, we were one of the early adopters, I think from a utility prospective in terms of making that change.

We did allow those that were presently in the plan, to your point, to continue to participate in the plan. And the rationale behind that really was that was the deal that we had made with those employees. We had asked them to be part of our organization for their full career. We rely heavily on their expertise and their knowledge and, once again, we had just lost a number of folks in the

2001 early retirement program. And so it was imperative for us to retain those folks and get that knowledge transfer from them to the next generation of utility workers.

So, when we looked at it, there were a variety of options in terms of replacement plans. But the thing that made sense to us is that it would have been a combination of something that the employer would contribute along with the employee contributing their own money. They would have to have their skin in the game, if you will, in order to participate or to ultimately reach their retirement goals. And it should be pointed out that none of these plans are full income replacement. In other words, it is a combination of the various factors. The point that I haven't made yet, which I expect you were going to ask, is that for those in the defined benefit plan, they may also participate in the defined contribution plan.

And the reason for that is, once again, that the defined plan alone would not provide sufficient retirement income for them and as a utility, we are really seeking to hit a sweet spot with regard to the physical workers in terms of being able to provide them a benefit at a reasonable retirement age. So, if they are inclined not to climb a pole anymore at age 70, they can retire. So that was sort of the sweet spot that we were trying to hit. And with a combination of those benefits, they -- we feel we do a very good job of hitting it.

Q. Thank you.

Going through to make sure I do not ask you again what you've already answered. That was very thorough.

A. Feel free to clarify.

Q. As a post-hearing data request, could we get broken out by KU jurisdictional, LG&E Gas and LG&E Electric, I want to make sure I get this right. Employer and if any employee contributions that you can provide for both a defined benefit and the defined contribution.

A. Just to be clear and, you know, I think that, once again, if I get too far into this, please let me know. But with regard to pension plan, the funding of that plan is in the aggregate. It's not by employee. And it is projecting to have sufficient assets at the end of each individual's working or anticipated retirement set aside in a trust so that we can pay that benefit we promised over their remaining life.

And so there really isn't a particular dollar amount associated with each individual. I just want to make sure that you understand that. And I do believe in the prior data responses, we have provided that the cost that is associated with the pension plan, along with the other plans that we have been talking about, the defined contribution plan.

Q. Okay. One moment, please.

A. Sure.

Q. We will -- for Counsel's benefit, we will go back and double check something that we may include in the post-hearing data request, just to let you know.

We are turning to the attachment to response to Item 3. First, looking at the first schedule that's showing the employee -- answering responses to 3B and 3C providing the 401K company match for employees who participate both in the retirement plan prior to January 1st, 2006. Subject to check, looking at the 401K company match row, can you confirm that the total amount of the 401K company match is $7,718,188.00?

A. So you have essentially added the bargaining unit, the exempt, the hourly, the manager, the non-exempt and officer numbers --

Q. Yes.

A. -- across and come up with the 7 million dollars?

Q. Yes.

A. Yes. That would be correct then.

Q. Okay. And similarly for the schedules for E and F, the 401K company match, the total, subject to check confirming the total amount for that company match is $4,512,000.00?

A. Once again, if you have added those numbers, yes, that is correct.

And I do recall that there is some issue with trying to break some of those dollars out by jurisdiction. But subject to whatever you request, we will once again see what we can come up with to satisfy that data request.

It's a function really of the dichotomy between the different systems that are accounting for -- that are keeping track of participants and whether or not they can be coded as such that corresponds directly into the accounting system.

In the aggregate, all of these numbers tie back in, which is good. And so it is just a matter of once you get down to the individual level and what bucket they go into, it does create some issues -- once again, they're different systems.

Q. Okay. I have one more question. It's more a general question and it's really derived from an exhibit from Mr. Blank that he filed with his direct testimony. It's Exhibit KWB-1. And this is the Form 1 benchmarking, top core performance.

If you will please tell me when you get that up.

A. Yes. Thank you.

Q. In -- in reviewing these charts looking at the total ONM generation, distribution, customer service transmission, in each of these items, LKE, and understanding that that is the larger entity there. In every one of those, LKE is below the top core tile and significantly below the individual average. We with noted that in A&G it seems to be a little different where LKE is above the top core tile, still below the individual average. Can you explain what that reflects why the A&G would be atypical from the others? Is there a reflection of salary and benefits or what role does that play in that?

A. Unfortunately, I would have to defer to Mr. Blake on that.

Q. Okay. Thank you.
A. Uh-huh.
COMMISSION STAFF: I have no more questions at this time.
MR. SCHMITT: Mr. Cicero, questions?

EXAMINATION

BY MR. CICERO:

Q. In your life insurance response --
A. Yes, sir.
Q. -- you referenced a Bureau of Labor Statistic report in benchmarking?
A. Yes, sir.
Q. Do you typically use Bureau of Labor Statistic reports and what category do you normally use, all employees or under the utility transportation category?
A. We refer to the Bureau of Labor Statistic benchmark in this particular response, honestly, because we thought that was a benchmark that has been referred to by the Commission in a previous case. And so we looked at that to try to understand the -- what we were trying to respond to. And in that response, we noticed that the type of benchmark that was in the prior case, was a different type of plan than ours. So we went ahead and drew the

correlation between that benchmark and our plan in an effort to be clear in terms of the type of plan that we had, which was a multiple of salary, which is a different measure, as opposed to a flat dollar plan.

Q. You would use all employees rather than comparing to a utility transportation group?

A. Well, with regard to our benchmarking generally, we refer both to general industry and utility benchmarks when we are looking at our benefit programs. With regard to the ability to see -- with the idea of seeing what is being offered both in the general industry and utility sector.

Q. The reason I am asking is it makes a difference in the midpoint when you're utilizing it for your 50th percentile.

A. Right.

Q. And one benchmark is $150,000 and the other one is $100,000 and that makes a difference in comparison of what you're trying to establish in terms of competitive marketplace?

A. Yeah. The one benchmark that I recall, actually had a median of $250,000.

Q. $150,000 is the high point for utility workers. That's the maximum. Your plan is $300,000 maximum and your average $150,000.

A. Yes, sir.

Q. So it appears you're using all workers, not utility workers. Is there a reason for that? I'm trying to understand that point.

A. Once again, with regard to responding to this question, we understood that the Commission had looked at the Bureau of Labor Statistic benchmarks previously.

Q. Which I understand. This is just what category in the Bureau of Labor Statistic report category-wise. There is all workers category and there is a category that's referred to transportation, union and something else. I forget what the third piece of that is. But utilities typically fall, under a different category than all workers and there is a different benchmark, 50 percentile is what I am referring to.

A. Perhaps -- Andrea, can you pull that up please, the actual benchmark?

Q. I can assure you that is the case. I am just curious why it's all workers versus utility workers. So I am just curious as what the philosophy is for KU LG&E as far as what line do you use in the Bureau of Labor Statistic report. We think that's a good source of information, but I am curious why you are picking one category over another category.

A. So, I want to be clear that with regard to our benchmarking, typically, we would not look at Bureau of Labor Statistic benchmarks. And part of the issue that you might run into is whether or not the sample size corresponds with the appropriate sample size. There are a variety of employers that are included in some of the benchmarks, etc.

So, what we do is we do absolutely look at benchmarks. And what I am trying to be clear about, and maybe I'm not doing it very well, but we look at both general industry and utility benchmarks. We were fashioning a broad array of benefit plans.

Q. That was a beat-around-the-bush answer, but that's okay. You really didn't answer why you are using one over the other. I understand there is a basis for both. But when there is a difference in the line item, it would be good to have a basis of why you were choosing what you are choosing.

A. I think we were --

Q. You took the Bureau of Labor Statistics report based on a past historical precedence that you believed the Commission set by referencing it to another case. Is that what you said in the beginning?

A. Yes, sir.

Q. So --

A. That's -- that how we got there.

And we were honestly scrambling a little bit. The questions came in on Tuesday and we were endeavoring to be very responsive and so we -- we did try to reference the Bureau of Labor Statistics.

Q. So, anything over $50,000 from an IRS prospective has to be included in an employee's W-2 earnings, correct?

A. You're correct. You're referring to the group term life insurance rules that there is an imputed income amount --

Q. Right.

A. -- for the employee if you provide coverage over $50,000.

Q. Does KU LG&E gross that amount up to cover taxes?

A. No, sir.

Q. Okay. Your maximum seems a little bit high, but we'll let that go.

What -- how much -- what is employee turnover? You've referenced in your benefit package, you've talked about keeping the employees happy. You've talked about hitting a sweet spot, a number of things. I didn't hear competitive, but I'm presuming competitive is one of the keys to the whole package.

What is your employee turnover?

A. Last year it was in the single digits and most of that was due to requirement.

Q. And do you benchmark that against some, kind of industry study out there that says this is a typical turnover ratio in utilities or in the industry in general?

A. We -- we do look. But, candidly, there are so many unique circumstances associated with the companies, and, you know, I appreciate that. Certainly, you know, we like to try to figure out is that the right number or wrong number, and we do track on a regular basis real-time our turnover, our retirements. We conduct exit interviews to understand why people are leaving the company. So, we are very keen on understanding what is motivating our employees to stay or go.

Q. So looking at your employee turnover, which you said is primarily retirements?

A. Last year it was, yes, sir.

Q. Do you consider that, whatever that net turnover amount is, excluding retirements to be low, average or above average for the industry?

A. We would be low compared to the industry. And I would like to say that that is the function of the fact that it's a very good place to work. We -- we have a very good environment for our employees where they are able to come to work, enjoy what they do. It's a very collegial atmosphere. And candidly it's one of the best places I have ever worked and I have worked a few. And I think that is attributable to the fact that we do have a good management team and we do have a good situation for people to feel like they are contributing to the greater good.

Our emphasis on safety, we hear that all the time when we go and recruit that people like to come to our company because they know we care. And so, all of those things I think combined to help us retain folks in our company.

Q. So culture is always important in the environment to making people happy and compensation is also a factor as well. Have you ever had a work stoppage by your bargaining unit?

A. Well, before my time, yes, we did, and fortunately I was not there for that. But we do engage in regular negotiations with the union. We have, I think, a good relationship presently with our union and there is one of, I think, mutual respect there with regard to, you know, understanding and working through their concerns. But there is also, you know, our role as management, and so it's a very good relationship.

Q. When was the last work stoppage?

A. I am unsure. We could follow-up a post-data request if that would help. I really don't know. I really would be speculating.

Q. What I'm driving at is, I understand it's always important to have a good culture, that it's always important to compensate people fairly. What I'm driving at, is your plan richer than it needs to be? You have not had a work stoppage, which means that you are obviously bargaining in good faith with your represented employees. Your turnover is basically retirements only. Is your plan above where it needs to be to retain people, quality people, because you're obviously, you know, you can say that I don't want turnover and I understand that, and you don't want a work stoppage, I understand that. But at what point do you go beyond being competitive to being overly generous and the rate payers are paying for that?

A. That certainly is a fair question. And I would say that I absolutely do not believe that our packages or our benefits are overly rich.

As we have talked about, we do look at the entire package in the aggregate, considering a lot of moving parts. There is the compensation element, which, once again, we benchmark that on an annual basis. There is the medical plan, which are the two key drivers of what people like to focus on with regard to their employment. And we benchmark that annually. And then you have referenced the, you know, is the retirement benefit too generous, once again, we, I think, have been very aware of keeping track of what the benchmarks look like in terms of offerings for employees to provide a reasonable retirement benefit to them. And I do not believe that we would -- we would be in the category of providing too rich of a benefit.

Q. All right. That's a good lead into the next set of questions because it all has to do with retirement.

A. Okay.

Q. So you confirmed already that you have a defined dollar benefit plan and it was not a lock-in freeze. You continue to accrue benefits and you make your actuarial contribution into the plan as whatever that amount of money is determined to be; is that correct?

A. You are correct. We have a defined benefit plan and the -- well, the liabilities of the plan are determined and the amounts needed to fund that benefit for the ultimate retirement of those individuals is contributed to the plan. It's not real-time, because there are certain assumptions built into it, as you already know. There are a number of assumptions built in to what that contribution needs to look like depending on what -- when you think people will leave, what benefit commencement dates there will be. There is also what sort of return you will be able to achieve on the assets that you've contributed to the plan. And so there are a whole list of assumptions that you already know that go into that determining that contribution amount.

Q. Which is my next question. You would agree that applying dollar benefit plan provides a fixed benefit for an employee based on several variables, including years of service, salary, other factors. The employee is not contributing anything in this plan, but he will receive a benefit placed on a plan that is allowed by the government that says this is your defined benefit plan and this is what you will pay that employee when he retires; is that correct?

A. Well, sir, I would agree that there are no longer contributions to the defined benefit plan.

Q. There is no employee contribution --

A. No employee contribution.

Q. Because you are still accruing -- they are your employees and they are accruing benefits in this plan; are they not?

A. Yes, they are accruing. And once again, they are not making a financial contribution, but they are working and so that is part of it.

Q. We all work to earn our retirement, I agree.

A. Yes. So, I mean, they are contributing in that regard.

Q. I am talking about monetarily.

A. Yes, sir.

Q. Thank you.

Monetarily, they do not contribute to this plan?

A. You're absolutely right.

Q. Thank you.

So that being kept in mind, they belong to a plan that is of a dying breed, would you agree that -- which is probably one of the reasons you converted yours to a retirement income account, correct? Anyone after -- on or after 1/1/2006 now belongs to a retirement income account?

A. So, there were a couple of statements in -- in your question. With regard to it being a dying breed, clearly they aren't as prevalent as they were a number of years ago. I recently saw a study from Towers Watson, who's our consulting actuary that indicated that there still are a number of Fortune 500 companies that have open plans. There are a number of Fortune 500 companies that are similar to us in that they have a soft freeze where they closed it to new participants, but there is still an accrual of benefits.

So, with regard to that, there is no question that the prevalence over the last number of years certainly has diminished.

Once again, the rationale that we kind of went through when we were looking at what to do, we were an early adopter, so we felt we were being very prudent and we still do in terms of the benefits that we offer to our employees. And with regard to defined benefit, that was the deal that we made that those folks that we were seeking a commitment from them to work their career with us. And we did want to retain their knowledge. We did want to retain their expertise. And we were asking them to sacrifice with regard to the type of work that we were asking them to do, whether it be dangerous or whatever, not in any way to diminish the contribution of any other employee or any other employer.

I get it. There are certainly other occupations that are equally difficult, etc. With regard to our folks, the utility business is unique and I think we do need to -- we did need to provide that benefit. We continue to need to provide that benefit as they have transferred their knowledge to the next generation of workers.

Q. So I'm referring to, statistically speaking, it's about 10 percent of companies today that offer a defined dollar benefit plan. And I have no problem with a lock-in freeze or a non lock-in freeze. You started these people off in a defined dollar benefit plan. That's fine. I am trying to lay the groundwork here because you made a statement that the defined dollar benefit plan participants also participate in the Salary Saving -- 401 Salary Plan Company Match, correct?

A. So with regard --

Q. Let me -- I just want you to confirm that, correct? They do participate in both plans?

A. Correct.

Q. You made a statement that you said that you were trying to hit a sweet spot, and provide a plan that is competitive or provides benefits that your employees need. Now defined dollar benefit plans are considered rich plans. They're a high risk plan and that's why companies moved away them. Because trying to determine liability through an actuarial calculation was difficult to do. A lot of them became unfunded. Take the state of Kentucky. If you don't fund enough money in your pension plan, you've got a defined dollar benefit, it becomes pretty difficult. So, you have gotten away from it. I understand that. But why in the world is it necessary to offer two requirement plans when one is a defined dollar benefit plan and going beyond that, the second part, let's just go into the 401K, because you offer up to 7 percent based on years of service and you're offering up another 7 percent in this company match.

You have already established that the total amount for the defined dollar benefit plan participants in that is 7.7 million and we have already established that the cost for participants that are also on 401K plans, 4.4 million dollars. So we have $12.1 million in costs associated with a redundant savings or retirement plan. Whatever you wanted to call it. Don't you think that is a little bit over the top in terms of compensating benefits when you've got people that are rate payers that don't even actually have a retirement plan?

A. So, once again, there was a number of segments in that.

Q. I know there was.

A. And I really do want to try to address all of them.

Q. I decided I had to get it in before --

A. You were on a roll.

So I guess there -- there, I guess, are couple things. One, as I eluded to earlier, none of these plans are full income replacements. So, when you talk about the fact that there is a defined benefit plan or a pension plan that will provide a monthly benefit to someone, please understand that doesn't replace their income or all of their income, you know.

Q. I don't want to interrupt you, but I have to. I don't know of any retirement plan that provides 100 percent replacement monthly income. That is not a typical average in the workplace plan. That doesn't exist.

A. You're absolutely right. But the point is all of the defined benefit plans that employers offer, they come in different shapes and sizes and different benefit structures, etc., as you are well aware.

And so the other piece of what you said is that I may have created some confusion with the previous response and I want to be clear that the portion of the savings plan and think of it as an umbrella. So, there's an umbrella plan that has various components to it. One component is this retirement income account. And you referenced a 7 percent, which I believe it's referring to that portion of the plan which these folks do not participate in. So if you're the pension plan, you don't participate in that --

Q. If you're in the defined dollar benefit plan, you do not participate in the retirement income account.

A. Yes, sir.

Q. I understand that.

A. Yes, sir.

Q. But both of those groups participate in matching 401K plans; am I correct?

A. You are correct.

Q. The value of that is 12.1 million dollars. That is my point.

A. That -- that is the company match. Once again, employees must contribute in order to participate in that plan.

Q. That's great that the employees contribute. But the rate payers pay 12.1 million dollars in retirement for a plan for employees that already participate in a plan that's company fully funded. That is my point.

A. And I appreciate your point. And once again, my point would be that in the aggregate, if you're looking at the benefit structure that we are providing to our employees, then, you know, I don't think that you could say that what we are doing is unreasonable or needs improvement.

Q. Well, we could say whatever we wanted to at this point.

A. Yes, sir.

Q. But I made the point that I think I wanted to make and I appreciate your comments and answers to the questions you made.

Mr. Chairman, I have no other questions.

MR. SCHMITT: Commissioner Logsdon, do you have any questions?

MR. LOGSDON: No, sir.

MR. SCHMITT: Staff?

APPLICANT STAFF: The Staff has nothing.

MR. SCHMITT: Counsel for any of the Intervenors wish to question the witness?

That being the case, may this witness be excused?

COMMISSION STAFF: Yes.

MR. SCHMITT: What about Mr. Staffieri? Mr. Conroy, you may step down and you may be excused and so may Mr. Staffieri.

APPLICANT STAFF: So may Mr. Staffieri --

MR. SCHMITT: Yes.

APPLICANT STAFF: Thank you, Your Honor.

May I call Mr. Seeyle?

MR. SCHMITT: Yes.

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WILLIAM STEVEN SEEYLE,

the witness herein, having been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q. Mr. Seelye, will you state your name and business address.

