

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR AN) CASE NO.
ADJUSTMENT OF ITS ELECTRIC AND GAS) 2018-00295
RATES)

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY, BY
AND THROUGH THE OFFICE OF RATE INTERVENTION

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), 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 on February 14, 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.

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

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

1. Refer to the Direct Testimony of Donna Mullinax (Mullinax Testimony) at 47. Explain why a ten-year amortization period is more appropriate for the storm damage regulatory asset.

2. Refer to the Mullinax Testimony, Exhibit DHM-2, page 3 of 33.
a. Explain why the return requirement is based on jurisdictional capitalization instead of jurisdictional rate base.

b. Confirm that the adjusted total jurisdictional rate base, as shown on line 14 of column C, does not include an adjustment for the recommended change in the

amortization period for unprotected excess accumulated deferred income taxes (ADIT).
If this cannot be confirmed, explain.

3. Refer to the Mullinax Testimony, Exhibit DHM-2, page 6 of 33. Explain why the jurisdictional capitalization used in the calculation is not \$2,539,439,136.

4. Refer to the Mullinax Testimony, Exhibit DHM-3, page 3 of 33.

a. Explain why the return requirement is based on jurisdictional capitalization instead of jurisdictional rate base.

b. Confirm that the adjusted total jurisdictional rate base, as shown on line 14 of column C, does not include an adjustment for the recommended change in the amortization period for unprotected excess ADIT. If this cannot be confirmed, explain.

5. Refer to the Mullinax Testimony, Exhibit DHM-3, page 6 of 32. Explain why the jurisdictional capitalization used in the calculation is not \$766,050,078.

6. Refer to the Direct Testimony of Glenn A. Watkins (Watkins Testimony), Section 2, Allocation of Generation-Related Costs.

a. Confirm that Mr. Watkins' study combines the generation assets and system peaks of both Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU).

b. If 1a. above is confirmed, explain why Mr. Watkins performed his study as a combined system.

c. Explain whether the results would be the same if his study was performed on a per company basis.

7. Refer to the Watkins Testimony, page 2, lines 3–6. Mr. Watkins states that the Attorney General asked him to thoroughly examine the proposed allocation of the

generation-related costs. Explain whether there are any issues with the other allocative factors used in the Loss of Load Probability (LOLP) study.

8. Refer to the Watkins Testimony, page 15, lines 16–28. Explain the consequences of the class contributions during hour one receiving an 80 percent weight within the development of the allocation factors and class contributions during hour two receiving a 20 percent weight.

9. Refer to the Watkins Testimony, page 16, lines 4–10.

a. Explain whether Mr. Watkins believes that the hours with a positive LOLP should represent those highest in the annual system peak load. If Mr. Watkins disagrees with this, explain why.

b. Provide support for Mr. Watkins' statement that 90 percent of the generation allocation factors only consider loads during the highest peak periods.

c. Explain why Mr. Watkins does or does not believe that the allocation factors would only consider loads during the highest peak periods since the LOLP factors represent annual system peak loads.

10. Refer to the Watkins Testimony, page 21, lines 1–8.

a. Confirm that the first reference in footnote 18 quotes a Commission precedent of allocating revenue increases or decreases on a proportionate share to maintain each customers class's (i.e., residential, commercial, and industrial) relative contribution, and state whether the Attorney General is advocating such a pro rata increase or decrease, or whether he advocates that each class receive the same percentage increase.

b. Based on the response to part a. above, provide the proposed rate design for each company using the proposed revenue increase found in the Mullinax Testimony. This should be in Excel spreadsheet format with all rows and columns accessible and all formulas unhidden.

11. Refer to the Watkins Testimony, page 25, lines 15–22. Mr. Watkins contends that since the 1800s utility industry pricing has been based on volumetric pricing. Explain if Mr. Watkins believes that the utility industry is similar to its origins in the 1800s, or whether he believes it has evolved in the past 200 years. If Mr. Watkins believes it has evolved, explain whether the pricing mechanisms should or should not likewise evolve and why or why not.

12. Refer to the Watkins Testimony, page 26, lines 13–14. Mr. Watkins states that high-fixed-charge rate structures promote additional consumption. Explain if Mr. Watkins believes that customer consumption is impacted by the total bill or bill components. Provide any studies supporting his opinion.

13. Refer to the Watkins Testimony, pages 26–27. Mr. Watkins cites FERC's adoption of a Straight Fixed Variable pricing method as support for the idea that a rate structure that is heavily based on a fixed monthly customer charge sends a strong price signal to consumers to use more energy. Explain whether Mr. Watkins believes that this rate structure is the only contribution to the increased U.S. demand for gas since 1992.

14. Refer to the Watkins Testimony, page 28, lines 4–11. Provide all studies supporting Mr. Watkins' statement that pricing structures that are more heavily weighted on fixed charges are inferior from a conservation and efficiency standpoint.

