

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	CASE NO.
UTILITIES COMPANY FOR AN ADJUSTMENT)	2018-00294
OF ITS ELECTRIC RATES)	

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

Kentucky Utilities Company (KU), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested herein is due no later than January 2, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

KU shall make timely amendment to any prior response if it obtains information, which indicates that the response was incorrect when made or, though correct when

made, is now incorrect in any material respect. For any request to which KU fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, KU shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to KU's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1.
 - a. Refer to Item a. Provide a revised tariff sheet reflecting the text change included in this response.
 - b. Refer to Item b. Provide a revised tariff sheet reflecting the addition of a note stating that asterisks represent non-LED lights.
 - c. Refer to Item l(2). Explain why the "Definitions" and "Rate" sections are no longer used for new and renewing franchise agreements.
 - d. Refer to Item m(1). Provide a revised tariff sheet reflecting this change.

e. Refer to Item n. Explain the reasoning for the proposed text changes to b. and c. of “5. Other Line Extensions” and b. of “6. Overhead Line Extensions for Subdivisions.”

f. Refer to Item o(1). Identify the criteria used to determine eligibility for this credit and explain why it now rarely exists.

g. Refer to Attachment to Response to PSC-2 Question No. 1(h), page 19 of 26. Under “19. Unauthorized Attachments,” it states, “such Attachment shall be deemed an ‘Unauthorized Attachment,’ and shall be presumed to have been affixed to Company Structures for two years or since completion of the most recent audit, whichever is occurring earlier. Attachment Customer shall be liable for attachment charges for this time period.” This language seems to indicate that if the most recent audit occurred four years ago, the Attachment Customer would be responsible for four years’ worth of attachment charges. Explain how this would not be in violation of KRS 278.225. If the tariff language needs to be revised, provide a revised tariff sheet reflecting such revision.

2. Refer to KU’s Response to Staff’s First Request for Information (Staff’s First Request), Item 6.

a. Explain whether there are any governmental units that will see an increase in pole attachment charges.

b. Explain whether there are any educational units that will see an increase in pole attachment charges.

3. Refer to KU’s Response to Staff’s Second Request, Item 2.c. Provide the compilation in Excel spreadsheet format.

4. Refer to KU's Response to Staff Second Request, Item 5. Confirm that KU will no longer purchase non-LED lighting inventory. If this cannot be confirmed, provide the date that KU expects to no longer purchase non-LED lighting inventory.

5. Refer to KU's Response to Staff's Second Request, Item 11.b. Provide the benefits beyond net metering.

6. Refer to KU's Response to Staff's Second Request, Item 16.

a. Refer also to Schedule B-2.2, page 2 of 2, line 14. Provide the amount of the adjustment that relates to Advanced Metering Infrastructure (AMI) meters required by Solar Share participants.

b. Refer also to Schedule B-2.3, page 5 of 6, line 56. Provide the amount of the increase that relates to AMI meters required by Solar Share participants.

7. Refer to KU's Response to Staff's Second Request, Item 24, Attachment – Costs_Reference Tab.

a. Provide support for the Charge Point Annual Cost of \$255.00 for a single port.

b. Provide support for the Charge Point Annual Cost of \$510.00 for a double port.

8. Refer to KU's Response to Staff's Second Request, Item 25.b.

a. Provide support for the monthly carrying charge percentage.

b. Provide the Attachment to this response in Excel spreadsheet format with all formulas unprotected and all rows and columns fully accessible.

9. Refer to KU's response to Staff's Second Request, Item 43, and the attachment thereto in which KU explained how it calculated changes to its accumulated deferred income taxes (ADIT) using the pro rata method.

a. Explain why KU applied the pro rata method by using the total change between April 30, 2019, and April 30, 2020, divided by 12 for the monthly increase and decrease amounts as opposed to actual projected monthly increase and decrease amounts.

b. Confirm that it would be consistent with the pro rata method described in 26 C.F.R. § 1.167(l)-1 to apply the pro rata method using the actual projected monthly changes instead of the total change between April 30, 2019, and April 30, 2020, divided by 12 as KU did in the attachment to Staff's Second Request, Item 43.

c. If KU contends that it would be inconsistent with 26 C.F.R. § 1.167(l)-1 to apply the pro rata method using the actual projected monthly changes, explain all bases for that contention with reference to the specific provisions of 26 C.F.R. § 1.167(l)-1 and any relevant interpretations thereof, including Example 2 and Example 3 in 26 C.F.R. § 1.167(l)-1(h)(6)(iv).

10. Refer to KU's Response to Staff's Second Request, Item 45.a. Explain what factors caused projected market purchases to increase from the base period to the forecast period.

11. Refer to KU's Response to Staff's Second Request, Item 53. Explain whether the Advanced Meters identified are included in the AMI DSM program. If not, explain why not.