A. My full name is William Steven Seelye. I'm the managing partner of The Prime Group. My business address is 6001 Claymont Village Drive, Suite 8, Crestwood, Kentucky 40014.

Q. Thank you.

Mr. Seelye, you filed several different pieces of testimony, responses to data requests which -- some of which have been corrected in two different erratas. Subject to those erratas, do you have any other corrections to your testimony today?

A. No, I do not.

Q. Okay. If I asked you all of those questions, would your testimony and the responses, again subject to the errata, if we asked you the same questions today, would your answers be the same?

A. They would.

Q. Thank you, Mr. Seelye.

APPLICANT STAFF: Mr. Seelye is available for questioning, Your Honor.

MR. SCHMITT: Cross-examination, Staff?

CROSS-EXAMINATION

BY COMMISSION STAFF:

Q. Yes, Your Honor. Thank you.

Good afternoon, Mr. Seelye.

A. Good afternoon, Mr. Ngyuen.

Q. A couple of the Intervenors in this proceeding were opposed to the increase in the residential basic service charges, that involve testimony related to those costs of services those parties; is that correct?

A. That's correct.

Q. Okay. So, specifically, there were the witnesses for the Attorney General and The Sierra Club; is that correct?

A. That's correct.

Q. You addressed those witnesses for the A.G. and for The Sierra Club in your rebuttal testimony; is that correct?

A. Correct.

Q. Okay. Can you explain in your own words the position of the A.G. and The Sierra Club specifically how they calculated the basic service charges and how it differs from the company's calculation?

A. Yes. The way they calculated it was to include two different components. One, was a meter and meter-related expenses and service costs, which is line that goes from the -- like the service property line to the house. They included that.

The company's cost of service study, we included -- and I will say that even in the A.G. cost of service study, they handled costs very similar to ours. But we also included a minimum portion of transformers as well as secondary lines. Because when you hook up a new customer, any size, you have to extended the line. You have to put in a transformer. So we put essentially a statistically determined minimum value in the customer cost. But in the cost of service study for the A.G., they handled those costs the same way we did.

In calculating the cost of customer charge, they calculated theirs based just upon the meter and the service line, not any transformer costs, for example, or secondary lines.

Q. Okay. So with the inclusion of transformer cost and the secondary lines, would it be your position that the company's cost of service increases the energy charge?

A. For LG&E rate design where there is a rate like that, yes, it is correct.

Q. When you say there are two parts --

A. It's a basic service charge and an energy charge, if that's the only component. In the case of LG&E, those are the only components, therefore, it is correct.

Q. Right.

So we're basically talking residential customers?

A. Yes. Right. Residential general service rate.

Q. Can you explain why that's the case?

A. They -- you have got two components. If it's not in the basic service charge, it's in the energy charge. Therefore, an average customer will pay exactly the same, either -- wherever you have the dollars.

But with a customer that has above average usage, if you're putting it more in the energy charge, those customers will pay more. And if you are putting less in the basic service charges, they will pay more.

Q. Okay. And do you have other utilities that you are on retainer for?

A. Yes. Many.

Q. Okay.

A. Oh, retainer.

Q. Well --

A. Many utilities that I work for.

Q. Does the low income customer usage for LG&E and KU customers being typically higher than the average residential usage -- higher residential usage customers. Let me repeat that question again.

For the LG&E low income customers who, according to Mr. Conroy's testimony, uses higher energy than the average residential customer --

A. For other utilities?

Q. -- are they typical for other utilities?

A. Every utility that I've worked with where we have used this data, low income customers use more on average than the average customer or the typical customer. What I mean by typical customer is the average consumption.

Q. Yes.

A. And so it's not -- I've worked in Las Vegas, the same situation exists there. Kansas, Colorado. About every place that I've worked, I see the same.

Q. So LG&E KU's low end customer usage is not unique to just --

A. No. I have some reasons for it. A lot has to do with housing stock. A lot of it has to do with the fact that they rent. And when they rent, the -- a lot of times the person or property owner may not have encouragement to put in insulation or to weatherize the home, because the renter pays the electric bill.

So I think it has a lot to do with that structure with rental property. But typically, I think it gets back to the housing stock with a lot of low income customers isn't -- isn't comparable to other customers.

Another example would be a high efficiency furnace. And I see the same thing in gas usage as well across the country.

Q. Transitioning just slightly. If we were to separate residential customers into three general groups, one group consuming less energy than average, one group consuming an average level of energy and one group consuming more than the average level of energy.

A. Uh-huh.

Q. Using the residential rate sets forth in settlement agreement, will each of those residential groups pay their full cost of service, or will any of those residential groups be subsidized by the other residential costs?

A. Under the current redesign?

Q. Under the --

A. Under the settlement agreement?

Q. Yes.

A. Yeah. Based on the results of our cost of service study, again, there were other prospectives on cost of service, case in point, hours. Certainly, the higher usage customers would be subsidizing the low usage customers under our cost of service study because the cost of service study indicates that the cost should be 22-dollars.

Q. So, I mean, does that go back to your earlier statements where you state that's because of -- well, can you explain a little bit more just other than that's because that's what the cost of your survey says that the basic service cost should be?

A. Well, let me restate differently. That's what the cost from our prospective is. So take -- set aside the cost of service study, for example. The cost of -- the fixed cost related to serving the customer, and I am going to interject according to our cost of service study again, but the fixed cost is 22-dollars. So when you charge something less than that, obviously, you have to pick it up in the energy charge.

So, but again, let me get back to the stipulation. We feel that we made significant movements in the customer charge because of the increase in the customer charge is higher in this two-step process than the energy charge. So it is a move in the right direction from my prospective and I think the company's prospective.

Q. Well, when you say it's moving in the right direction, is it a -- the degree of the movement, is it to your satisfaction.

A. Yes. Because I support the settlement, so it's to my satisfaction?

Q. Okay. So at current rates, the fixed monthly customer charge represents a higher percentage of a low usage customer's bill than would be the case than the high usage customer. Would you agree with that?

A. Yes.

Q. Okay. And at the stipulated rates, that would also be the case. Would you agree with that?

A. Yes.

Q. Does the fact that low usage customers pay a higher percentage of their bills through the fixed monthly charge, mean that the lowest usage customers are subsidizing high usage customers?

A. No.

Q. Why?

A. Because the cost is higher than the customer cost that we -- that's included in the fix monthly cost.

Q. That goes back to what you said before in terms of the companies aren't fully recovering their customer related fixed cost through the basic service charge, so, therefore, there are some customer related fixed costs that are being covered through the volume metric charge?

A. That's correct.

Q. So, therefore, if you have a higher average user, you are going to be paying more than as compared to lower customers who consume less than the average?

A. That's correct.

Q. Okay. Does the shift in the rate design for more fixed costs recovered through the energy charge to more fixed costs being recovered through the basic service charge cause rates to be more aligned with cost of service?

A. What we agreed to in the stipulation, we put more of the increase of the customer cost, so certainly it causes the rates to be more aligned with cost of service.

Q. Okay. Can you refer now to stipulation Exhibit Number 4, Page 21 of 21?

A. Which Exhibit?

Q. Exhibit 4. Page 21 of 21.

If you look at the rate paid through 12 public schools, Time of Day Secondary. In the middle column where it says present, TODS, there's an energy charge of .03572?

A. Right.

Q. Should that be .03527? I ask you that, because if you refer to the Page 8 of that Exhibit, and if you look at the Time of Day Secondary services at the rate TODS in all energy?

A. Yes.

Q. Across --

A. Yes.

Q. -- where it says present rates unit charges, it says .32 -- I'm sorry, .527.

A. That's correct.

Q. Okay.

A. I -- I agree with you and it probably it truly 3527 in the calculation. I would have to verify that. But it was probably a formatting error that truncated the last digit. So -- but I would have to verify if the calculation is correct.

Q. Okay.

A. So it should be linked.

Q. Okay. So if it is -- if the correct energy rates should be .03527, could you -- well, would that change the amount of stipulated decrease?

A. It may or may not. I would have to verify that.

Q. Okay. And if it does, could you revise -- well, as opposed to a data request, could you confirm which rate that is?

A. Yes.

Q. Which energy rate that is.

Secondly, if there is going to be any change in the amount of the stipulated decrease --

A. Okay.

Q. -- if there is a change, could you file a revision to Page 20, Exhibit 4, to Page 21 of 21?

A. We will.

Q. And could you also look into if the .03527 rate is correct, whether that changes the rates for either one or both of the proposed pilot school tariffs?

A. We will.

Q. Switching lanes a little bit. Can a customer is currently paying for a light that is included in the restricted lighting class switch to a nonrestricted light, under the lighting class?

A. Yes.

Q. Okay. When that occurs, is the company able to retrofit the lights or would the entire pole structure be change?

A. Yes. It's my understanding that they could. They could put in a new type of lighting if the customer wants a new type?

Q. Okay. Without changing the entire --

A. It depends on the light they selected. Some fixture or poles are not compatible with others. For example, a COBRA head might be different than some type of pedestal light. So it would depend on the light.

Q. Okay.

A. And if -- in some cases they would be able to switch without a change in the pole and other cases they would have to change out the type of pole if they're on a pedestal type of light.

Q. Okay. So in that instance, who would be responsible for the cost of switching?

A. Well, the cost of switching, obviously the company would be for the cost of the switching. The cost of paying the rate, it would be the customer.

Q. If you can refer now KU's Response to Staff's Second Data Request, Items 7, 8, and 9. And there were similar requests that were made in the LG&E case, and those are 8, 9 and 10. But for purposes of this question I will stick to the KU case. These responses provide the supporting calculations for tariffs EDSB, EDS-R and EDC. Could you provide revised spreadsheets with the stipulation?

A. We will.

Q. Okay. And could you provide those in both paper copy and in Excel format?

A. We will.

Q. For both cases?

A. We will. I understand.

Q. Can you now refer to KU's Response to Staff's Second Request, Item 76, and also Staff's Third Request Number 20. Both of these touch on the solar share program rider. So, same questions were asked from Staff in the LG&E case as well.

A. Okay.

Q. Tariffs filed with the stipulation shows no changes to the rates in the shared program rider; is that correct? Are you aware of that?

A. I thought there were some changes, but I thought the -- some of these were linked to the energy charges, for example, power service secondary, power service primary. I think those are linked to the energy charges and the rates. So I don't know if they were updated or not, but that was the intention.

Q. The companies filed changes that would be made to both the solar energy credit and the solar capacity charge. If these are the ROE agreed to in the stipulation and under -- each of the corrected cost of service studies filed in each of these cases?

A. Could you repeat the last part? I understood the solar chair fixed charge. What was the last part?

Q. Okay. Using the ROE, the stipulated to ROE, and under each of the corrected costs of service studies.

A. Okay. I think I understand that. Let me restate it to make sure that we're -- the solar share program included a fixed charge component which would be different depending on the ROE. You want us to modify that or adjust that to reflect the ROE. And the cost of service study, the only thing that might impact that would be the energy component. You want us to update that according to the cost of service study?

Q. Correct.

A. Okay.

Q. And like the other Data Request, provide paper copy and also an Excel spreadsheet?

A. We can.

Q. Thank you. Just give me one second, Mr. Seeyle.

Those are all the questions that I have.

MR. SCHMITT: Mr. Cicero, do you have any questions?

EXAMINATION

BY MR. CICERO:

Q. The original proposal by KU and LG&E was to increase the base service charge basically from \$10.25 up to \$22 and from \$13.75 up to \$24; is that right?

A. That's correct.

Q. Would you say, in your expert opinion, that the gas service customers were already covering more of their fixed cost charge through their rate recoop to them, the basic service charge than the electric customers were, based on the fact that it's already at $13, or was there an inherent greater infrastructure cost on the gas rather than the electric?

A. There's two questions there and I am going to answer the last one first.

There is greater infrastructure cost for the gas than there is for the electric, so you are correct on that.

They were paying more, but it's primarily as a result of the gas line tracker. The gas line tracker is still on a per customer basis. Therefore, after you take that into consideration, they were paying approximately $19 plus, by the operation of the tracker. So -- so, yes, they were paying more, but it was -- it wasn't just because of the current $13.50 charge, it's also because of the gas line tracker and how it operates.

Q. In the stipulation, I think it's a $3 increase for natural gas customers and then $2.75 increments for the electric. Was there more pressure to keep the electric base rate lower than the gas increase? In other words, was there -- it appears that the increase of the gas customers is a greater proportion than it is for on the electric customers. I am wondering if this reflects a growing trend in the industry in general that you keep rates down, utilities try to push electric rates up, Intervenors trying to keep the basic service charge down. Is that a reflection of decreased consumption in areas like in Kentucky where there is not much volume to cover the overall revenue requirement and so there is a push upward on those rates? Is that a fair statement? You're the expert. I'll just ask that.

A. Okay. Upper pressure on gas or electric?

Q. Electric.

A. On the rate or the cost?

Q. Basic service charge.

A. The basic service charge.

I think -- my prospective on it, it seems like the electric gets a lot more attention from the public than the gas, and there are a lot more electric customers than there are gas customers. Therefore, I think there was more concern on the electricity side of the business than there was on the gas side of the business.

In general, I don't think there is much difference in the desire of the utilities to reflect cost. I think both, there is a general trend across the United States to try to reflect the cost through the customer charge. So I don't think it differs between gas and electric.

Traditionally on the gas, there was an industry trend to try to reflect that because the gas volumes were decreasing steadily over a large number of years. In the case of LG&E the gas consumption went from like 150 NCF a year down to about 70 NCF a year. Therefore, if they didn't have a customer charge that reflects the cost, then there were some pressure on rates, but also some serious inner class subsidies that used more than were subsidizing other customers. So I think there was a pressure a number of years ago to get the gas customer charges up.

But I think there is a trend now in the United States, because a lot of the clients that I work with have $20 to $40 customer charges. So -- that's on their electric side. And some gas utilities have some very similar customers. So, I don't think that there's a difference in cost recovery from the two utilities, but there are some historical changes that push it on the gas rather than it did on the electric. I don't know if that answers your question.

Q. Well, no, but it was great lead in because it goes over to the electric side. On the gas side, the average consumption was, I think you said 147 or 153, somewhere thereabouts and it he declined dramatically down to 78 or --

A. Something in that neighborhood.

Q. Almost half.

Is the decrease in overall volume for utilities in general in Kentucky forcing pressure on the customer base charge because volume of electricity delivered is declining?

A. No.

Q. Okay.

A. I have not seen in Kentucky the volume per customer declining. The kilowatt hours per customer on the electric I have seen it in other jurisdictions. I have seen it dramatically in other jurisdictions.

I have for a utility in New Mexico, within the last year, that saw their average consumption go from 800-kilowatt hours to 350 or so kilowatt hours per month. Therefore, it had a dramatic impact with the utilities financially because of that loss. But that's in a different part of the country.

Q. So in this case, in particular, in looking at the base service charge, when we look at a utility attempting to increase, in this case, it was $10.75 up to $22 and you had indicated to Staff that that's what the cost of service study basically indicated it should be. I understand that there was no increase last time when there was a rate request. But has the trend towards that $22, should it be increasing gradually, faster, or is it -- I mean, why the big push now for the -- we are seeing a lot of it in the rate cases where attempts are being made on the basic customer service charge. Why the emphasis on that now?

A. I've seen the emphasis the last 20 years, so I'm not seeing a difference. I've worked with utilities that were doing it 20 years ago when I started work as a consultant. And I don't think it's a recent phenomenon. It may be in Kentucky to some extent, but it has not been my experience nationwide that there is a sudden impetus to increase the customer public charge.

I mean, one -- the public comment was made earlier that the company hasn't proposed higher charges in the past, like $18 to 20-dollars. So I don't think it's a recent phenomenon. It also depends on the consultants they use to cost of service study experts, their -- their approach to cost of service.

MR. CICERO: Thank you. You answered some questions for me.

THE WITNESS: You're welcome.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: No questions.

MR. SCHMITT: I have no questions.

Counsel, any follow-up?

APPLICANT STAFF: No, Your Honor.

MR. SCHMITT: Staff?

COMMISSION STAFF: No, Your Honor.

MR. SCHMITT: Counsel for any of the Intervenors?

CROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. You were asked a couple questions earlier about the implementation of the increase of the customer charge for the electric over two years, .75 cent increase in 2017 and a .75 cent increase in '18; is that correct?

A. That's correct.

Q. And I think you were asked about putting -- I forget the words, but you were asked to, kind of asked to, give the pros and cons of that. Do you know of any principles in utility rate making that that would support implementing a rate increase over a number of years?

A. In terms of the overall increase, certainly the principles that were written about in the 1950s in Bonbright's Book of Gradualism and Rate Continuity would certainly address the overall impacted rates. An argument could be made in prospective provided that I've heard many times on the level of customer charge with respect to rate continuity. I think that's a different concept maybe than gradualism, because gradualism typically is addressed in terms of the overall bill. But rate continuity would tend to apply for a rate component. That's how I look at it any way.

Q. And can we go back to, I believe. Conroy's rebuttal testimony on Page 14. There was a chart that I believe that the company and Mr. Conroy had created using data supplied by the Community Action Council in the KU case. So if you can, can you give me just between those four months, a range of what

it states, I guess, the average of those four months, the number of KU residents or customers?
A. It will take me a second because this is not my exhibit, but --
Q. Oh, that's fine. Just roughly.
A. It says here 8 -- on KU residential customers, it goes from 812 to 1571.
Q. Excuse me. Sorry. On the number of customers.
A. KU residential customer, okay.
Q. On the far left.
A. Okay. You are talking about KU's residential customers total.
Q. Yes.
A. Okay. 429297 is the lowest and 431515 is the highest.
Q. And again, what is the range of the number of data points that CAC presented?
A. It appears 317 is the low and 1452 was the high.
Q. And so would you agree that -- would you say that that is statistically significant number in creating the overall arching conclusion that low income users, in this -- given this evidence, either they are higher or lower users is, let's just say,

1,452 data points out of 431,000 numbers. Is that statistically significant?

A. Yes.

Q. And how close?

A. How close to being statistically significant?

Q. Yes.

A. I don't understand the question.

Q. Well, I mean, so -- I guess, generally, would you be able to extrapolate that and use that as a data point to back up the point that Mr. Conroy made in his testimony?

A. Yes.

Q. That all end user are either high or low energy users?

A. Yes.

Q. Okay.

A. If I can elaborate rate.

Q. No, that's fine.

A. The reason I gave the answer I did is for a number of years I've -- for my entire career, I've worked with statistical sampling of globe research and this level of sample because -- first of all, this is applies to just low income, not the entire data set of residential customers. It's only low income customers. But a typically statistically valid sample based upon purpose standards that were established years ago, these far exceed what is typically included in the statistically valid sample.

So 317 is -- a statistically valid sample of residential customers is typically in the 100 to 150 range. This is far beyond that and this is for a subset. So I would say it's definitely statistically valid, assuming it's random. You know, I don't know the results of, you know, how the data was gathered. But I would say it's statistically significant, statistically valid.