15. Refer to the Watkins Testimony, page 29, lines 28–31. Explain why Mr. Watkins believes that the table on page 29 illustrates that there is little chance that LG&E will not collect their revenues from residential customers absent higher fixed customer charges.

16. Refer to the Watkins Testimony, page 32, lines 13–15. Provide a list of what Mr. Watkins considers to be a direct versus indirect cost in terms of costs faced by LG&E.

17. Refer to the Watkins Testimony, page 37, lines 5–7. Provide a copy of the NARUC publication *Charging for Distribution Utility Services: Issues in Rate Design*.

18. Refer to page 8 of the Direct Testimony of James T. Selecky on behalf of the Department of Defense and all other Federal Executive Agencies (DOD/FEA). Mr. Selecky recommends using the six coincident peak (6 CP) methodology to allocate the fixed production costs.

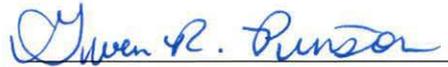
a. State the opinion of the Attorney General regarding the 6 CP methodology.

b. State whether the Attorney General believes the 6 CP methodology would produce a Cost-of-Service Study (COSS) that could be used to allocate the revenue increase in place of the method advocated in the Watkins Testimony.

c. State whether the Attorney General supports the DOD/FEA's proposed COSS.

19. Refer to pages 13–14 of the Direct Testimony of Stephen J. Baron on behalf of the Kentucky Industrial Utility Customers, Inc. (KIUC), regarding an alternative COSS base on the 12 CP Method.

- a. State the opinion of the Attorney General regarding the 12 CP methodology.
 - b. State whether the Attorney General believes the 12 CP methodology would produce a COSS that could be used to allocate the revenue increase in place of the method advocated in the Watkins Testimony.
 - c. State whether the Attorney General support KIUC's proposed COSS.
20. State whether or not the Attorney General supports LG&E's proposed COSS.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED **JAN 31 2019**

cc: Parties of Record

*Honorable Allyson K Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Thomas J FitzGerald
Counsel & Director
Kentucky Resources Council, Inc.
Post Office Box 1070
Frankfort, KENTUCKY 40602

*Honorable Kendrick R Riggs
Attorney at Law
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KENTUCKY 40202-2828

*William H May, III
Hurt, Deckard & May
The Equus Building
127 West Main Street
Lexington, KENTUCKY 40507

*G. Houston Parrish
Labor Law Attorney
Office of the Staff Judge Advocate, B
50 3rd Avenue
Fort Knox, KENTUCKY 40121

*Kent Chandler
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Barry Alan Naum
Spilman Thomas & Battle, PLLC
1100 Brent Creek Blvd., Suite 101
Mechanicsburg, PENNSYLVANIA 17050

*Hannah Wigger
Sheppard Mullin Richter & Hampton LLP
2099 Pennsylvania Avenue NW, Suite 1
Washington, DISTRICT OF COLUMBIA 20006

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Carrie M Harris
Spilman Thomas & Battle, PLLC
1100 Brent Creek Blvd., Suite 101
Mechanicsburg, PENNSYLVANIA 17050

*Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Honorable Lisa Kilkelly
Attorney at Law
Legal Aid Society
416 West Muhammad Ali Boulevard
Suite 300
Louisville, KENTUCKY 40202

*Don C A Parker
Spilman Thomas & Battle, PLLC
1100 Brent Creek Blvd., Suite 101
Mechanicsburg, PENNSYLVANIA 17050

*Janice Theriot
Zielke Law Firm PLLC
1250 Meidinger Tower
462 South Fourth Avenue
Louisville, KENTUCKY 40202

*Laurence J Zielke
Zielke Law Firm PLLC
1250 Meidinger Tower
462 South Fourth Avenue
Louisville, KENTUCKY 40202

*Emily W Medlyn
General Attorney
U.S. Army Legal Services Agency Regul
9275 Gunston Road
Fort Belvoir, VIRGINIA 22060

*Justin M. McNeil
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Mark E Heath
Spilman Thomas & Battle, PLLC
300 Kanawha Blvd, East
Charleston, WEST VIRGINIA 25301

*Eileen Ordovery
Legal Aid Society
416 West Muhammad Ali Boulevard
Suite 300
Louisville, KENTUCKY 40202

*Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Michael J O'Connell
Jefferson County Attorney
600 West Jefferson St., Suite 2086
Louisville, KENTUCKY 40202

*Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

*Honorable Matthew R Malone
Attorney at Law
Hurt, Deckard & May
The Equus Building
127 West Main Street
Lexington, KENTUCKY 40507

*M. Todd Osterloh
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

*Paul Werner
Sheppard Mullin Richter & Hampton LLP
2099 Pennsylvania Avenue NW, Suite 1
Washington, DISTRICT OF COLUMBIA 20006

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Honorable Robert C Moore
Attorney At Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634

*Robert M Conroy
Director, Rates
Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40202

*Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010