12. Refer to KU's Response to Staff's Second Request, Item 55, in which KU explained that the adjustment amount for deferred income taxes in Att_KU_PSC_1-53_Sch_B at tab "Sch-B-6" reflects the Environmental Cost Recovery (ECR) and Demand-Side Management (DSM) deferred income tax amounts.

a. State whether KU contends that it is reasonable to calculate the extent to which ECR and DSM deferred income tax amounts should be included in the total deferred income tax amount using the pro rata method while calculating the extent to which ECR and DSM deferred income tax amounts should be removed from the total deferred income tax amount using a 13-month average of the actual projected monthly amounts.

b. If KU contends that using the two different methods to calculate the ECR and DSM deferred income tax amounts is reasonable, identify and explain all bases for its contention that the practice is reasonable.

13. State whether the ADIT amounts in Att_KU_PSC_1-53_Sch_B produced in KU's response to Staff's First Request were calculated based on KU's current, approved depreciation rates, or its proposed, accelerated depreciation rates.

14. Refer to KU's response to Staff's Second Request, Item 61, which states that KU "does not allocate NOLs to specific utility properties." If that is the case, explain how KU ensures that it treats deferred tax assets arising from accelerated tax depreciation, specifically those arising from Net Operating Loss (NOL) carryforwards, in the same manner as deferred tax liabilities arising from accelerated tax depreciation when it takes properties, the depreciation of which generated those assets and liabilities, out of service as indicated in KU's Response to Staff's Second Request, Item 63.

15. In its September 28, 2018 Order in Case No. 2018-00034¹ at page 11, the Commission disallowed KU's capitalization adjustment for the Tax Cut and Jobs Act impact to current federal income tax expense, but allowed the adjustment to capitalization for amortization of excess ADIT. Explain if KU's forecasted capital includes both adjustments. If it does, identify the amounts included in the end-of-period and 13-month average capitalization.

16. Refer to the Responses to Staff's Second Request, Item 68.c.

a. KU explained in its response that it has contacted two surplus parts firms regarding the obsolete inventory at Brown Units 1 and 2. Explain if KU has attempted to identify and contact other surplus parts firms to buy the Brown Units 1 and 2 obsolete inventory.

b. Provide a detailed description of the process KU used to identify and contact the surplus parts firms.

c. Provide any correspondence or emails between KU and the surplus parts firms.

17. Refer to KU's Response to Staff's Second Request, Item 69. Provide a copy of the schedule that was attached to this response in Excel spreadsheet format with formulas intact and unprotected, and all rows and columns fully accessible. Include in the Excel spreadsheet the percentage of each reported variance.

18. Refer to KU's Response to Attorney General's Initial Request for Information (Attorney General's Initial Request), Item 14. Explain how KU's existing price forecast scenarios compare to the market analysis software, PROMOD (used by PJM),

¹ Case No. 2018-00034, *Kentucky Industrial Utility Customers, Inc. v. Kentucky Utilities Company and Louisville Gas and Electric Company* (Ky. PSC Sept. 28, 2018).

which contain the LMP forecasting for selected nodes, user-defined hubs, or load-weighted or generator-weighted zone features.

19. Refer to KU's Response to the Attorney General's Initial Request, Item 40. KU states that capitalization cannot be tracked to individual items. Provide a detailed explanation of the process KU used to forecast its monthly capitalization in the forecasted period.

20. Refer to KU's Response to the Attorney General's Initial Request, Item 47.

a. Provide an itemized list of the distribution capital projects for each category in the chart.

b. Provide a comparison by category of the amounts in the chart to the actual amounts spent in each category for the prior three calendar years.

21. Refer to KU's Response to the Attorney General's Initial Request, Item 52. Confirm that the "Companies' two existing, separate locations" will be closed after the new facility is in service. If this cannot be confirmed, explain why not.

22. Generally, describe KU's process to determine whether to request a Certificate of Public Convenience and Necessity.

23. Refer to KU's Response to the Attorney General's Initial Request for Information, Item 73.b.

a. Explain why KU forecasts \$1.26 million in Customer Education advertising given that the program was removed from KU's DSM offerings for its lack of cost-effectiveness.

b. Provide Customer Education advertisement expenditures for the past five years.

24. Refer to KU's Response to the Attorney General's Initial Request, Item 79.
 - a. Identify each of the five separate matters forecasted between 2017 Regulatory to 2018 Regulatory. Include the amount forecasted for each matter.
 - b. Identify each of the six separate matters forecasted between 2018 Regulatory to 2019 Regulatory. Include the amount forecasted for each matter.
25. Refer to KU's Response to the Attorney General's Initial Request, Item 180.
 - a. Explain what "centralized grid operation" entails.
 - b. State whether a cost-benefit analysis was performed. If so, provide a copy of the analysis.
 - c. Explain, and quantify, the expected benefits to ratepayers of centralized grid operations.
 - d. Explain whether KU/LG&E will be operating separate "centralized grid operations." If so, explain whether that will result in increased cost or duplication of services.
26. Refer to KU's Response to Charter Communication Operating, LLC's First Requests for Information, Item 13.b. State whether it is KU's intention to pass through the pro-rata costs of the ongoing Attachment Audit to its Attachment Customers if the Commission approves KU's proposed mechanism.
27. Refer to KU's Response to the Lexington-Fayette Urban County Government's First Request for Information, Item 58.
 - a. Explain why a paperless customer cannot apply for the Late Payment Credit online.
 - b. Explain how KU will advertise the Late Payment Credit option.