Q. I know this is not your primary job, I guess, I'll preface it with that. But is it your understanding that at least a large amount of the numbers or a good amount of the numbers of the low income data points that the CAC supplied would receive some sort of federal or local assistance in paying their utility bills?

A. Yeah, probably almost all of them would.

Q. And is it possible that that -- let's call it that subsidy for lack of a better term, that that assistance may be a reason for higher usage compared to other users?

A. I don't know. I've heard speculation on that. I've never seen studies to indicate that. I personally believe it has more to do with the housing stock.

Q. But would you consider that to be behavioral?

A. I mean, it may or may not be the case behavioral characteristics of getting subsidies. I mean, I cannot comment on it, because I have not done any kind of study on customers behavior that receives that.

Q. Is there -- so your understanding, is there any testimony in the record indicating that should the companies as filed position regarding the customer charge be accepted, that -- and other testimony other than yours, that it's possible that lower users may have subsidized higher users, larger volumetrically that lower users may subsidize higher users. Is there any testimony in the record to that effect?

A. On the stipulated rates?

Q. As the as-filed rates for the company?

A. Yes. In my testimony I addressed it.

Q. Is there any -- excuse me. And I think you were asked a question earlier about the gas line tracker and that you note that currently the gas line tracker recoverers cost on a per customer basis, a fixed charge?

A. That's correct.

Q. And isn't it correct that as part of the stipulation, part of the gas line tracker when it was rolled into base rates, part of it is reflected and recovered as a fixed charge effectively through the customer charge and part of it will be recoverable in metricate.

A. In the stipulated rates?

Q. In the stipulated rates.

A. Yes.

MR. CHANDLER: Thank you.

MR. SCHMITT: Staff, any questions?

Yes, ma'am. I'm sorry.

MS. ROBERTS: That's quite alright.

FURTHER CROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. Following up on questions that Mr. Chandler was asking about the exhibit that's not yours. I do appreciate your willingness to answer a few questions about it.

Do you have that page up, which you do. Would you agree that the data in this exhibit covers four months of the year?

A. That's correct.

Q. Okay. So, is it possible to draw a conclusion about annual kilowatt usage of low income customers and general customers from this table?

A. Understanding where most of the consumption of customers fall for KU customers, yes.

Q. Let me restate my question again, sir. From this table alone, can you derive any information about what the usage of these two customer groups are in the summer months?

A. No.

Q. Okay. And summer consumption, energy consumption, would be likely driven by the air-conditioning usage in a state like Kentucky, correct?

A. That's correct.

Q. Okay. Thank you.

The Community Action Council, the organization that helps provide bill payments and other resources to customers; is that your understanding?

A. That's my understanding.

Q. Okay. Thank you.

And you spoke earlier about whether or not this was a random sampling of low income customers. Would you agree that it's possible that customers who seek out bill payment assistance are customers that have higher energy bills?

A. I don't know.

Q. Okay.

A. I have no basis to draw that conclusion.

Q. Okay. So the customers that are listed here under KU low income customers based CAC supplied data, that's not all KU customers?

A. No.

Q. It's a subset of those customers?

A. If this is accurate CAC supplied data, I would say it's not all low income.

Q. Okay. So it's subset of low income customers that have sought out bill payment assistance?

A. Right.

Q. Okay. Thank you.

I would like to go back to something you said early on in your testimony today regarding the testimony of Intervenor witnesses, Watkins and Wallock. And just a clarifying question. I believe you stated that those witnesses said that the only cost that should be included in the customer charge were metering and services line costs. Is that what you stated?

A. In their calculations, they only included in the customer-related cost the meter-related costs that included meter reading and billing obviously.

Q. Okay.

A. As well as service line. They did not include transformer cost, they do not include secondary lines, extensions to make, hook-up a customer in primary lines.

Q. Okay. Thank you very much for that explanation.

I just wanted to clarify, you've added now billing when you explained that?

A. I meant that along with meter-related costs --

Q. Okay.

A. -- would be reading the meters and rendering the bill. So that would be included.

Q. Okay. What about customer service-related to costs? Do you recall whether those are included?

A. I don't recall exactly --

Q. Okay --

A. -- exactly what they did.

Q. Okay. Do you happen to have a copy of the

Intervenor's testimony?

A. I do not.

Q. Okay. Thank you.

Let's look at Mr. Wallock's testimony in either case. If you could please go to Page 9. Mr. Seeyle, could you please read, starting here on Page 9 on this testimony from Lines 10, I believe. I may be looking at a different version, where he says, "I derived the minimum cost to connect."

A. Yeah.

Q. Could you please read that sentence?

A. I derived the minimum cost to connect a residential customer based on the cost per residential customer of service drops, meters, meter reading, billing and other customer service expenses.

Q. Okay. Thank you very much.

You said that you worked for a number of utilities, correct?

A. Yes.

Q. And you're based in Kentucky, so have you worked for other Kentucky investor-owned utilities on these sorts of rate cost of service matters?

A. Other Kentucky investor-owned utilities, no.

Q. Okay. Do you happen to know what the customer charge is for the Kentucky Power Company is for residential customers?

A. No, I do not.

Q. How about Duke Energy Company?

A. No, I do not.

MS. ROBERTS: Okay. Mr. Chairman, I would like to introduce an exhibit that's two separate documents.

MR. SCHMITT: Can you tell us what it is?

MS. ROBERTS: Yes, absolutely. The first one is going to be the current residential tariff for Kentucky Power Company and the second is the current tariff for the Duke Energy Company.

MR. SCHMITT: Do you have copies?

MS. ROBERTS: We do. We are ready to circulate those.

MR. SCHMITT: Let's mark the Duke Energy as Sierra Club Exhibit 1 and Kentucky Power Exhibit as Sierra Exhibit Number 2.

MS. ROBERTS: Thank you, Your Honor.

COMMISSION STAFF: If I can ask, on the Duke Energy Kentucky Tariff, there should be a file stamp, a Commission file stamp on the tariff, but I don't see it. It's similar to Kentucky Power. I don't know if the copy doesn't show up or --

MS. ROBERTS: Yeah. Thank you for the question Mr. Ngyuen. I am not sure why this version does not have the stamp on it as you referred to, but I was just conferring with counsel for the companies and they double-checked this version against the one that is stamped and is available on the website.

COMMISSION STAFF: The rates appear to be identical to what's available on the Commission's website and with the stamp on it, so we are prepared to let it go for these purposes.

MS. ROBERTS: Thank you very much.

MR. SCHMITT: Well, what we'll do is, we won't finish today anyway. So overnight we can check and see.

You may ask.

MS. ROBERTS: Thank you very much.

BY INTERVENOR STAFF:

Q. Mr. Seeyle, have you had an opportunity to review these two documents?

A. Yes.

Q. And so the Exhibit marked SC1 is the schedule of rates, classifications rules and regulations for eletric service of Duke Energy Kentucky, correct?

A. I see that, yes.

Q. And do you accept based upon the discussions that we just had here, that there are accurate copies of current tariff?

A. Subject to verification, yes.

Q. Thank you very much.

Will you please turn to the second page of the Duke Energy Kentucky exhibit, and will you let us know what that customer charge is for Duke Energy Kentucky?

A. The customer charge says $4.50.

Q. Okay. Thank you.

If we could please refer to the document marked Sierra Club Exhibit 2, which is the residential tariff sheet for Kentucky Power Company, correct?

A. That's correct.

Q. And turning to Page 2 of that exhibit, will you please let us know what Kentucky Power Company's current service charge is?

A. It states $11 per month.

Q. Okay. Thank you very much, Mr. Seeyle.

Mr. Chairman, I would like to move Exhibit 1 and 2 into evidence.

MR. SCHMITT: They will both be admitted subject to confirming the authenticity of the Dukes exhibit, Sierra Club 1, which we will have done in the morning.

INTERVENOR STAFF: Thank you very much. I have no further questions.

MR. SCHMITT: Any other questions from Staff?

COMMISSION STAFF: No, Your Honor.

MR. SCHMITT: Counsel for any of the Intervenors?

INTERVENOR STAFF: Yes, Your Honor.

FURTHER CROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. Tom FitzGerald representing Metro Housing Coalition. As between the as-filed customer charge and the increase to $22 for LG&E; is that right?

A. Yes.

Q. And there was a corresponding reduction volumetric charge?

A. That's correct.

Q. Assuming that I were an energy efficient user who had invested under the previous rate structure for LG&E, would raising my customer charge to $22 and lowering volume metric have -- allow me to recover my investment in energy efficiency in windows and doors quicker or would it have delayed recovery?

A. With everything else be equal.

Q. Yes.

A. If you had, based on our final position; is that correct?

Q. Yes.

A. Obviously, the energy charge would be lower, therefore, the savings per kilowatt hour would be lower.

Q. Okay. So it would take longer for me to recover the investment that I made on the assumption of what the rates were when I made that investment?

A. Yes.

Q. To your knowledge, do customers look at those sorts of things when they're considering whether to make energy efficient investments for the time period for the return on the investment might be?

A. Not necessarily.

Q. Is that for residential or --

A. For primarily residential I would say not necessarily. Because in other jurisdictions that I've worked in who have a much larger penetration of solar panels than in Kentucky, a lot of it is what I would call cultural motivation to conserve. They do it irrespective of the charges.

The area -- the one that I'm thinking of in Toust area, they have a culture of, you know, trying to conserve. So, no, I would not agree that they would necessarily look at their consumption.

Q. Is it a factor outside of Toust, what they are going to sink in terms of investment and what they are going to get?

A. In the west, I would say it's probably not.

Q. Okay?

A. In this area it may be. You know, I haven't studied individual customer views on that.

Q. Okay. Switching to a low income renter. You mentioned that a number of customers with low fixed income customers are renter and that is certainly the demographics in Metro Louisville. If I double the charge over what it had been, does that leave me more or less opportunity to control my cost by putting in window coverings or working with some of the providers to better insulate the housing envelope?

A. It's a complicated question because it depends on their available funds to do that type of thing.

Q. Assuming --

A. So they may -- I think that's the issue. A lot of low income people, they can't afford to do it.

Q. Right. But let's assume that there is assistance available. Does doubling the customer charge provide them more or less opportunity to control their monthly cost?

A. It probably does if they are looking at that, and I'm not sure they are. But it probably does provide less of an opportunity because of the savings realized through the customer charge would be less.

Q. Okay. And finally, did you see the filing that Metro Housing did in response -- in the initial filing from Cathy Hinko, who is the Director of Metro Housing Coalition showing some of the feedback that they've gotten from the ASAP Program in terms of what a little bit of assistance means in terms of real world things like being able to buy clothes for their kids for school and some of those other essentials that we take for granted?

A. I did not read that testimony, because I had a lot to deal with.

Q. Oh, I know you do.

Mr. Chairman, thank you.

MR. SCHMITT: Any other questions from counsel for the Intervenors?

If not, Mr. Ngyuen, questions?

COMMISSION STAFF: Just a couple of questions, Your Honor.

RECROSS-EXAMINATION

BY COMMISSION STAFF:

Q. In terms of a cost and service study that's developed by an IOU or rural electric cooperative, is there any difference on how those are developed, when one utility is an IOU and the other electrical utility was a RACC?

A. Yes.

Q. There's a difference?

A. There is a difference primarily in production of cost versus purchase power cost. Electric cooperatives purchase power from the GNT and whereas, most IOUs rely on their own generation resources. So with respect to the protection facilities, there is a big difference. With respect to distribution, there is very little difference.

Q. So in terms of developing the customer charge or the basic service charge, are there -- is there any difference between the cost of service side that's developed by the IOU utility versus a distribution?

A. In terms of methodology, no, there is no difference.

Q. For the Sierra Club Exhibit 1, the Kentucky residential service where the customer charge shows $4.50 per month, do you have any idea as to when that charge was initially effective?

A. I would suspect many years ago, but I don't know precisely.

Q. And do you know what the cost of service was for Duke Kentucky in arriving at that $4.50?

A. No. I have not looked at it. I've looked at their methodology in the past. They use the same approach that we do. So, they, in terms of the zero intercept, I do know that. They've used it for many years, but I haven't looked at this result in their customer cost.

Q. Would you know if that customer charge was as a result of a settlement for a fully litigated case?

A. I don't know.

Q. For Sierra Club Exhibit 2, same question with respect to the service charge of $11 per month. Do you know exactly when that charge became effective?

A. No, I do not.

Q. Do you know if that charge was as a result of a settlement or a fully litigated matter?

A. It's my understanding their current rates were as a result of a settlement. So, if these are their current rates, and it appears they are, I think that they are, I think they are the result of a settlement.

COMMISSION STAFF: Those are all the my questions.

MR. SCHMITT: I have no questions.

Commissioner Cicero?

MR. CICERO: No.

MR. SCHMITT: Counsel, anything further?

APPLICANT STAFF: No, sir.

MR. SCHMITT: Anyone else? Any questions for the Intervenors?

I have someone sneaking up from the rear.

Counsel, any further questions.

MS. ROBERTS: No.

MR. SCHMITT: Anything you want to share with us?

MS. ROBERTS: No, I apologize for the distraction, Mr. Chairman.

MR. SCHMITT: No, no, no.

Mr. Chandler, go ahead.

RECROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. So you mentioned that the methodology, you believed the methodology for coming to number on the customer charge for an RCC and for a vertically integrated utilities is essentially the same, the methodology.

A. The methodologies would be the same, yes.

Q. Okay. And -- and just to make this for my own education as well, it's my understanding -- no, I am not going to ask that.

Do you take into account certain administrative general expenses when coming to a conclusion on your customer charge of methodology used?

A. It -- the cost of service study that we prepare is called a fully allocated cost of service study. Therefore A&G expenses are fully allocated to the various functional components in -- of the utilities cost. So, yes, it's taken into consideration and it's fully allocated.

Q. So that customer charge would represent certain, as a general term, certain overhead that are fixed costs, correct, personnel and administration?

A. To the extent that it's the ONM cost that are included in there and that would be fully allocated. Capital costs are treated differently, which is the larger portion of the costs.

Q. And would you agree that there is a difference in ONM between a GAT and a RACC due to the fact that one controls and operates both generation and transmission and the other is distribution only. All things equal, there would be additional costs for general and ONM for overhead?

A. For an IOU, you mean?

Q. Yeah. The difference between a vertically incurred utility and RACC there would be additional back office staff, additional ONM, additional staff necessary to run those different functions.

A. In terms of ANG I am not sure. In terms of obviously production function for a utility, it would have a lot more ONM expenses for an IOU than it would for a co-op. But in terms of the ANG I am not sure, because there is others factors that effect -- excuse me, an economy scale that might come into play. IOUs are much longer. And typically, not always. Some cooperatives are quite large. But it's a complicated question that you're asking.

Q. And just to confirm, those costs are treated differently as opposed -- in your testimony and in other Intervenor's testimony, correct?

A. Correct.

Q. Thank you.

MR. SCHMITT: Mr. Gardner?

MR. GARDNER: I just have one question.

FURTHER RECROSS-EXAMINATION

BY INTERVENOR STAFF:

Q. Mr. Seelye, you indicated that the methodology for computing cost of service for an IOU and a distribution co-op were the same methodology. Is there a reason why it's difficult to compare the actual cost of service for a distribution co-op with an IOU utility that that's not a fair comparison.

A. Yes. There are some differences in -- I just eluded to a second ago was economy of scale. Cooperatives are much smaller. They might have more overhead relative to the cost. I think it goes the other way than was suggested. They might not have the purchasing power that an IOU would have. Therefore, there are some other factors that would make the comparison difficult in terms of the costs.

Q. And you would not go to a Commission, all things being equal, and say that you can compare the rates and the rates where the distribution co-op can be compared apples to apple?

A. No directly. Directionally you could, no, you can't compare because they have two different cost structures.

Q. Okay. Thank you.

MR. SCHMITT: Anybody other questions? Okay. In that case, you may step down.

May this witness be excused or do you think he will be needed later on.

COMMISSION STAFF: I don't think he will be needed.

MR. SCHMITT: It's a little after five o'clock and we were going to recess at five or 5:30, so I think we ought to adjourn at this time and reconvene at nine in the morning and perhaps we can finish tomorrow.

Thank you.

(Thereupon the meeting adjourned at 5:05 p.m.)

CERTIFICATE OF REPORTER

COMMONWEALTH OF KENTUCKY AT LARGE:

I do hereby certify that the witness in the foregoing transcript was taken on the date, and at the time and place set out on the Title page hereof by me after first being duly sworn to testify to the truth, the whole truth and nothing but the truth; and that the said matter was recorded stenographically and mechanically by me and then reduced to typewritten form under my direction and constitutes a true record of the transcript as taken, all to the best of my skill and ability.

I certify that I am not a relative or employee of either counsel, and that I am in no way interested financially, directly or indirectly, in this action.

Diana Hall Loeb

DIANA HALL LOEB, COURT REPORTER
AND NOTARY PUBLIC
MY COMMISSION EXPIRES: 9/19/2018

Original

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

and

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

Public Hearing

May 10, 2017
9:15 a.m. - 11:58 a.m.
Day 2 of 2

Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky

Lisa Larson, FCRR, RPR
Federal Certified Realtime Reporter

A P P E A R A N C E S

PUBLIC SERVICE COMMISSION COUNCIL MEMBERS:

Michael J. Schmitt, Chairman
Robert Cicero, Vice Chairman
Daniel E. Logsdon, Jr.

APPLICANT STAFF: As recorded on the record

COMMISSION STAFF: As recorded on the record

INTERVENORS: As recorded on the record

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MR. SCHMITT: We're back on the record in the cases involving Kentucky Utilities Company and Louisville Gas and Electric Company for an adjustment of Lexington gas rights and certificates for public convenience and necessity.

Yesterday after the close of the proceedings, at the request of counsel, we excused Mr. Staffieri and Mr. Thompson. Is that correct?

MR. RIGGS: That's correct.

MR. SCHMITT: Let the record reflect that they have been excused and are no longer under any obligation to attend.

I guess we're ready to proceed. Mr. Riggs, would you call your next witness.

MR. RIGGS: Yes, Your Honor. We call Mr. Lonnie Bellar, please.

LONNIE E. BELLAR,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Good morning, Mr. Bellar. Will you state your full name for the record, please.

A Lonnie E. Bellar.
Q And would you also state your job title and your business address.
A I'm the senior vice president of operations. My business address is 220 West Main, Louisville, Kentucky.
Q Mr. Bellar, did you cause to be filed in this matter both direct and rebuttal testimony?
A Yes.
Q Were you also the responsible witness for a number of data responses that have been submitted in this matter?
A Yes.
Q If I were to ask you the same questions in those two pieces of testimony and in those data requests, would your answers be the same?
A Yes, they would.
APPLICANT STAFF: Mr. Bellar is available for questioning.
MR. SCHMITT: Staff, any cross-examination?
COMMISSION STAFF: Yes.