28. Refer to KU's Response to Kentucky Industrial Utility Customers, Inc.'s First Request for Information, Item 14. Explain why purchases up to 558 MW per hour from other utilities were included in the Loss of Load Probability analysis.

29. Refer to the Application, Schedule J-1.

a. Provide KU's capitalization allocated to generation, transmission, distribution, and general.

b. Explain the drivers for KU's projected increase in capitalization.

30. Refer to the Direct Testimony of Daniel K. Arbough, page 22, lines 3–7. Provide KU's policy for hedging against risk exposure for interest rate changes.

31. Refer to the Direct Testimony of Lonnie E. Bellar, Exhibit LED-2.

a. Explain why KU/LG&E did not contact PJM or MISO representatives for review and validation of key assumptions and modeling methodology.

b. Refer page 12 of 40 wherein the study states, "The Companies used their production cost software tool, PROSYM, to forecast the potential trade benefits of joining an RTO" Explain why PROSYM is the preferred analytical model for undertaking the Regional Transmission Operator (RTO) market analysis set forth in Exhibit LEB-2.

c. Refer page 6 of 40 wherein the study states, "To determine which components of RTO membership might have a material impact, the team: Reviewed relevant material, including . . . EKPC cost-benefit analysis"

(1) Explain how PROSYM compares to GE MAPS Model used in the EKPC RTO Membership Assessment.

(2) Explain why KU/LG&E chose not to model entering PJM as a Fixed Resource Requirement (FRR) Alternative.

d. Refer to page 14–40, wherein the study states, “The trade benefits estimates are highly uncertain as they depend on the level of market electricity prices, which directly depend on many uncertain variables including fuel costs, weather, and RTO-wide load and generation performance. They may also be indirectly influenced by many external factors, including state and federal policy.”

(1) Confirm that KU /LG&E do not have the modeling capabilities to evaluate uncertain variables such as fuel costs, weather, RTO-wide load and generation performance and other external factors such as state and federal policies.

(2) Explain the ability of PROSYM to evaluate the uncertainty of fuel costs, weather, load, and generation performance.

e. Refer to page 4–40, wherein the study states, “As in the previous analysis, a cross-functional team was organized to identify the major costs, benefits, opportunities, and uncertainties compared to the status quo operations of the Companies.” Explain the cross function team’s capabilities to conduct sensitivity analysis in order to evaluate uncertainty in the KU/LG&E modeling outcomes.

f. Refer to Appendix E-Non-Quantifiable Considerations, starting on page 34 of 40 generally.

(1) Explain whether KU/LG&E considered customer demand response and energy efficiency benefits of RTO participation.

(2) Explain whether participation in an RTO allow KU/LG&E to obtain more demand response and energy efficiency pathways for customers.

g. Refer to page 7 of 40 wherein the study lists a key assumption, “The purchase or sale of ancillary services has net zero cost because the Companies are both buyers and sellers of these products and any charges are offset by credits.”

(1) Explain why these benefits and costs were not quantified.

(2) Explain whether KU/LG&E’s Energy Storage Research and Demonstration Site at its E.W. Brown Generating Station currently provides ancillary services.

(3) Explain whether KU/LG&E quantified potential cost and benefits of the Energy Storage Research and Demonstration Site at its E.W. Brown Generating Station in terms of participating in ancillary services markets.

32. Since submittal of the 2018 RTO Membership Analysis by KU/LG&E, several renewable energy projects have entered the KU/LG&E Generation Interconnection Que. Explain how RTO membership may affect KU/LG&E’s obligation under the Public Utility Regulatory Policies Act.

33. Since submittal of the 2018 RTO Membership Analysis by KU/LG&E, PJM, in October, submitted two capacity repricing proposals to the Federal Energy Regulatory Commission.² Explain how these proposals may affect the potential outcomes of the 2018 RTO Membership Analysis.

² <https://www.pjm.com/-/media/documents/ferc/filings/2018/20181002-capacity-reform-filing-w0172181x8DF47.ashx>

34. Explain the boundary between distribution automation and advanced metering infrastructure. Include in the explanation any change that resulted from the Commission's decision in Case No. 2018-00005.³



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DATED **DEC 13 2018** _____

cc: Parties of Record

³ Case No. 2018-00005, *Electronic Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for Full Deployment of Advanced Metering Systems*, (Ky. PSC Aug. 30, 2018).

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