CROSS-EXAMINATION

BY COMMISSION STAFF:

Q Good morning, Mr. Bellar.

A Good morning.
Q In the stipulation agreement, it is section 4.5, do you have that in front of you?
A Yes, ma'am.
Q And to give you a heads up, I'll refer to the stipulation agreement and also to your direct testimony in a moment.
A Okay. I have 4.5, yes.
Q Thank you. Section 4.5, it provides a five year limit to the gas line tract recovery for both the transmission modernization and the service line replacement program; is that correct?
A Correct.
Q And the transmission pipeline modernization program, is this correct, that the first phase of this is a three year project?
A Correct.
Q And it will replace 15.5 miles of transmission pipeline?
A Correct.
Q And the expected cost for that phase is $60 million?
A Correct.
Q And does the settlement agreement, section 4.5, allow all of that 60 million in the transmission

pipeline modernization program cost to be included?
A Correct, through 2022.
Q 2022, yes. And the service line replacement program, this is a 15 year program overall; correct?
A Correct.
Q And the first three years of it, as I understand and I want to confirm, all of the county loops, the steel post services will be removed and approximately 12,000 of 45,000 steel service lines replaced?
A Correct.
Q And the annual cost for the first three years is 10 to 11 million, or 30 to 33 million for those first three years?
A Correct.
Q And the annual cost for the remaining 12 years is 4.5 million to 7 million per year?
A That's correct.
Q So during this five year period, for the gas line tracker it would be roughly $39 to $50 million for the steel replacement?
A Correct.
Q Does LG&E plan to spend specific amounts that were

set out in the application, again that 39 to 55 million?
A Yes. The way we're approaching the program is consistent with the budgeted values of the forecasted values we provided in the case, correct.
Q Can you confirm that there will be no acceleration of the service line replacement so that more would be included in that five year period?
A We don't have any plans to do that. And, obviously, if we chose or thought that that was the right approach in the five year window, we wouldn't do that without seeking prior approval of the Commission.
Q Thank you. And, also, in your direct testimony, you don't need to pull it out right now, you described the construction of the new gas pipeline in Bullitt County --
A Yes.
Q -- is that correct?
A Correct.
Q And that project was explored further in the discovery responses filed by LG&E and KU; correct?
A Correct.
Q And, again, I'll make sure I clarify the project,

this pipeline is approximately a 10 to 12 mile long pipeline, a 12 inch pipeline, and is projected to cost 26.6 million --
A That is --
Q -- is that correct?
A -- correct.
Q Can you generally describe the need for this pipeline?
A Sure. So as we do on our gas system every year and sometimes more frequently than on an annual basis, we look at where we have limited supply and there may be a need to increase that supply. We also look at where we may be challenged on reliability, where there is an exposure that has developed over time that is unacceptable. And this pipeline segment that we're adding will augment a system that's, basically, on a radio line, meaning a one-way feed. And there is close to 10,000 customers that are served on that one-way feed. And -- and, additionally, that one-way feed is limited in its current capacity, ability to add new customers on that system is very limited, and that was part of the discovery that you mentioned.
So with those two facts in hand, we devised a

project, which is the one that's being proposed, is to augment supply to that system, which would do two things. That would allow a secondary feed to eliminate some of the risks that exist today of a radio feed for that 10,000 customers that I just mentioned, and it also provides additional capacity so that there can be additional load added to that line over time.

Q And is there a population growth in that part of Bullitt County?

A Correct. We -- we have some statistics quoted in the discovery about that population growth. We're seeing both population growth, growth in the commercial area. If you have ever driven down that part of the interstate, you realize it is heavily dominated by the logistics industry associated with UPS. There are up to 8 million square feet of new logistics facilities, some of that is detailed in the discovery again, that have plans to install facilities, a big heating load, not a process load but a heating load, that that would require. And, obviously, as those facilities are installed, they need a significant number of workers, and that creates some of the need for the population growth.

There's commercial load growth in that area, too, with two large customers that have expressed a desire to increase their uses of natural gas in their process, more of a process-oriented use of natural gas. So all of those factors consider into what we can and can't supply for that system in the future.

Q Okay. Thank you. And could you summarize for the Commissioners why LG&E believes it does not need a certificate of public need and -- excuse me, public convenience and necessity for this project?

A Sure. We assessed, you know, the need for a CPCN. And it really came back to the thought that I just expressed, that it was a normal expansion of our system, it was part of our normal planning process both to consider the reliability implications of a particular portion of our system and also consider the needs for load growth.

Obviously, the magnitude of the project is not something that we do every single day, but it -- the purpose and the goal of the project were to address issues that we deal with on a day-to-day basis. So we saw it as a normal extension of our system, normal course of business type activity.

Q Okay. Should the Commission conclude that CPCN is necessary, to your knowledge has LG&E provided through discovery all the information that the Commission would need to consider granting a CPCN for the project?

A I believe that we have. There was a question along those lines, and we provided all the information. And we can most certainly go back if the Commission desires as a post-hearing data request and review that and see if any of that information needs to be supplemented or information that may not have been available at the time that question was asked is now available. If the Commission desires that, we would be happy to do that.

Q That would be helpful. So as a post-hearing data request, should there be information to supplement, to review the information you have provided about the project, whether additional information, new information, if you would please include that.

A We can do that.

COMMISSION STAFF: I have no more questions.

MR. SCHMITT: Commissioner Cicero, questions?

MR. CICERO: I don't have any questions.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: I have no questions.

MR. SCHMITT: I have no questions. Counsel for any of the intervenors, do you have any questions?

INTERVENORS: (Moved heads from side to side).

MR. SCHMITT: Any follow-up?

APPLICANT STAFF: No, Your Honor.

MR. SCHMITT: In that case, may this witness be excused?

COMMISSION STAFF: He can be excused.

MR. SCHMITT: You can step down, then, and you are excused. Thank you.

Call your next witness.

APPLICANT STAFF: Yes, sir. We call Mr. John Wolfe.

JOHN K. WOLFE,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Please state your name for the record.
A John K. Wolfe.
Q Your title, Mr. Wolfe.
A Vice president of electric distribution operations for Louisville Gas and Electric Company and Kentucky Utilities Company.
Q Mr. Wolfe, did you cause to be prepared, to be filed in both of these cases rebuttal testimony for Kentucky Utilities and LG&E?
A Yes, sir.
Q Are you also sponsoring testimony from what is referred to as the second stipulation for LG&E and KU?
A Yes.
Q If I were to ask you the questions contained in your pre-filed testimony at this point, would your answers be the same?
A Yes.
Q Do you adopt them as part of your testimony today?
A Yes, I do.

APPLICANT STAFF: Thank you, Your Honor. No further questions.

MR. SCHMITT: Any questions from staff?

COMMISSION STAFF: No. The staff

does not have questions.

MR. SCHMITT: Commissioner Cicero?

MR. CICERO: No questions.

MR. SCHMITT: Commissioner Logsdon?

MR. LOGSDON: No, sir.

MR. SCHMITT: I have none. Counsel for any of the intervenors?

INTERVENORS: No, sir.

THE COURT: I assume that you may step down and this witness may be excused. Thank you.

THE WITNESS: Thank you.

MR. SCHMITT: Call your next witness, please.

APPLICANT STAFF: Mr. John Malloy.

JOHN P. MALLOY,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Good morning, Mr. Malloy.

A Good morning.

Q Would you state your full name, business title and business address for the record, please.

A John P. Malloy, vice president of gas

distribution, 220 West Main Street, Louisville, Kentucky.

Q Okay. Mr. Malloy, did you cause to be filed in the record of this proceeding direct and rebuttal testimony in response to certain data requests?

A I did.

Q Other than there was an errata filed I think regarding your title. Can you describe your title change.

A Yes. My testimony was around vice president of customer service business. Recently I've moved to vice president of gas distribution.

Q Okay. Thank you. Subject to that change, are there any other corrections that you need to make to your testimony today?

A Not that I am aware of.

Q All right. So if I ask you the same questions that were in your testimony previously and the data requests that you responded to, would your answers be the same?

A They would.

Q Thank you, sir.

APPLICANT STAFF: He is available for questioning, sir.

MR. SCHMITT: Any cross-examination

from staff?

COMMISSION STAFF: No. Staff has no questions.

MR. SCHMITT: Mr. Cicero?

MR. CICERO: No questions.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: No, sir.

MR. SCHMITT: Do counsel for any of the intervenors have any questions?

INTERVENORS: No, sir.

MR. SCHMITT: If not, you may step down and you are excused.

THE WITNESS: Thank you.

MR. SCHMITT: Call your next witness.

APPLICATION STAFF: Thank you, Your Honor. We would call David Sinclair.

DAVID S. SINCLAIR,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Good morning, Mr. Sinclair.

A Good morning.

Q Mr. Sinclair, will you state for the record your

full name, business address and title, please.
A David S. Sinclair. I am vice president of energy supply and analysis for LG&E and KU services. My business address is 220 West Main Street, Louisville, Kentucky.
Q Thank you. And, Mr. Sinclair, did you prepare or cause to be prepared direct and rebuttal testimony in response to certain data requests in this proceeding?
A Yes, I did.
Q If I asked you those questions again today, would your answers be the same?
A Yes, but with one minor -- two minor corrections.
Q What are those corrections, please.
A Okay. In my direct testimony on footnote 13, let me get that out here, the last sentence says, "Service to the remaining 10 cities will terminate on April 30th, 2019." The number "10" should be changed to number "8."
Q Okay.
A And in my rebuttal testimony on page three, line 12, it says, "Due to 11 wholesale municipal customers giving notice of termination," that number "11" should be changed to number "9."
Q Thank you. Subject to those corrections, would

the other responses to the questions in your testimony and data requests be the same?
A Yes, they would.
Q Okay. Thank you.
APPLICANT STAFF: The witness is available for questioning, Your Honor.
MR. SCHMITT: Cross-examination from staff?
COMMISSION STAFF: Thank you, Your Honor.

CROSS-EXAMINATION

BY COMMISSION STAFF:
Q Mr. Sinclair, I would like to show you a data response that was filed by LG&E in the Admin 387 case.
COMMISSION STAFF: If we can have it marked for identification as staff cross-examination Exhibit 1, please.
MR. SCHMITT: That will be so marked.
(Exhibit 1 marked)
MR. SCHMITT: It is Staff Exhibit 1 for purposes of identification.
BY COMMISSION STAFF:
Q The individual who responded to this was a Michael

Sebourn. Do you know a Mr. Sebourn?
A Yes, I do.
Q Does he work for you?
A Yes, he does.
Q Have you seen this response previously?
A I have seen the data in this response previously.
Q Okay. Let me ask you a couple of questions. In order to calculate the megawatt -- I'm sorry, calculate the reserve margin, do you divide the megawatt margin by the net load?
A Yes.
Q Okay. And if we look at the third line down, the net load in -- for this year it is 6,806 and the next year is 6,805 and then there is a fairly substantial 250 megawatt drop in 2019.
Does that represent the Kentucky municipals leaving the system?
A That would include that impact, yes.
Q Okay. And do you know whether this reflects the corrections that you just made to your testimony of the number of municipals leaving the system?
A Yes, this is correct.
Q Okay. So this reflects the lower number of municipals?
A This reflects the actual number of municipals that

will be terminating on May 1st of 2019, which is 8.

Q Okay. So this is up-to-date?

A Yes.

Q Okay. If we look at the bottom note it says, "Capacity Needed for 16 percent." Is that -- is 16 percent the company's target reserve margin?

A That is our, I'll say, minimum reserve margin as part of the IRP filing, as you may recall, that we do an analysis of what the optimal reserve margin is, which tries to look at two different factors, as I think you may be aware.

One is the cost of capacity versus the cost of what we'll call in-service energy, meaning if you don't have enough capacity to serve load. So we try to balance that.

The other factor that we look at in the industry is what they call loss of load probability or a one day in ten year event. That number is actually a bit higher and that -- and the 16 percent number is closer to 21 percent. But what we show in this table is kind of the lowest end of the reserve margin range, which is based on the cost of capacity versus the cost of extra energy and trying to minimize that, balance those two.

Q Okay. So if you entered into the -- what is shown on -- 1, 2, 3, 4 -- the fifth line, the Bluegrass Capacity Purchase and Tolling Agreement, the 165 megawatt purchases, and that was in -- when the municipals indicated that they were going to terminate and the company then decided not to proceed with the combined cycle facility at the Green -- or Green River, is that...

A Well, the context for the Bluegrass deal is that at the -- in the summer of 2013 we prepared the load forecast, which then led to the initial CPCN filing in, I think it was, December of '13 for the Green River 5. The forecast at that time showed that we would be potentially short capacity from 2015 through 2018.

You may recall that prior to that we had retired about 797 megawatts of coal-fired units and built Cane Run 7, which is only 640 megawatts, so we are actually net down from where we had been prior to those coal plants being retired.

And so based on the forecast of economic conditions and other things at that time, we were expected to be short prior to Green River 5 coming on-line, which wouldn't be until 2018. So the idea -- so we ran an RFP that said given that shortfall what are the least cost options to meet that. And the Bluegrass tolling arrangement was the least cost resource to meet that shortfall in that time period.

Since then, since the 2013 time period, economic conditions have changed. I mentioned in my testimony we had the paper mill that was 50 megawatts that went away in 2015. So other situations have occurred. But based on what we knew at the time, there was that shortfall in that interim period before Green River 5 would come on-line.

Q Okay. So if you had not entered into the Bluegrass Tolling Agreement, if we were to recalculate the reserve margin for 2017, I would kind of calculate that as being 19.1 and for 2018 it is 19.3?

A I'll assume your math is correct. That sounds about right. And, again, I would point out that 21.6 and 21.8 that we show there in 2017 and '18 is -- well, it is, basically, the 21 percent loss of load probability number that we talked about as the upper end of our target reserve margin range. So we are at the upper end right now.

Q Okay. And then in 2019, according to this schedule, 2019, 2020, 2021 you're above the upper end, are you not?
A We would be, yes.
Q And do you know when that reserve margin is projected to come down?
A It will be a function of a lot of things. One, you know, future economic conditions and load growth. Again, this is the -- as, again, I think you are aware, in our RFP filings in other cases, you know, we file a range of load forecasts. This is the middle point of that range.
But the other thing that I would point out on the supply side is, is I think we're -- you are aware, there is still some pending environmental regulations that are going to have to be dealt with, particularly around what we call effluent limit guidelines. While the U.S. EPA has recently gone back and is going to revisit those guidelines, the State has regulations in place that we're in the process of evaluating them, those implications.
And, so, in evaluating those, revisiting what are our options to -- the least cost way to comply with those. So in that least cost planning, we

would be looking at what our load obligations are. And so that may influence whether we install controls or not, for example, on certain units or retire those units.

So all of that information will be captured. What this reflects is the status quo, as we have the -- without any potential changes due to effluent guidelines or other environmental regulations that could come along the way.

Q Do you know the last time that LG&E and KU had a combined reserve margin of 24 percent or higher?

A I don't know off the top of my head, no.

Q Do you recall if they've ever had that reserve margin?

A I don't know sitting here today.

Q Okay. Thank you.

COMMISSION STAFF: I have no further questions. We move to introduce the exhibit.

MR. SCHMITT: Any objections? It may be introduced into the record.

Commissioner Logsdon, do you have any questions?

MR. LOGSDON: Could you get -- as a post-hearing data request, could you provide if you have ever had a 24 percent reserve margin?

THE WITNESS: Sure. We could go back and get that information.

MR. SCHMITT: Counsel for the intervenors, do you have any questions for the witness?

INTERVENORS: I don't believe so.

MR. SCHMITT: In that case, you may stand down and you are excused.

THE WITNESS: Thank you.

MR. SCHMITT: You may call your next witness.

APPLICANT STAFF: Thank you, Your Honor. We'll call Mr. Arbough, please.

DANIEL K. ARBOUGH,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Would you please state your name.

A Daniel K. Arbough.

Q And what is your title and business address?

A My title is treasurer for both LG&E and KU. My address is 220 West Main Street, Louisville,

Kentucky.
Q Did you file direct testimony in these cases?
A I did.
Q And did you also file rebuttal testimony in these cases?
A Yes.
Q And did you sponsor certain data responses in these cases?
A I did.
Q And if I were to ask you the same questions that were in those two pieces of testimony and in those data responses, would your answers be the same?
A They would.

APPLICANT STAFF: The witness is available for cross-examination.

MR. SCHMITT: Cross-examination by staff?

COMMISSION STAFF: The staff has no questions.

MR. SCHMITT: Commissioner Cicero?

MR. CICERO: No questions.

MR. SCHMITT: Commissioner Logsdon?

MR. LOGSDON: No, sir.

MR. SCHMITT: I have no questions. Does counsel for any of the intervenors have any questions for the witness?

INTERVENORS: No.

MR. SCHMITT: If not, you may stand down and you are excused.

THE WITNESS: Thank you.

MR. SCHMITT: Call your next witness, please.

APPLICANT STAFF: We call Mr. Garrett, please.

CHRISTOPHER M. GARRETT,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Mr. Garrett, would you state your name, please, for the record.

A Christopher M. Garrett.

Q Would you state your title.

A I'm the director of rates for LG&E and KU services company.

Q Did you cause to be prepared and file in both of these cases direct or rebuttal testimony for LG&E and KU?

A Yes, I did.

Q If I were to ask you the questions contained in

those pre-filed testimonies this morning, would your answers be the same?
A Yes, they would.
Q And do you adopt and affirm your testimony this morning?
A Yes, I do.
APPLICANT STAFF: Mr. Garrett is available for cross-examination.
MR. SCHMITT: Any cross-examination from staff?
COMMISSION STAFF: The staff has no questions.
MR. SCHMITT: Mr. Cicero?
MR. CICERO: No questions.
MR. SCHMITT: Mr. Logsdon?
MR. LOGSDON: No questions.
MR. SCHMITT: Counsel for any of the intervenors?
INTERVENORS: (Moved head from side to side).
MR. SCHMITT: In that case, you may step down and you are excused.
THE WITNESS: Thank you.
MR. SCHMITT: Call your next witness, please.

APPLICANT STAFF: We call Ms. Scott.

MR. SCHMITT: Is Ms. Scott the last witness?

APPLICANT STAFF: She is, with this caveat, that I wish to re-call Mr. Blake again for a question that was raised yesterday, a series of questions. So I will call him after Ms. Scott.

VALERIE L. SCOTT,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY APPLICANT STAFF:

Q Would you please state your name.
A Valerie L. Scott.
Q And what is your title and business address?
A I am the controller of LG&E and KU. And my business address is 220 West Main Street, Louisville, Kentucky.
Q Were you the responsible witness for certain data responses that were filed in this case?
A Yes, I was.
Q And if I were to ask you those same questions here today, would your answers be the same?

A Yes, they would.

APPLICANT STAFF: The witness is available for cross-examination.

MR. SCHMITT: Any cross-examination from staff?

COMMISSION STAFF: The staff has no questions.

MR. SCHMITT: Commissioner Cicero?

MR. CICERO: I have no questions.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: No questions.

MR. SCHMITT: I have no questions. Are there questions from counsel for any of the intervenors?

INTERVENORS: No.

MR. SCHMITT: If not, you may step down and you are excused.

THE WITNESS: Thank you.

MR. SCHMITT: Counsel, I believe you wanted to re-call Mr. Blake.

APPLICANT STAFF: I do, Your Honor. May I re-call Mr. Blake?

MR. SCHMITT: Yes. Mr. Blake, you remain under oath from yesterday.

THE WITNESS: Thank you.

MR. SCHMITT: Counsel, you may proceed.

REDIRECT EXAMINATION

BY APPLICANT STAFF:

Q Mr. Blake, yesterday there was a discussion in the hearing room concerning your -- Exhibit 1 to your direct testimony, --
A Yes.
Q -- your benchmark analysis to that.
A Yes.
Q Do you recall that discussion?
A I do.
Q Specifically, the discussion and the question was asked about the administrative and general metric shown in that benchmark analysis.
A Yes, it was.
Q Do you have a comment --
A I'm sorry. I'm distracted by the screen.
Q Do you have a comment on what that benchmark analysis shows under administrative and general?
A Sure. I believe that the questions of Mr. Meiman yesterday, he did not have -- he was not familiar with the exhibit or the study, so he could not answer it.

The question was whether or not the fact that we just missed top quartile in our most recent benchmark study, whether that was a product of our benefits programs. This data, it is a study we've done for 13 years. The -- and it is based off from when data is most readily available, information on utilities across the country. I had asked those questions when I saw this year's study. Because, again, we were six cents away -- six cents per megawatt hour away from being top quartile. We were the second company in the second quartile. So I -- I had questions about why that was.

What we discovered, and, again, information is a little bit limited, you can't get too far underneath that top level with other utilities but you can get in a layer below, and I saw some of the layers below where we did stand out a little bit higher than I expected. One of those was in the area of maintenance, which seemed odd, on administrative and general. I believe maintenance and outside services, if I recall.

So I asked my controller, Ms. Scott, to -- she's a member of the Edison Electric Institute Accounting Group. So I asked her to do a survey. They will occasionally send a question out among utilities across the country and solicit responses, trying to figure out what was going on there, were we doing something different than other utilities. And what we found was every respondent would take IT, information technology, costs that were tied to generation systems and push those costs out to generation for accounts. They would take those costs that were tied to transmission systems and put those out into transmission systems, distribution, et cetera.

We used a rolling five years in this study to avoid single year anomalies, so we didn't have all of the data to do it. But in looking at the data for the years we had, if we had taken our IT cost that were tied directly to those operating systems and pushed them out into other areas, as other utilities did, we would actually, I believe, be top quartile by administrative and general in addition to remaining top quartile in generation, transmission and distribution and customer service, which, again, I'm very impressed by and have been since we have been doing this survey. One, you know, it says we're at least better than 75 percent, in most cases more than 75 percent of other utilities in the industry. At the same time, we have a best-in-class safety record. We have outstanding reliability statistics. And we have shelves full of J.D. Power awards. And we're doing that at some of the lowest costs in the country.

So, again, I've -- I've been impressed by that. I think that is a function of the 3,600 employees we have and continue to stand by that as being, you know, very impressive.

Q Mr. Blake, there was a discussion yesterday about the compensation and benefits. As the CFO of LG&E and KU, do you have a view on the company's healthcare and medical insurance expense relative to competitors?

A I do. Obviously, as Mr. Meiman indicated, we look at that annually among the executive team. And while Mr. Staffieri forgot this yesterday, I am actually on the board. I'm the fifth board member of LG&E and KU -- LG&E and KU Energy. So we do look at this at least annually.

On the medical and dental benefits, we have, as the trend has gone in the industry, we have moved more to the employee over the last couple of years. And we continue to look at that every year, including other trends, should we go to more co-insurance and less co-payments, et cetera.

As I looked at the analysis that was requested just this past week and the percentages that were thrown out, I think as we looked at -- and it is a little complicated, more complicated for us being a self-insured medical plan, but as I looked at the way the data was pulled together, the employer portion, employee portion, and the percentages that were used, using 2016 in isolation, I think we were within $900,000 of -- on a $38 to $39 million annual expense.

Within that close of a range on that size or number and given the nature and structure of our plans would suggest to me that that could just as easily have gone the other way, depending on a particular year, depending on what medical plans our employees chose and, quite honestly, what medical costs they incurred in that particular year.

So I do believe that our medical and dental benefit -- and I think dental actually went the other way, relative to the percentages that were used in the data requests. So I believe our medical and dental benefits are market competitive.

Q Do you have a view about whether your long-term disability and life insurance are competitive?
A I do. I certainly -- I believe they are competitive or I wouldn't be pushing for changes. I think Mr. Meiman did an excellent job explaining, obviously, the dangers associated with the utility industry and the challenges associated with that and the demands on employees. So I think providing long-term disability and life insurance at what I gathered from the data was still in that range of market competitiveness as a multiple salary subject to a cap. So, again, we offered it at two times -- offered life insurance at two times salary up to that cap.
Q Do you have a view as the CFO about the competitiveness of the company's 401(k) savings plan match?
A This one actually surprised me. When I saw the data request, the fact that the company has offered a defined benefit plan as well as encouraging employees to save for their own retirement by providing a match up to a certain limit has been in effect at the company -- at our company for decades now. And I don't think we are alone in that. I think many of our competitors

with which we compete for talent have done the same, whether that be the utility industry or similar industries that we draw talent from.

In fact, I think as we closed out our defined benefit plan, the new entrants, and instead offered new hires starting January 1st, 2006 a retirement income account, which was a company contribution to retirement savings plan without a requirement for an employee to give, I think -- as Mr. Meiman stated, I think we -- we moved quicker than most in the utility industry. There are still -- and other large companies. There are still some that provide it. I agree that it is a shrinking population, but there are a number of other companies that still provide that in the utility industry and outside.

Most of the -- with this trend away from defined benefit plans, and I was supportive of that, to -- because it does have a long-term obligation, it is more challenging to manage from a company's perspective, so moving to more of a retirement savings only plan for new employees I think was the right decision for the company.

It does come with risk. We've talked about our employee retention. Obviously, a retirement savings plan is more affordable. An employee can choose to leave and take that with them. Whereas a defined benefit plan, I hate to use this term because it sounds a little crude, but you have deeper hooks into your employees with a defined benefit plan. However, I do think it was the right thing to do.

We have since continued to look at ways to limit and reduce our exposure on that obligation through our asset portfolio and the pension trust, de-risking that, matching the assets with the underlying obligations based on projected retirements. So I think that has been helpful. And just this last year, in 2016, we actually offered or changed our plan to offer a lump sum payment obligation or payment to retirees which would benefit the company from the standpoint of shrinking that tail of a long-term obligation.

Q Mr. Blake, as the CFO, what has been your experience about turnover at the company?

A Again, that -- that was also discussed yesterday, so I appreciate you asking me.

Historically what we have seen is probably two to four percent annual turnover. And that goes -- has gone back for a number of years.

About four or five years ago that started to trend up, went up to about five percent. Over the last couple of years it is closer to eight percent. Some of that reflects the demographics of our population. We have had more retirements in the last few years. Like other companies, we have got -- the baby boomers are heading towards retirement. That is a large component of our population. So...

But there is still that underlying sort of two to four percent annual turnover. I think that's good still relative to -- to our industry, other industries, and I think that's important. It takes years in many of our skilled professions for an employee to be proficient. So turnover comes at a great cost, comes at a great risk, could jeopardize some of the metrics both on reliability, safety, cost, performance basis, customer satisfaction for that matter.

Personally, without studies in hand, I tend to -- as I look at all of the comp and benefits, if there is a thought that we don't have turnover because our comp and benefits are unduly rich, I haven't seen that personally. We tend to lose our fair share of employees both to other states, to other utilities, and to other companies in town. We attract some as well. But we don't have employees staying with us, I mean, and not leaving because the benefits are too rich or the compensation is too high.

And, generally speaking, when I have posted positions, both within my organizations, whether if be finance, accounting, information technology, we generally don't have a long list of qualified applicants for most positions. So it is not -- it is not that easy to find replacement talent. I believe Mr. Bellar is seeing the same thing across operations on engineers.

Quite honestly, when it comes to some of the higher -- some of the hotter areas now, be it information technology, cyber security, engineering, a utility is not the sexiest employer out there, right? We're not the start-up tech company that folks can make a fortune off of. We're not GE creating the latest gadgets and appliances for homes.

So I think we do pretty well attracting bright talent. I think the results speak for themselves. And that, to me, suggests that our compensation and benefits overall are reasonable and helpful in doing that.

Q My last question, then, Mr. Blake. As the CFO of LG&E and KU, do you have a view of the company's compensation and benefits overall relative to the market?

A Again, I feel like I'm being repetitive. I think we are competitive. I think we continue to look at it. I think we move more quickly on things like the nature and structure of medical and dental benefits, because employees sort of expect changes year to year, and that is not only disruptive. We certainly look at compensation regularly, you know, annually at least, and can make adjustments there, particularly given the increased turnover we're having. We're actually bringing our average compensation level down because that's where we think -- in areas where we think we can do that.

Areas like retirement plans are certainly a lot more challenging to change on a dime. These are long-term commitments that you have made to employees who have been with you for a long time. In most cases, you have seen the average tenure of our employees. In fact, I'm reminded of it monthly. I get an e-mail. There is a news transmission that goes out across the company listing all of the retirees for that given month and that list has been pretty long every month for a while now. And -- and we always add up the total years of service on all those employees and you typically have 30, 35, 40, 45 years of service among a lot of those employees.

So we really, again, have -- while we continue to look at that, we will continue to look at things like the amount of the 401(k) match. Is that market competitive? But I think overall it has been in place for quite sometime and it has served us well and I think the results speak for themselves.

Q Thank you.

APPLICANT STAFF: That's all the questions I have for Mr. Black.

MR. SCHMITT: Cross-examination from staff?

COMMISSION STAFF: Yes. I have a few questions.

RECROSS-EXAMINATION

BY COMMISSION STAFF:

Q Good morning, Mr. Blake.

A Good morning.

Q Can you clarify a couple of things for me?
A Uh-huh.
Q Yesterday when Mr. Meiman in his testimony I think -- I was confused about something, and I want to make sure I understand it, that for those employees who are eligible for the defined benefit program, the RIA annual contribution, are they eligible for that or not?
A No. Not the -- the -- the RIA, which is the employer drop-in, doesn't require a match.
Q Uh-huh.
A The employees who were hired before January 1st, 2006 do not get that. So, again, we put the RIA in place when we froze entry into the defined benefit plan.
Q Are the defined -- for those who are eligible, for the bargaining unit employees is it in the union contract the possibility to have both the defined benefit and defined contribution; is that part of the negotiated contract?
A Yes. It is a subject of negotiations and it is every time the contract comes up for renewal.
If I could add something there.
Q Please.
A Because I know in the discovery and in some of the

discussion yesterday there was a -- there has been a distinction made, and I think I can understand the rationale between the union and nonunion employees.

We have -- and it is probably the product of a merger of KU and LG&E back at the end of 1998. That union versus nonunion distinction for some companies is maybe a little bit easier because for a given role or job, typically it is either union or not union, right?

Q Uh-huh.

A In our case, we have employees that do the exact same function. Some of them are union because they grew up on the LG&E side; some are nonunion because they grew up on the KU side and it has traditionally been less of a union shop.

So I -- I -- we have consistently post-merger tried to not advantage one over the other, particularly in cases where, again, employees are doing the same job, just one happens to be union, one happens not to be.

Q Thank you for that. That was going to be one of my questions.

A Okay.

Q So, very good.

When you mentioned the turnover at LG&E and KU compared to other utilities, can you give us a sense of what other -- what kind of turnover might be industry-wide for utilities? Do you have a sense of that?

A I -- I don't have -- I haven't seen studies or data. It is my understanding in what I have gotten from our HR department, is -- is we may be a little bit better. And I say "better" by being a little bit lower on turnover. And, again, I think that has served us well. And, again, I don't know. Just as, I think, some of the discussion yesterday, I don't know the cause of that. And I don't know what you can tie it to. Because at the end of the day if you are comparing numbers they are just numbers.

We, obviously, conduct exit interviews with employees when they do leave. You typically don't conduct surveys of employees on why you are staying, although we do do annual employee opinion surveys and we tend to get a lot of positives across the board on that, in terms of a great place to work, they feel like their work is valued. Honestly, I think -- well, while I can't do it with surveys, I mean, I can -- if I look at some of the folks that I know that have come and gone over the years, so I see more people probably leave the company because they are in a hot industry at the time and they want to go make some more money, I haven't seen or heard many people on an interview come here to our company because they can make more money. I -- I -- maybe that's the case, maybe they just wouldn't say that in an interview, but I haven't seen that.

Q Okay. With your caveat about comparing numbers, by any chance do you know a comparison of turnover rates to similarly-sized businesses within the LG&E and KU footprint?

A I -- I -- I don't have that data. Again, I -- I think when you compare against general industry, I think you kind of need to look to the industry. There are industries that are more specialized, more technical. For example, I would say UPS, for example, that a large component of their population, you know, loads and unloads trucks, right? They use college students for a lot of that. I would assume their turnover rate is much higher. I haven't seen the numbers, but I would assume their rate would be higher. I don't know with regard to other employees. I -- I'd have to -- I'm sure we have the data within the HR department. I just don't have it with me and I haven't looked at it recently.

COMMISSION STAFF: I have no more questions.

MR. SCHMITT: Commissioner Cicero, questions?

MR. CICERO: You had mentioned, in discussing the medical benefits, that you evaluated annually and then would make a decision on whether to increase the share or whatever; is that correct?

THE WITNESS: Not the board in that case. Generally, it is sort of an executive group at LG&E and KU.

MR. CICERO: Okay. I thought I read in the submitted data that there was a scale, that if it was zero to four percent the company absorbed the increase, if it was four to eight percent I think it was shared, and if it was over eight percent then there was a discussion on how the increase would be shared; is that correct?

THE WITNESS: That -- that's correct. And that provision, I think, I think is embedded in our union contracts as well. That relates to the employee premium.

So if we project the medical costs and the premium and the increase is going to be four percent or less, the company would pick that up. The next four percent, employees would pick that up. And everything above that would be 50/50. But it is on the premium only. So what we have done over the last couple of years is we've worked more with co-pays, deductibles, maximum out of pockets, we've moved those.

MR. CICERO: It is a self-insured program?

THE WITNESS: Yes.

MR. CICERO: And, so, it is experience that drives the cost increase or cost decrease?

THE WITNESS: It is.

MR. CICERO: Do you try to use the benefits that are bargained and apply those to all other employee classes? In other words, if you bargain in a certain benefit, then that applies to all non-exempt/exempt?

THE WITNESS: We -- we -- yeah.

We -- we generally have. We generally offered the same medical plan options to all 3,600 employees, union or nonunion.

MR. CICERO: All the way up?

THE WITNESS: In fact, if I am not mistaken, I believe our union contract has a 'me too' language with respect to medical benefits. So...

MR. CICERO: Well, in terms of the bargaining unit contract, negotiated contract would be whatever the negotiated contract is that's worked out between the parties; right?

THE WITNESS: Right.

MR. CICERO: And applying those to nonrepresented employees, is where I was going.

THE WITNESS: Uh-huh.

MR. CICERO: If you take whatever you bargained with the represented employees and then applied those and said, for example, you're going to in the next four years see a two percent, three percent, and four percent pay increase, do you apply that philosophy to the nonrepresented employees?

THE WITNESS: I'm sorry. You are

moving out of compensation?

MR. CICERO: I'm still in compensation.

THE WITNESS: Okay.

MR. CICERO: I used salary as an example.

THE WITNESS: Okay.

MR. CICERO: But we could go to a difference and talk about how the savings program works.

THE WITNESS: Right. Yeah.

MR. CICERO: We bargain and we'll do a company match up to seven percent and that's exactly what we give --

THE WITNESS: Right.

MR. CICERO: -- to nonrepresented employees?

THE WITNESS: I would say it is not as hard and fast of a rule in terms of its everything is dollar for dollar the same. We do try to make sure that the overall package is comparable. For example, if -- if we did something more in one area of benefits and there was something less on the salary because that other area of benefits was more important to the union members, we may find ourselves, say, giving nonunion employees or administrative, other areas a different number without making a corresponding change. So we've done a little bit of movement but tried to overall make sure that the comp and benefits package is -- is very similar.

And one issue we ran into a couple of years ago, actually, was a -- and I'm going to forget the HR term, but it is impressions, I think is the term, where supervisors versus union employees, we have to make sure that we maintain that right compliment relative to the market between the laborer and the supervisor.

MR. CICERO: In terms of, I'm going to switch here a little bit, on the turnover.

THE WITNESS: Uh-huh.

MR. CICERO: You said it was two to four but recently it has gone to five to eight. Yesterday Mr. Meiman indicated that the majority of that was retirement. Are you saying today that it is not primarily retirement?

THE WITNESS: I'm saying that I

think the majority of the increase is retirement. I think we have to --

MR. CICERO: So the two to four level is pretty much constant?

THE WITNESS: That -- that has been pretty much constant with a much lower level of -- of retirements in the mix. I think if you looked at -- if you took retirements out of it and looked at other forms of separation, I think you would be in that -- you know, sort of that two to four percent area.

MR. CICERO: So as a post-hearing data request, can you supply what those percentages are, retirement versus all other turnover?

THE WITNESS: Sure.

MR. CICERO: You made the statement on retirement savings, only that there was no contribution, that those that were employed after 1/1/06 had a retirement savings only. But you really meant to say they had not only a retirement RIA account but also they participated in the company matched savings account?

THE WITNESS: They received a match up to a certain level of their own contribution, yes.

MR. CICERO: And from a competitive standpoint, LG&E and KU and the people that are managing it believe that that's a -- having two retirement plans for their employees is only market competitive but it is not?

THE WITNESS: I -- I -- I don't think -- I guess what I think I said or tried to say is I think our overall compensation and benefits offering is not unduly generous. It is not creating a, you know, a line for blocks of employees wanting to work for us. And it is not resulting in no turnover. It is resulting in some turnover, albeit hopefully a little lower than others.

I don't have a lot of detailed studies on what everyone else is offering. I'm going more by what I have seen out there. And I've looked around. And, for example, the -- last fall, I believe there was an article that referenced that a large number of -- or some Fortune 500 companies are still offering new entry, new employees a defined benefit plan. And I looked at the list, and I think it was the top ten that they highlighted, two of those were utilities, Southern Company and Dominion Resources. The other eight were from other industries, Johnson and Johnson and some others. I don't have a study on -- that shows who, whether it is a hard freeze, soft freeze, or still allow entry into a defined benefit plan, who offers defined benefit and provides that employee matches as an incentive for employees to save for their own retirement. It is more intuitive. And it is -- just from everything that I have read, as people have moved away from new entry into defined benefit plans, every article that I have seen always says they offered enhanced employer contributions to a retirement savings plan, not they started to offer employer contributions to retirement savings plan but "enhanced." And, so, I've always read that as we're certainly not alone in that camp of, since I guess 1989, having offered an incentive for employees to save themselves as well as a defined benefit plan.

MR. CICERO: So if the Commission were to look at the contributions made into the salary savings match plan, the nonrepresented employees would not be eligible for rate making purposes, what would the company do with the represented employees?

THE WITNESS: Quite honestly, I am not sure. Because, again, I -- I -- I've never thought about it, really, until just this week or yesterday considered that a possibility. So I wouldn't want to speculate sitting here until I would see what the Commission did. I would have to think about it. Again, we don't make changes to our retirement plans abruptly, on a whim. So we would have to be very thoughtful about that implied contract that we have with our existing employees.

We would be concerned about massive turnover, adverse impacts on operations, and our ability to run the company as effectively as we have in the past. So we would have to think about a lot of things, I guess is what

I am saying.

MR. CICERO: And you may have supplied it already. But if you haven't, can you supply the number of bargained employees that are participating in both the defined dollar benefit and the salary saving and then that are participating in the RIA, participating in savings, and then everyone else that is nonrepresented who is participating in the DBP and the 401(k) and then also the RIA and the 401(k) so that we can see what the number of employees are --

THE WITNESS: Sure.

MR. CICERO: -- that are in each group?

THE WITNESS: We can provide that. I am not sure -- I'm with you, I am not sure if it is in the responses that we've provided already. But I think there was some -- already some post-hearing data requests in this area, so we will certainly include that, make sure that that is included in the response.

MR. CICERO: Okay. Thank you. I have no other questions.

MR. SCHMITT: Commissioner Logsdon?

MR. LOGSDON: No questions.

MR. SCHMITT: I have no questions. Does counsel for any intervenor have any questions?

INTERVENORS: (Moved head from side to side).

MR. SCHMITT: If not, anything counsel would like to clear up?

APPLICANT STAFF: No, Your Honor. Thank you.

MR. SCHMITT: The witness may be excused.

THE WITNESS: Thank you.

MR. SCHMITT: Are those all of the witnesses that you have to offer?

MR. RIGGS: Yes. Your Honor, that concludes all of our witnesses that have supported testimony or data responses.

MR. SCHMITT: I think that there were a couple of other witnesses and other parties, one from KICU; is that correct?

MR. KURTZ: Yes, Your Honor.

MR. SCHMITT: And would you care to go on and call your witness?

MR. KURTZ: That would be Mr. Barron.

STEPHEN J. BARRON,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KURTZ:

Q Would you state your name and business address.
A Yes. Stephen J. Barron. My business address is J. Kennedy and Associates, Inc., 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.
Q Did you submit direct and supplemental testimony in this case?
A Yes.
Q If I were to ask you the same questions as those contained therein, would your answers be the same?
A Yes, they would.
Q Any corrections or additions?
A Not that I am aware of.

INTERVENORS: Your Honor, I tender the witness for cross.

MR. SCHMITT: Cross-examination from the staff?

COMMISSION STAFF: Yes.

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CROSS-EXAMINATION

BY COMMISSION STAFF:

Q Good morning, Mr. Barron.

A Good morning.

Q Can I have you first refer to KICU's response to Staff's second request for information, item one?

A I do have that with me, if you would just give me just a moment to find it.

Q But of course. Just let me know when you are there.

(Witness peruses documents)

A Yes. The second request for information?

Q Yes, the second question for information.

A Yes, I have that.

Q You have it?

A (Moved head up and down).

Q And in this request it deals with the methodology used in the cost of service study and the corrected cost of service study in regard to KU's tariff's FLS, the fluctuating load service.

A Yes.

Q All right. In your response I want to confirm that you say that there is a significant problem with KU's FLS data; is that correct?

A Yes. I -- I -- as I discussed in my supplemental testimony, I continue to believe that there are problems with the data, with -- and it is really the methodology that -- that -- as I discussed. And I used FLS as an example because it is a -- there is a single customer on that rate schedule, so it is easy to conceptualize the problem that I have identified.

But as I indicated, I believe it really encompasses the methodology that is used for all -- the two year projections. It is projecting 8,760 hours of load data from a historic period to two years into the future for all the classes.

Q And because of your concerns that you have raised about methodology, is it also correct that you believe that KU's BIP and LOLP cost of service studies are not reliable?

A That's correct. And I should say that I do -- that I and KICU support the stipulation in this case that has resolved the, at least for the stipulating parties, the increases.

But in answer to your question, yes, I believe because of the hourly load data concerns that I have that the cost studies should not and cannot be relied on.

Q Have you read KU's response to staff's fifth request for information, item one, and the supplemental rebuttal testimony of Mr. Seelye?

A Yes, I have.

Q Given the company's, or KU's, response in both the data request and rebuttal testimony, do you still believe the cost of service studies filed by the companies are unreliable?

A Yes. I -- I read the data response and the sub -- rebuttal testimony, but I do continue to disagree and believe that the hourly load data, the issues that I have discussed in my supplemental testimony, where I focused on the relationship in -- in -- just in focusing on FLS between demand and energy in my view have not really been adequately addressed, and I believe it is the methodology that is at the problem -- the heart of the problem.

Q Okay. One moment, please.

(Commission staff confers)

COMMISSION STAFF: Thank you. I have no further questions.

MR. SCHMITT: Commissioner Cicero?

MR. CICERO: No questions.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: No questions,

Your Honor.

MR. SCHMITT: I have no questions. Does counsel for intervenors have any questions for this witness?

INTERVENORS: No.

MR. SCHMITT: Counsel, any redirect?

APPLICANT STAFF: Just one moment, if I could, please.

(Applicant staff confers)

APPLICANT STAFF: We have no questions, Your Honor. Thank you.

MR. SCHMITT: All right. You may step down and you are excused.

THE WITNESS: Thank you, Your Honor.

MR. SCHMITT: We have one more witness. Let's take a 15 minute break before we start the last witness. We'll recess until 20 'til 11.

(10:21 a.m. BREAK 10:37 a.m.)

MR. SCHMITT: Please be seated. Okay. We are back on the record. And I think there is one witness yet remaining, and that would be Mr. Wilhite from the Kentucky

School Board Association. Mr. Malone, are you...

MR. MALONE: Yes, Your Honor.

MR. SCHMITT: Okay. Would you please call Mr. Wilhite.

MR. MALONE: Yes.

RONALD L. WILHITE,

the witness herein, having first been duly placed under oath, was examined and testified as follows:

REDIRECT EXAMINATION

BY MR. MALONE:

Q Mr. Wilhite, if you could state your name for the record.

A Ronald L. Wilhite.

Q And business address.

A 260 Democrat Drive, Frankfort, Kentucky.

Q And your position with the Kentucky School Board Association?

A I'm the director of the school energy management project.

Q Did you cause to be filed direct testimony, supplemental testimony, and data requests --

A Yes, I did.

Q -- in this matter? And if I were to ask you the same questions, would your answers be the same

today?
A Yes.
Q Okay. Do you have any alterations, corrections, or additions to your testimony?
A Just what I submitted in my supplemental testimony.
Q I'm sorry?
A Just what I submitted through my supplemental testimony.
Q Okay. Thank you.

MR. MALONE: The witness is available for cross-examination, Mr. Chairman.

MR. SCHMITT: Thank you. Staff, cross-examination?

COMMISSION STAFF: Yes.

RECROSS-EXAMINATION

BY COMMISSION STAFF:

Q Good morning, Mr. Wilhite.
A Good morning.
Q Can I have you turn to the stipulation agreement, section 4.11, the optional pilot rates for the schools.
A Okay. Is that the tariff sheets or?
Q Just the -- the -- just the agreement itself.

A Okay. I would need -- I don't have the agreement per se with me.

MR. MALONE: 4.1?

COMMISSION STAFF: 4.11.

MR. MALONE: 4.11, okay.

(Counsel hands document to witness)

A Okay. Yes.

Q Okay.

A Did you say 4.1? I see 4.1.

MR. MALONE: Page 15.

COMMISSION STAFF: Yeah, page 15.

A Okay. I'm there. Sorry.

Q So to start with, what -- how will this program work, is what I am going to get at with all of my questions.

A Okay.

Q So let's start with the ultimate objective of this pilot. What is it -- what is the purpose of it?

A Well, to determine whether or not the public school -- school buildings are -- should be on a separate school rate.

Q And you said public schools. That is only -- right now it is only the public schools that will be in this program under KRS 160.325?

A Yes. That's correct. Because -- because of the

enactment of KRS 160.325, the public school districts in order to meet their compliance requirements under that statute put in place utility trackers to take the data from the utility bills, put them into spreadsheets/software so that -- so that they would have a record of the utility usage in buildings.
Q And are schools doing that currently?
A Absolutely, absolutely.
Q So your -- how long have you been collecting data?
A Since 2010.
Q And for -- how many schools throughout Kentucky have that?
A There are 173 public school districts, and each of those 173 public school districts are complying with that statute.
Q And from that data that has been collected since 2010, what will be different data collected under this pilot program?
A Well, it will be continued -- I mean, it will be updated data, for one. But I think it will provide more information between the companies and the school -- the schools about how schools actually operate.
And let me just, if I can, just explain. A

school district -- there is a school in my mind, which is a learning center, and then there is a school district. And what we're looking for here would be applying the rate to that learning center. The school is -- like with KU, there are nearly 1,000 accounts, school accounts by districts that they serve. The pool of learning center accounts from KU, there's like 243 of those.

Because schools not only have learning centers, they have pumps, they have concession stands, they have lighting. They have all kinds of accounts that would -- central offices, bus garages. So those accounts would stay on the rates they are currently serving.

Q So to be sure I understand, what we're talking about here is strictly the school building, the building itself?

A Primarily -- the accounts where -- primarily where the learning occurs, okay?

Q Okay. And when you say that the studies will create more information, what do you mean by that?

A More information, I think it is more information to be shared and understood about how schools operate. It has always seemed to me that schools

-- schools just operate different than the other -- many of the other customers that are on those tariffs. I mean, schools are out of session from June through -- pretty much through much of August now with the new legislation that has come into play. They only operate -- they only are fully occupied during defined hours during the day. So, to me, that's a much different operational situation than would be other customers that are on the PS and TOD tariffs.

Q The data that has been tracked since 2010, is that shared with utilities in some formal way now, other than the billing obviously?

A It's not in detail. It could be made -- it is available, because the data is reported annually back to the executive and legislative branchs to comply with the statute.

But as far as the -- well, let me -- for every district that would be involved, no. But through our energy management arrangement with LG&E and KU, there is data reported back under reporting requirements of those arrangements.

Q And as I understand -- can you confirm that under this study there will be seven hundred and fifty -- an offset of a revenue cap of $750,000 for each of the entities, so that it would be 1.5 million total?

A For the -- for the two companies, yes.

Q For both. How will schools be selected?

A Okay. Well, we're in the initial stages of that. The first thing we've done is that we have -- we know the pool and we have the historical building data for those -- each of those accounts, and so we're making a calculation of -- between the school rate, the SPS, and the PS, create a value for each of those accounts. And then they'll -- those -- they're -- then those accounts will be selected up until they reach that cap of $750,000 for each utility.

Our thinking is, is that there are 62 of those -- 62 districts that have at least one account or one building on either the PS or TOD tariff currently. Our thinking -- and we, obviously, have to run this by our districts and, obviously, have conversations with the company. But our thinking is that every district -- the first pass would be for every district to have a school participate in the pilot. And, that way, there is no one left out.

And then what we're still considering,

thinking about it, how do we take -- allocate or assign what remaining dollars are leftover. And it seems to me it needs to be based on the relative size. Some districts only have one school, one building; some have 150, okay? So we have to come up with what we think, recommend would be a fair way to select participants.

Q And when you say "we," are you talking about the Kentucky School Board Association?

A The Kentucky School Board Association in collaboration with those districts.

Q Can you refresh my memory. How long is the study proposed to last?

A Well, I think you heard yesterday, I think it will last until the next rate case.

Q So there is no definitive end point at this point?

A That's my understanding.

COMMISSION STAFF: I think that's all the questions I have.

MR. SCHMITT: Thank you. Mr. Cicero?

MR. CICERO: Just to clarify, I think the end point yesterday was until the next rate case or until the 750,000 from each company was used up. There is a one and a half million cap; am I correct?

THE WITNESS: That's not my understanding. My understanding is that was the annual cap on an annual building basis.

MR. CICERO: That is definitely something that the Commission will have to have cleared up, because I definitely thought it was one and a half million total. You are saying one and a half million annually?

THE WITNESS: Yes.

MR. CICERO: And that's a question.

MR. SCHMITT: It does say -- it says, "Will be available to new participants until the total projected revenue impact reduction for each utility is $750,000 annually compared to the projected annual revenues for the participating schools under the rates which they otherwise would be."

MR. CICERO: Okay. So that is $750,000 that goes to the next rate case or it ends in the period of the year if they use up the one and a half million dollars annually?

THE WITNESS: Correct.

MR. CICERO: Could there be gaps in

data, then, if there was consumption that exceeded the one and a half million dollars in an annual year?

THE WITNESS: I don't -- I think if it got to -- this would be monitored. And if the situation occurred or that amount exceeded the -- that amount, we would have to make an adjustment by eliminating a participant.

MR. CICERO: So you just eliminate the number of schools participating in order to ensure that you reach the end goal?

THE WITNESS: I think that's what our intent was. Obviously, we could think some more about that. But...

MR. CICERO: So let me ask you a couple of other questions.

Is it typical for a school campus to have multiple meters?

THE WITNESS: Yes.

MR. CICERO: You mentioned that it would only be for the learning centers, an administrative or, you mentioned, some outdoor activities, lighting, concessions, and those sorts of activities would remain under the other rate, that would not be...

THE WITNESS: (Moved head up and down).

MR. CICERO: So what do you do for -- is the gymnasium normally on another meter? That is an outdoor...

THE WITNESS: No. Typically, no. But there are some that are separate, very, very few.

MR. CICERO: The only reason why I mention it is because it is difficult to say outdoor lighting, which probably consumes more energy for a football event but a gymnasium in a nighttime activity. And there is, obviously, plenty more basketball games than there are football games and they occur usually in the same meter as the learning center and they occur for several months. How would you segregate those out of this?

THE WITNESS: I don't -- I don't think it would really be possible to do it without considerable expense of putting in separate metering. I don't know if it is practical. And learning does occur in the gymnasium, physical education classes and things like that.

MR. CICERO: Well, you are making the argument that people learn a lot about themselves when they play a football game because it builds character or whatever you want to say.

THE WITNESS: They do.

MR. CICERO: Mr. Meiman made some comments yesterday about people contributing through their sweat and equity and we were talking about a monetary contribution. And in this case we are looking at the -- you know, how we're going to have a program that really segregates out.

Is it feasible to do that, what you are talking about? I think there is still a question surrounding that program. At this point, I guess we'll wait to see what the final pilot looks like.

THE WITNESS: (Moved head up and down).

MR. CICERO: I don't have any other questions.

MR. LOGSDON: I don't have any questions.

MR. SCHMITT: Mr. Wilhite, are classes often taught in gymnasiums?

THE WITNESS: There are some classes, physical education.

MR. SCHMITT: Such as physical education?

THE WITNESS: Physical education.

MR. SCHMITT: Are athletic events that are part of the school activities also considered instructional, considered a part of the -- an important part of the school environment?

THE WITNESS: I think definitely they are considered a part of the environment.

MR. SCHMITT: And are athletic events monitored by school teachers, principals, and coaches?

THE WITNESS: Typically, yes.

MR. SCHMITT: If there is an athletic event, aren't certified personnel required to be present?

THE WITNESS: I believe that's -- yes.

MR. SCHMITT: I know you are not an

educator per se. You are an energy expert, correct?

THE WITNESS: Correct.

MR. SCHMITT: How did this program under 4.11, or you say 4.1, optional pilot rates for schools subject to KRS 160.325, what was the genesis of that program? Who started it? Who thought it up?

THE WITNESS: I guess we did, I did, recognizing that, first of all, that, just a general observation that schools had different operating conditions and hours than other folks do. I mean, if you look at -- the schools basically are in session most weekdays from 7:30 to maybe 3 o'clock. A lot of schools get out at 2:30 even or earlier, especially some elementary students. There is a considerable amount of downtime in schools. If you look at the hours in a year, an elementary school is only in full occupancy a fourth of those 8,760 hours a year.

So I guess intuitively you say, look, is there a difference between the way schools operate and others in that class?

And so explore, you know, what that means in terms of the cost consequences of the -- of their utility service.

MR. SCHMITT: So you believe -- I saw you had a study apparently or some statistics, some analysis that was in your written testimony that indicated your belief or opinion that the schools, public schools, should be on a different rate unto themselves; is that correct?

THE WITNESS: Well, of course we're an advocate for public schools.

MR. SCHMITT: Well, I understand that. I know you are. But don't you -- do you have some rate experience?

THE WITNESS: Yes.

MR. SCHMITT: And tell us what that is.

THE WITNESS: Well, I worked for the Kentucky Utilities and LG&E for 33 years.

MR. SCHMITT: Doing what?

THE WITNESS: Just about everything, it seemed like. But it varied from -- varied from system planning into rates and regulatory.

MR. SCHMITT: And what is your experience in rates and regulatory?

THE WITNESS: Rates and regulatory?

MR. SCHMITT: Yes.

THE WITNESS: Well, I guess it is fairly extensive in terms of -- in terms of years. I think I -- from 1973 to 2001 I was in rates, regulatory, the name's changed throughout that portion of my career, and oversaw the department, section at the end of my career.

MR. SCHMITT: Well, what did that involve? Let me -- I'm trying to get to the point.

When you worked for Kentucky Utilities, did you work on, basically, rate cases where the company would come before the Public Service Commission --

THE WITNESS: Yes, yes.

MR. SCHMITT: -- and seek rate increases?

THE WITNESS: Yes, sir.

MR. SCHMITT: And what were your responsibilities in that regard?

THE WITNESS: Various. I typically

could have sponsored tariffs, recommendations. I could have sponsored the cost studies. Primarily that would have been it.

MR. SCHMITT: Well, the reason I ask is, is that I know you worked for the Kentucky School Board Association, but I'm just trying to understand, you had a chart or charts that were in your testimony that was previously filed; correct?

THE WITNESS: Correct.

MR. SCHMITT: And you made some kind of analysis that you believe that schools, Kentucky public school districts, were overpaying in terms of utilities --

THE WITNESS: That's correct.

MR. SCHMITT: -- electric utilities?

THE WITNESS: Yes.

MR. SCHMITT: Please explain why.

THE WITNESS: Okay. Well, I -- I -- I took the company's -- one of the company's cost of service studies and I separated out for the schools, these 243 KU accounts and 116 LG&E accounts. I pulled those out of the otherwise PS and TOD rate classes that they currently receive service on. And so using their cost of service study, I made that separation and identified what the rate of return would be on this -- these -- these -- for this group of schools. And that showed results that the rate return for that -- that -- those schools was greater than the system average return and in some cases greater than the return on that rate class.

MR. SCHMITT: And do you know whether or not the typical schedule of a Kentucky public school, in terms of time students come to school and they leave and the number of days in a year that they attend school, how that compares with nonpublic schools?

THE WITNESS: No, I don't. I don't.

MR. SCHMITT: Has the Kentucky School Board Association made any attempt to date to reach out or talk to nonpublic schools about their, basically, experience in energy management or whether, perhaps, they ought to be considered to be a part of this program?

THE WITNESS: We have had some conversations with some of the private schools, but not -- not particularly with regard to this rate schedule, no.

MR. SCHMITT: You indicated, I guess in your testimony, your previously filed testimony, that Kentucky schools I guess and school districts report energy savings to someone in State government.

THE WITNESS: (Moved head up and down).

MR. SCHMITT: To whom do they report this information?

THE WITNESS: Okay. Pursuant to that statute, 163.5, that statute directs reporting to the LRC and to the Department for Energy Development & Independence, which is a section of Kentucky's Energy and Environment Cabinet.

MR. SCHMITT: And the Legislative Resource Commission is the LRC?

THE WITNESS: Yes.

MR. SCHMITT: And do you get

feedback from these people? Do the schools get feedback or do they just report it and it goes into, you know, a building and that's it?

THE WITNESS: Well, we've not gotten any -- I would say I am not aware of direct feedback. I mean, we have gone before the Energy subcommittee a couple of times to report on what schools are doing, followed the statute that came forward from the General Assembly, and, you know, feedback is always positive when those -- those conversations are held.

MR. SCHMITT: In terms of -- are you familiar with how a school or a school district is financed?

THE WITNESS: Pretty much.

MR. SCHMITT: Okay. Tell us what you -- how you understand a Kentucky school district receives funds with which to operate.

THE WITNESS: Well, most of their funds come through property taxes, either local -- local property taxes or they come -- it comes back to school districts through the

SEEK, the SEEK apportion in the districts.

MR. SCHMITT: The SEEK is a formula that is used by the State Department of Education pursuant to statute to comp money back into local school districts; is that correct?

THE WITNESS: That's correct. Yes.

MR. SCHMITT: And to try to equalize the amount each student gets no matter where he goes to school?

THE WITNESS: That's correct.

MR. SCHMITT: So a student in Menifee County ought to be roughly equivalent in terms of the money spent on his education to one in Fayette County; is that a fair statement?

THE WITNESS: That's -- that's -- yes.

MR. SCHMITT: The -- if moving forward -- I know you -- this plan, the agreement, I guess the stipulation and recommendation which was filed for Commission consideration contains an additional, I guess, plan or pilot project in 4.7, sports field lighting pilot tariff provisions. Is that also applicable? Is that part of the Kentucky School Board initiative?

THE WITNESS: Well, that -- that came to our attention from a school district in Western Kentucky, Muhlenberg County, who had a sports complex developed and they experienced a -- in the normal course of business, as that facility grew it qualified for another -- another rate that's made quite a bit of increase in dollars.

So I -- you know, I recognized that in my testimony and said that, you know, there should be consideration given to a rate for sports fields.

MR. SCHMITT: Well, I mean, when I read the post-stipulation or settlement agreement, what I initially concluded, that 4.7 and 4.11, both optional pilot projects are for determined rates, were both part of the Kentucky School Board Association initiative; is that correct?

THE WITNESS: I would say it is correct more than just -- you know, Muhlenberg I think first expressed their interest in it, probably through the public comments or some manner. You know, we picked -- we picked up on it to support.

MR. SCHMITT: No, no. No, I am not saying -- I mean, you may not have invented it or be the architect of it.

But if -- whenever this settlement occurred, the Kentucky School Board Association put forward the sports field lighting pilot tariff provisions as part of its initiative and received a favorable response from all of the parties here, in terms of getting that put in the agreement; is that correct.

THE WITNESS: Well, I think it is more correct to say that getting involved in discussions, okay? And, because we didn't -- I didn't -- I didn't put forward a plan for the school tariff. I put forth a suggested tariff sheet. I didn't -- I didn't put forth a tariff here.

But we did, obviously, concur with the sports field tariff. Now, my understanding is that tariff will be available to other than -- other than schools. It would be open to, I think it is, twenty -- 20 participants and they are not restricted to being --

MR. SCHMITT: Being schools?

THE WITNESS: Being a school, yes.

MR. SCHMITT: Well, who determines who those participants are? Is that the utility that determines that?

THE WITNESS: That would be -- that would be the utility, yes.

MR. SCHMITT: So it might be open to city parks and playgrounds?

THE WITNESS: Yes. That's my understanding.

MR. SCHMITT: Nonpublic schools?

THE WITNESS: Yes.

MR. SCHMITT: Whoever might want to apply?

THE WITNESS: Yes.

MR. SCHMITT: Correct?

THE WITNESS: Correct.

MR. SCHMITT: During the course of your, I guess, negotiations or all of the parties' negotiations, did anybody consider or discuss or did the Kentucky School Board Association the applicability of KRS 278.035?

Let me pass this out to you. Do you know what that statute is?

THE WITNESS: I -- I believe I do. Let me make sure.

MR. SCHMITT: Okay. Let me give it to the court reporter, too.

Would counsel like to have a copy?

MR. MALONE: Mr. Chairman, I'm familiar with this statute.

MR. SCHMITT: You are familiar with it?

MR. MALONE: Yes.

MR. SCHMITT: Well, if anyone would like a copy, I have 20 copies here in case anyone would like one.

KRS 278.035 says, "Any entity receiving public school funds from the Commonwealth of Kentucky or any political subdivision thereof for the purpose of offsetting at least 50 percent of its operational expenses shall not be entitled to preferential retail rates for services provided by utilities subject to the provisions of KRS Chapter 278."

Now, did you know that statute

existed?

THE WITNESS: Yes, sir.

MR. SCHMITT: Or the Kentucky School Board Association --

THE WITNESS: Yes.

MR. SCHMITT: -- know that it existed?

THE WITNESS: Yes. I did, too.

MR. SCHMITT: And was that discussed during the terms of the settlement negotiations, to your knowledge? I don't know if you were even present. Were you present when the settlement was reached?

THE WITNESS: Yes, I was. I was. Yes, that --

MS. STURGEON: Your Honor, I apologize for the interruption. You know, when we entered into settlement negotiations at the front-end, we did agree among all those present that those would be confidential. And --

MR. SCHMITT: Well, look, this is a public hearing and the public, the tax -- the ratepayers are subsidizing the -- if you are telling me that Kentucky Utilities and

Louisville Gas and Electric intends to pay these costs out of its own pocket and not the ratepayers, fine. If you don't, I'm going to ask the question and you can object or counsel can advise him not to answer.

MS. STURGEON: We have no concern with you asking the questions. The only concern we have is about what went on in the negotiation room. Certainly if you have a question about the applicability of the statute, no objection with that.

MR. SCHMITT: Well, I intend to ask counsel about it on the record as soon as I finish questioning this witness. But you can instruct him not to answer.

MR. MALONE: No, no, no. I think what she is -- what she is garnering at is just the way the question was asked, that asking what went on in the settlement negotiations as opposed to the applicability of the statute.

MR. SCHMITT: Well, you know, then you are going to have to tell him not to answer. Because I want to know if there was a discussion of this statute at the time the settlement was negotiated. That's all I want to know. I am not getting into any details. Was there a discussion of that statute at the time?

MR. MALONE: Please answer that. That's fine.

THE WITNESS: Yes.

MR. SCHMITT: All right. If -- if -- and I know you are not the only party, Kentucky School Board Association is not the only party to this proceeding. But if as a -- if as a predicate or condition for approving this settlement the Kentucky School Board Association was asked to reach out to two or three nonpublic schools to see if they would be interested in participating in this program, would the Kentucky School Board Association be willing to do it?

THE WITNESS: I would think so.

MR. SCHMITT: And I know you are not Kentucky Utilities or Louisville Gas and Electric.

But do you believe that nonpublic schools, assuming that the data would establish that schools should have -- public schools should have a rate unto themselves, do you believe that nonpublic schools should have the benefit of that same tariff or that same rate class, assuming that all else was equal and their electricity use was virtually essentially the same?

THE WITNESS: Well, I think that's a possibility. I do make one differentiation, and that is the nonpublic schools are not subject to this statute that requires the public schools to develop and implement monitoring reports on energy plans.

MR. SCHMITT: But they pay electric bills, though.

THE WITNESS: They do. They do.

MR. SCHMITT: And I'm sure they are sensitive, if not more sensitive, to costs than public schools. I know you are -- I've read KRS 163.25, and I am not fussing at you. But it just seems to me that if a school, that schools educate the sons and daughters and relatives of ratepayers, whether it is a public school, a Catholic school, a Baptist school, or an atheist school or a Muslim school, and I can't see why that ratepayer funds, alright, ought to be going into a project that benefits only one group of students and not all students. That's my point. You don't even have to comment, okay?

I have no further questions. Do any intervenors have any questions?

INTERVENOR: I do have one question, Your Honor.

MR. SCHMITT: Okay.

RECROSS-EXAMINATION

BY INTERVENOR:

Q Mr. Wilhite, can you confirm that the Muhlenberg County schools that were mentioned earlier dealing with the sports field issue, can you confirm that that's the same Muhlenberg County entity that filed public comments into the record?

A Yes.

Q And it's correct that they are technically owned by the Muhlenberg County Board of Education, who are a member of KSBA; is that correct?

A That is correct.

Q Thank you.

INTERVENOR: That's all I have.

MR. SCHMITT: Anything else? Any comments, questions from counsel for any of the other intervenors?

MR. MALONE. No. I'm good, Your Honor.

MR. SCHMITT: Okay. May this -- if there are no further questions for Mr. Wilhite, you may be excused.

COMMISSION STAFF: Staff has one clarification. We want to make sure.

MR. SCHMITT: Yes.

FURTHER CROSS-EXAMINATION

BY COMMISSION STAFF:

Q The Muhlenberg parks department also filed a request to intervene that was denied with the opportunity to treat it as a public comment in our file. That is not the same Muhlenberg you are discussing?

A It is. It is the --

Q So it is not the parks department?

A Well, the --

Q It is the sports field?

A The location is owned by the public school system of Muhlenberg County. They have some form of interlocal agreement that you typically see in counties and for the parks and recreation department to operate those -- those facilities.

So they are -- we're talking about one in the same sports complex.
Q I wanted to clarify that. Thank you.
COMMISSION STAFF: Your Honor, one minute, please.
(Commission staff confer)
BY COMMISSION STAFF:
Q Mr. Wilhite, can you confirm what you said today, that schools in the general, in both KU and LG&E's service territories, are served under multiple tariffs?
A That's correct. I can give you the numbers, if you would like.
Q No, that's okay. What I'm wondering, the $750,000 per entity, will the revenue -- that $750,000 per company, will that revenue be made up from the rate -- the applicable rate class from which the schools are members or will it be made up from all rate classes?
A I don't know that I know how to answer that. I mean, it is part of the end result of the settlement that has been presented.
Q So you don't know if the 1.5 million total was being picked up by other rate classes?
A No, I really -- I really don't know. I mean, it

-- it...

Q Okay. One moment, please.

(Commission staff confers)

COMMISSION STAFF: This question is really for LG&E and KU counsel.

Is there someone from the companies who can answer that question, about the revenue offset?

APPLICANT STAFF: Yes.

COMMISSION STAFF: And who is that?

APPLICANT STAFF: It would be Mr. Conway.

COMMISSION STAFF: Mr. Conway.

APPLICANT STAFF: Or Mr. Seelye.

MR. SCHMITT: Yeah, we'll ask him to re-take the stand.

COMMISSION STAFF: I have no more questions for you, Mr. Wilhite.

MR. SCHMITT: Mr. Cicero?

MR. CICERO: How many years is this one and a half million dollars applicable for?

THE WITNESS: It would be until the next rate case and then subject to whatever determination is made then.

MR. CICERO: So if it is five years, then it becomes seven and a half million dollars; if it's four years, it is $6 million. It is just all dependent. Five years is when I think they said they would probably have to come in for another rate case. So seven and a half million dollars is being devoted to this case, just so I understand, potentially seven and a half million dollars for this project?

THE WITNESS: If it is that long, yes.

MR. CICERO: Okay. No further questions.

MR. SCHMITT: I would just like to make one statement. I am not hostile to your position or Kentucky School Board's position. I understand the need for energy savings in public schools. I represented ten school districts in Eastern Kentucky before I came here, so I understand. But...

And there is no obligation on Kentucky School Board Association. And, in fact, it couldn't probably come in and represent any nonpublic school district. You wouldn't be able to do that. You couldn't spend the funds probably legally from your dues paying members.

But it did seem to me in reading the statute that if this plan perhaps is nondiscriminatory in favor of a public entity which gets most of its funding from the Commonwealth of Kentucky and from local tax payors or other units of government, that perhaps the inclusion of schools other than public schools in this rate class or designation might, basically, allow the situation or the schools to get around this statute or the statute wouldn't otherwise apply. I don't know if it does apply. We'll talk about it with counsel in a minute. And I am going to ask you all to brief it, if you would.

So does anyone else have any questions of Mr. Wilhite?

ALL STAFF: No.

MR. SCHMITT: Thank you. You may step down and be excused.

I would like to file the statute, if possible, into the record. It is

KRS 278.035.

(Exhibit 2 marked)

COMMISSION STAFF: Your Honor, we would now offer to call Mr. Seelye back to the witness stand to address the question by staff counsel.

MR. SCHMITT: Yes, please do. Mr. Seelye, you are still under oath. So you may take the stand and counsel may ask.

COMMISSION STAFF: Thank you.

RECROSS-EXAMINATION

BY COMMISSION STAFF:

Q Good afternoon, Mr. Seelye.

A Good morning.

Q Good morning. Hello. It has not been that long, has it?

A (Laughter).

Q I have two questions for you, as you've heard. With this 750,000 per entity, 1.5 million, was this revenue allocated to all other ratepayers?

A Yes.

Q And for the schools who are not in the pilot program but who are on the PS or the time of day rates, will they pay more because of the pilot program?

A They will see a larger increase to offset the 750,000 for each utility. So, and, it is not just TODS. It is AES as well. So there would be three rate schedules and probably others as well. They probably have some small accounts on GS.

So, yes, all of those received a larger increase to offset the $750,000 per each utility.

Q Mr. Seelye, do you know how much of the $750,000 was allocated to each class?

A No. It would probably be difficult to determine because of how some of the percentage increases were set for some of the classes. Therefore, any of the -- I can say that it was spread across all classes. But how it impacts each rate schedule would be difficult because of some of the assumptions that were made.

COMMISSION STAFF: We have no further questions of Mr. Seelye.

MR. SCHMITT: Mr. Cicero?

MR. CICERO: No.

MR. SCHMITT: Mr. Logsdon?

MR. LOGSDON: No questions.

MR. SCHMITT: I have no questions. Counsel for any of the intervenors?

INTERVENORS: (Moved head from side

to side).

MR. SCHMITT: Counsel, any redirect?

COUNSEL: (Moved head from side to side).

MR. SCHMITT: Thank you, Mr. Seelye. You may step down and you are excused.

Are there any more witnesses to be called by any party or by staff?

COMMISSION STAFF: No more witnesses by staff.

MR. SCHMITT: All right. Let's -- we ought to be able to finish this up in the next 15 or 20 minutes. Why don't we take a five minute recess, everybody can get together. And then when we come back I would like to ask counsel some questions about the statute and how, ultimately, if we can get a briefing schedule, you know, in ten days or so, you know, to work on that.

APPLICANT STAFF: Sure.

MR. SCHMITT: So if we can take a five minute break.

APPLICANT STAFF: Yes. If I could

leave you with three housekeeping items to consider. Definitely a briefing schedule, we would like to set that. Two, deadline for submitting the data responses.

MR. SCHMITT: We'll take care of that. We'll send written -- we'll deal with that when we come back on the record.

APPLICANT STAFF: Okay. That's fine.

MR. SCHMITT: All right.

APPLICANT STAFF: And then the last point I would ask you to consider when we come back on the record is the oath of counsel.

MR. SCHMITT: We'll take care of that.

APPLICANT STAFF: Thank you.

MR. SCHMITT: Then we have -- I guess Mr. Dutton has some motions, correct?

MR. DUTTON: I do. I have one, Your Honor.

MR. SCHMITT: Okay. Why don't you make yours now.

MR. DUTTON: Yeah. I apologize. You asked for any pending motions yesterday, and I missed that we have one that was filed on April 3rd for a motion to deviate from the filing requirements. We're going to end up filing an extra seven, 8,000 pages worth of, basically, just numbers. So that was our motion.

MR. SCHMITT: Any objections?

COMMISSION STAFF: No objections.

APPLICANT STAFF: No objections.

MR. SCHMITT: Sustained.

MR. DUTTON: Thank you.

MR. SCHMITT: I didn't want you to get lost in the shuffle.

MR. DUTTON: I appreciate that.

MR. SCHMITT: Okay. We will take a recess and be back at 25 'til noon.

(11:23 a.m. BREAK 11:34 a.m.)

MR. SCHMITT: Please be seated. Okay. We're back on the record. And now that the testimony has been concluded we have several, I guess, matters to take care of.

First, let's -- I would like to speak to counsel about this 4.7 and 4.1 involving the pilot projects or pilot studies involving Kentucky School Board Association on behalf of its members, Kentucky public schools.

And I'm going to ask -- everybody signed the settlement agreement. But let me ask Mr. Chandler:

Did the Kentucky Attorney General approve the settlement?

MR. CHANDLER: Yes, sir.

MR. SCHMITT: Okay. KU has approved it, correct?

MR. RIGGS: Yes, sir.

MR. SCHMITT: And the Kentucky School Board Association, obviously, correct?

MR. MALONE: Yes, sir.

MR. SCHMITT: And there have been no objections from any of the intervenors at this point.

All right. So we have some concern about this. One, that the settlement that involves, basically, the two studies, which in and of themselves as far as I'm concerned are worthy projects, that they might be violative of KRS 278.035. So what I would like, or the Commission would like, for you to do is to file a brief upon the question of whether or not this settlement agreement as drafted and the ultimate pilot study would be violative, is or is not violative of KRS 278.035.

And the second issue is, is assuming that the studies would justify a separate rate class for schools, okay, whether that rate class should include nonpublic schools and if it does -- if it doesn't, whether or not a rate class which did not -- which pertained only to Kentucky public schools would be violative of 278.035, all right?

APPLICANT STAFF: All right.

MR. SCHMITT: I would ask that there -- if you could get these briefs done in, say, ten days, that KU and LG&E file a brief on that point, that Kentucky School Board Association file a brief, the same time period, and also the Kentucky Attorney General's office.

Now, for other -- if there are other intervenors who would like to file a brief, I think that ought to be optional. But whether you file a brief or not, counsel should consult with your clients and let us know in writing, let the Commission know, file something in writing as to whether if this settlement were somehow altered to the extent that it included nonpublic schools, whether you would object, your clients would object to the settlement on that basis.

MR. CHANDLER: Could I clarify?

MR. SCHMITT: Yes.

MR. CHANDLER: If you all altered the settlement to include private schools --

MR. SCHMITT: Well, I'll going to ask KU about that first, because I don't want to -- we don't intend to make a new agreement for the parties. But I would ask -- I'm going to ask KU in a minute what its position would be if, if it were determined, we don't have to answer that question now --

APPLICANT STAFF: Right.

MR. SCHMITT: -- but if it is determined that either the pilot program or if the pilot program were approved if a subsequent rate change applicable only to public schools would violate the statute, then we would be concerned about it and there is no point in getting involved in it because we will end up in litigation with a bunch of other people who say we ought to have that same -- the benefit of that same rate class. So we won't answer that question now. We'll wait to see what your briefs say.

MR. DUTTON: Can I ask a clarifying question, Your Honor?

MR. SCHMITT: Yes.

MR. DUTTON: 4.7, the way that we read that and I believe the way that it was designed was to apply as well to city parks and to city-owned sports fields.

My understanding is, is the Commission's concern is applicable just to school boards. So there wouldn't necessarily -- I guess I'm trying to figure out if you have concerns with 4.7's applicability to cities as well.

MR. SCHMITT: I think you ought to brief that issue. I mean, you could do it on behalf of Metro, right, Louisville Metro and Mr. Gardner on behalf of Lexington-Fayette. I suppose it could if, if the statute says, "Any entity receiving public funds from the

Commonwealth of Kentucky." It may not apply. That's up to you to decide. "Or any political subdivision for the purpose of offsetting at least 50 percent." It seems to me it might not apply to you at all, not apply to your clients. But I think you have to make that decision. And if you would say we don't believe it does, why don't you file something with us and take that position on the record so we know. And Mr. Gardner might, if he chooses to do so, do that on behalf of Lexington-Fayette County Urban County Government.

MR. DUTTON: I appreciate that. Thank you, Your Honor.

MR. SCHMITT: Okay. All right. Mr. Riggs, if -- if -- and you might want to -- you don't have to answer this today and neither does your client.

But at some point, if the question gets down to whether or not if one or more nonpublic schools were included in this pilot program or if, assuming that a study showed that schools had a -- were entitled to or should have their own rate class, if that were expanded to all schools and not just public schools, KU and LG&E ought to tell us whether or not they would object to that or embrace those other districts. Because if you wouldn't, there is not any point in going forward with that.

MR. RIGGS: We'll answer that in our brief when we file that, if that's all right, Your Honor.

MR. SCHMITT: All right. With that, before we get to the colloquy here in the settlement, are there any other motions? Mr. Dutton has made his. Are there any other motions by counsel or staff?

MR. FITZGERALD: (Indicating).

MR. SCHMITT: Yes, Mr. FitzGerald.

MR. FITZPATRICK: Thank you, Mr. Chairman. I just had a question for clarification purposes.

Would the post-hearing briefs be limited just to the issue that you raised?

MR. SCHMITT: No, no. We're going to do that in a second. We will talk to that.

MR. FITZPATRICK: Okay. Thank you.

MR. SCHMITT: No, they will not be limited. We'll have another brief that can address other issues.

MR. FITZPATRICK: That was going to be my question. Thank you, Mr. Chairman.

MS. ROBERTS: Mr. Chairman?

MR. SCHMITT: Yes.

MS. ROBERTS: Casey Roberts from the Sierra Club. I just wanted to offer into evidence a copy of what Sierra Club called Exhibit 1 that does have the Commission's stamp on it.

MR. SCHMITT: Sustained. Thank you.

Yeah, we'll -- the court reporter can accept that in exchange for the one that was filed yesterday. So we will just take the other one out and include that. They are, obviously, the same.

MR. RIGGS: No concern or objection.

MR. SCHMITT: Okay. So if we -- let's talk about post-hearing data requests.

Staff, how much time would you need to prepare in writing all of the post-hearing data requests that you would want?

COMMISSION STAFF: We can have it issued by Friday.

MR. SCHMITT: Okay. And for KU and LG&E, how much time do you think you would reasonably need? If you get the data request by the 12th, can you answer them by Monday, the 22nd?

MR. RIGGS: We probably need until the 26th. We will --

MR. SCHMITT: Until the 26th?

MR. RIGGS: Yes.

MR. SCHMITT: That's fine.

MR. RIGGS: Your honor, if we can get them to you sooner, then we will.

MR. SCHMITT: Okay. You can have until the 26th because you have got a lot to do.

Now, I expect there may be -- will there be any post-hearing data requests of KICU? There may be of Kentucky School Board. So if the Kentucky School Board Association is furnished with a data request by the end of the day on Friday, how much time, Mr. Malone, would you need? You would only

get two, three, or four, probably.
MR. MALONE: I think we could probably turn it around in a week.
MR. SCHMITT: Well, why don't we give you the same amount of time that KU and LG&E gets, the 26th.
MR. MALONE: That's fine.
MR. SCHMITT: Just give everybody the same amount of time.
All right. So Staff will have the post-hearing data requests filed by the end of the day on May 12th. And the parties who will receive those post-hearing data requests will have until the end of the day on May 26th.
Now, on the briefs, let's talk about the briefs on KRS 278.035. How much time, Counsel, and you may need a minute to talk among yourselves, how much time would you think you would need to file a brief?
MR. RIGGS: Your Honor, may I ask a clarifying question?
MR. SCHMITT: Yes.
MR. RIGGS: You want one brief on all of the issues or do you want separate

briefs?

MR. SCHMITT: I want separate briefs on just this issue. And then we'll talk about the other brief.

MR. RIGGS: Sure.

MR. SCHMITT: And you may need more time. Or if you would say, I would like to have until the 26th to file briefs, this brief, the other brief that you may want to file, we could do that too.

MR. RIGGS: Okay. Well, my broader -- I think that we can get your brief from the utilities perspective on the statute finished more quickly because of the very precise questions that you have asked.

MR. SCHMITT: Sure.

MR. RIGGS: We will need more time to prepare our brief on the other issues.

MR. SCHMITT: On the other issues, well, fine.

Well, then let's go -- let's talk to the other issues first. How much time do you think you would need to file a brief on all of the other issues that have been raised in this proceeding?

MR. RIGGS: May 31st.

MR. SCHMITT: May 31st. All right. Granted.

Any other party to this proceeding that would like to file a brief on any issue in the case other than whether or not the Kentucky School Board's 4.7 and 4.11 violate -- whether they do violate 278.035, will have until May 31st to file their briefs simultaneously, okay?

Then once those briefs are filed on the 31st, I think you ought to -- if there are any responsive briefs to be filed, file them by June 9th.

MR. RIGGS: Your Honor, we don't perceive a need to file any responsive briefs.

MR. CHANDLER: We don't, either.

MR. SCHMITT: Nobody does. Well, that's good. Well, that briefing is finished on the 31st. Now, what about time to file the briefs on whether or not a portion of the settlement agreement may violate 278.035? How much time?

MR. RIGGS: We need less time. I

would like to have a few days after the School Board files its data responses to be able to consider that as part of our brief, that we would file on that. So we could file that two to three days after the School Board files its data responses. Or we could just file both briefs.

MR. SCHMITT: Well, I can tell you right now, the only data responses the School Board might have would be a request as to whether or not they would be willing to reach out to other school districts -- to nonpublic school districts as a part of the pilot project and what their position would be if nonpublic school districts were included in the rate class. So I don't believe you need any more time. That is all.

MR. RIGGS: Fair enough.

MR. SCHMITT: Okay.

MR. RIGGS: So we can submit our brief as early as May 26th.

MR. SCHMITT: Okay. Can you get your brief done by then?

MR. CHANDLER: The Attorney General has a different kind of operation to go through with regards to the statutes. We have a civil division that has been charged statutorily regarding -- whenever any conflict of statutes is involved, we need to consult with them and perhaps other divisions in upper management. For that purpose, I believe it probably would take longer for us to do the statute brief than it would the other brief.

MR. SCHMITT: All right. Okay. So how much time would you need on the statute?

MR. CHANDLER: I am thinking June 2nd for the statute brief.

MR. SCHMITT: That's not unreasonable. I think that's fine. If you need June 2nd, that's okay. What about your other brief?

MR. CHANDLER: The 31st, I think we can.

MR. SCHMITT: All right. Do any other parties have any briefing issues? Mr. Malone, you are okay?

MR. MALONE: No, Mr. Chairman.

MR. SCHMITT: You can file by the -- if you want, you could file yours by

June 2nd, too, if you would like. That would give you all and Mr. Riggs, everybody on the same date.

MR. RIGGS: Concurrent briefing, yes, sir.

MR. SCHMITT: However you would like to do it, okay?

MR. DUTTON: Mr. Chairman, that is for everybody on the statute brief?

MR. SCHMITT: Everybody on the statute brief gets until June the 2nd.

MR. CHANDLER: Your Honor, could I have one clarification?

MR. SCHMITT: Yes.

MR. CHANDLER: The statute brief is mandatory for the Attorney General, the companies, and the School Board. It is optional for everybody else?

MR. SCHMITT: It is not mandatory for any other party.

MR. CHANDLER: Okay. Good.

MR. SCHMITT: If any other party would like to file a brief, that's fine. I would like -- we would like the other parties to let us know if it is determined, if it is determined, that the settlement agreement as drafted would be violative of the statute which prohibits, basically, a preference for public-related entities, okay, if any participant, anyone who agreed to the settlement with this in it, if you would object or withdraw your agreement to the settlement if nonpublic schools were included in the pilot study and ultimately if determined that schools should have a separate rate class, if anyone would object to that. And all you have to do is tell us, contact your client and you can send something in and let us know. Because some people may say, no, for whatever reason I wouldn't -- I'm against that. We would just like to know it.

MR. KURTZ: I will let you know, KICU would not object. This would not affect our settlement position. But we'll send that in writing as well.

MR. SCHMITT: If you would. Thank you, sir.

COMMISSION STAFF: Mr. Chairman?

MR. SCHMITT: Yes.

COMMISSION STAFF: When should that statement be filed, the statement --

MR. SCHMITT: Well, if they could file the statements by the time the other parties' briefs are due on that issue, by June 2nd.

COMMISSION STAFF: June 2nd, okay.

MR. SCHMITT: The other parties could file whether or not they would object to the settlement or withdraw from it if nonpublic schools are included.

Okay. At this time, I guess if the parties and their counsel would come forward and then we will go through the settlement colloquy. But there are so many people in this case, so you have to forgive my inability to recognize everybody. I would like maybe the 13, 14, 15 parties, each party to on the microphone say the name of the party, the people who are here with you who are going to take the oath, and the counsel, so that we can get that on the record. Otherwise, we'll have to look at the video and try to figure out who said what, okay?

MR. RIGGS: Sure.

MR. SCHMITT: All right. So we can begin with Kentucky Utilities and Louisville Gas and Electric. And then if the others would just come up in order. And maybe, Ms. Hughes, if you can keep count and make sure we get everybody on the record, okay?

MR. RIGGS: So, Your Honor, I apologize for asking so many questions.

You're just wanting the representatives of KU and LG&E that are going to take that oath?

MR. SCHMITT: Yes, yes.

MR. RIGGS: We need to identify them at this time?

MR. SCHMITT: Yes. I would like them identified so we know who they are for the record. And if someone -- I'm sure no one would ever say that wasn't me or I didn't do it. We would like to have a record. Otherwise, there is no point in doing it in the first place.

MR. RIGGS: So for Louisville Gas and Electric Company and Kentucky Utilities Company, Kendrick Riggs and Duncan Crosby, Stoll Keenon Ogden, Ms. Allyson Sturgeon, senior corporate counsel for LG&E and KU, Mr. Kent Blake, chief financial officer for LG&E and KU, and Robert Conroy, vice president of regulation for LG&E and KU, and Mr. John Wolfe, vice president of distribution operations for LG&E and KU.

MR. SCHMITT: Mr. Malone.

MR. MALONE: Thank you, Mr. Chairman. Matt Malone from the law firm of Hurt, Deckard & May in Lexington on behalf of the Kentucky School Board Association. And I have with me Mr. Ron Wilhite on behalf of the Kentucky School Board Association.

MR. SCHMITT: We'll swear Mr. Wilhite in again.

MR. CHANDLER: Mr. Chairman, on behalf of the Kentucky Attorney General's Office, Kent Chandler and Larry Cook.

MR. KURTZ: For KICU, Mike Kurtz, Jody Cohn.

MR. SCHMITT: Okay. I don't know who wants to step forward. Mr. Childers, you jumped up here the last time.

MR. CHILDERS: Thank you, Your Honor. On behalf of the individual intervenors and Sierra Club, Joe Childers, Casey Roberts, and Matthew Miller.

MR. SCHMITT: Okay.

MR. HOWARD: Mr. Chairman and Commissioners, Dennis Howard with Howard Law on behalf of JBS Swift & Company. I will also be taking it on behalf of Eric Wallin, who is general plant manager.

MR. SCHMITT: All right.

MS. KILKELLY: On behalf of the Association of Community Ministries, Lisa Kilkelly of the Legal Aid Society. I'm here today. Our witness, Marla Cummins [ph], is not here today.

MS. SKIDMORE: Mr. Chairman, Iris Skidmore on behalf of the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties. And I represent Malcolm Ratchford, who is our executive director. He is not here, but I have his permission.

MR. SCHMITT: Thank you.

MR. GARDNER: Mr. Chairman and Commissioners, Jim Gardner and Todd Osterloh, Sturgill, Turner, Barker & Maloney, on behalf of Lexington-Fayette Urban County Government.

MR. SCHMITT: Thank you. Has Lexington-Fayette Urban County Government approved the settlement?

MR. GARDNER: Yes, sir. And we have filed in the record --

MR. SCHMITT: It has been filed, okay.

MR. GARDNER: -- certified approval.

MR. DUTTON: Good morning. Greg Dutton of Goldberg Simpson. And I represent the Kentucky League of Cities. I also represent the City of Louisville. And from the City of Louisville I have with me today Jeff Durbin.

MR. SCHMITT: Okay. And has the City of Louisville formally approved --

MR. DUTTON: They have.

THE COURT: Thank you.

MR. NAUM: Good morning, Mr. Chairman and Commissioners. Barry Naum from Spilman Thompson & Battle on behalf of Wal-Mart Stores East, LP and Sam's East, Inc.

MS. WINN: Good morning,

Mr. Chairman and Commissioners. Cheryl Winn at Waters Law Group on behalf of AT&T Kentucky. I have with me Tony Taylor, who is the director of regulatory for AT&T Kentucky, and Patrick Turner, who is in-house counsel for AT&T Kentucky.

MS. MEDLYN: Mr. Chairman and Commissioners, on behalf of the United States Department of Defense and all other federal executive agencies, Emily Medlyn and Houston Parrish.

MR. MOORE: Good morning, Mr. Chairman and Commissioners. I'm Robert Moore with Stites & Harbison, PLLC on behalf of the Kroger Company.

MR. ZIELKE: Mr. Chairman, I am Larry Zielke on behalf of the Kentucky Cable Health Communications Commission. And I would like to submit, with me is the executive director of the KCTA, Randy Hollis. And if you remember, Mr. Chairman, I presented an affidavit --

MR. SCHMITT: I do.

MR. ZIELKE: -- in the beginning. And to make sure that is of record, because that is of Paul Horner, who negotiated the settlement.

MR. SCHMITT: I assume that is of record. It is filed, correct, ma'am?

MS. HUGHES: Yes, it is.

MR. ZIEKLE: Thank you, Mr. Chairman.

MR. FITZGERALD: Last and certainly least, Tom FitzGerald representing the Metropolitan Housing Coalition, which has approved the settlement.

MR. SCHMITT: Mr. FitzGerald, you didn't speak up on the briefing schedule. Is that satisfactory to you?

MR. FITZGERALD: It is excellent, sir.

MR. SCHMITT: Okay. Thank you.

MR. FITZGERALD: Thank you.

MR. SCHMITT: All right. Let's stand and raise your right hands.

MR. RIGGS: I apologize. I need to make an errata to my statement. I would add Ms. Sarah Veeneman, corporate counsel for LG&E and KU.

MR. SCHMITT: Okay. Anybody taking

the oath here needs to stand.

(All staff comply)

MR. SCHMITT: Okay. Do you swear or affirm that the representations you are about to give are true and accurate to the best of your knowledge and belief?

ALL STAFF: We do.

MR. SCHMITT: Are you aware of and did you have an opportunity to participate in all of the negotiations that resulted in the settlement agreement?

ALL STAFF: Yes.

MR. SCHMITT: Did you voluntarily sign or authorize the execution of the settlement agreement and do you fully support each and every provision contained therein?

ALL STAFF: Yes.

MR. SCHMITT: Are there any provisions in the settlement agreement that you do not understand, object to, or take issue with?

ALL STAFF: No.

MR. SCHMITT: Was any consideration of any kind offered or were any promises made other than what is expressed and set forth in the settlement agreement to induce you to negotiate and sign the settlement agreement?

ALL STAFF: No.

MR. SCHMITT: Are you aware of any reason why the Commission should not adopt and approve the settlement agreement in its entirety?

ALL STAFF: No.

MR. SCHMITT: Thank you. You may be seated.

(Staff comply)

MR. SCHMITT: Is there any other matter that counsel for any of the parties would like to bring before the Commission at this time before we adjourn? Staff, do you have anything?

COMMISSION STAFF: No. Nothing further.

MR. SCHMITT: All right. With that being said, this case is hereby -- the hearing is hereby adjourned.

(Proceedings concluded at 11:58 a.m.)

REPORTER'S CERTIFICATE

STATE OF KENTUCKY)

COUNTY OF FAYETTE)

I, LISA M. SCHWARZE (LARSON), FCRR, RPR, and Notary Public in and for the Commonwealth of Kentucky at Large, do hereby certify that the facts as stated by me in the caption hereto are true; that the foregoing answers in response to the questions as indicated were made before me by the witnesses hereinbefore named, after said witness had first been duly placed under oath, and were thereafter reduced to computer-aided transcription by me and under my supervision; and that the same is a true and accurate transcript of the proceedings to the best of my ability.

I further certify that I am not employed by, related to, nor of counsel for any of the parties herein, nor otherwise interested in the outcome of this action.

IN WITNESS WHEREOF, I have affixed my signature and seal this 12th of May, 2017.

LISA M. SCHWARZE (LARSON), FCRR, RPR
Notary Public, State-at-Large
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My Commission Expires: June 13, 2017

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