COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT FLUE GAS DESULFURIZATION SYSTEMS AND APPROVAL OF ITS 2004 COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE	)))))))	CASE NO. 2004-00426

SECOND DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested is due on March 9, 2005. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested has been provided previously in the format requested, reference may be made to the specific location of that information in responding to this information request.

1. Refer to the response to the First Data Request of Commission Staff dated January 26, 2005 ("Staff's First Request"), Item 3. For KU's Kentucky jurisdictional operations only, provide a calculation of the overall rate of return using the capital structure as of December 31, 2004, the weighted cost of debt and preferred

stock as of December 31, 2004, and the effect of the new income tax law for 2005 as stated in the response to the First Data Request of the Kentucky Industrial Utility Customers, Inc., Item 24. Provide all supporting calculations, assumptions, and workpapers.

2. Refer to the response to the Staff's First Request, Item 13(b). Based upon this response, is it correct that the total expected annual reduction in SO_2 emissions resulting from the proposed scrubbers at Ghent and Brown is 110,000 tons? If no, provide the correct total expected annual reduction.

3. Refer to the response to the Staff's First Request, Items 14(a) and 14(b). In Case No. 1997-00300,[1] the Commission approved the merger of the holding companies for KU and Louisville Gas and Electric Company ("LG&E"). In that case, KU and LG&E requested approval of their Corporate Policies and Guidelines for Intercompany Transactions ("Guidelines") that would govern their merged activities. The Guidelines provided that transfers or sales of assets between KU and LG&E would be priced at cost. It was noted in the Guidelines that through this policy, the utilities would receive the full benefit from intercompany transfers or sales. The Commission ordered KU and LG&E to comply with the Guidelines after the merger.[2] In subsequent cases, KU has committed to continue following the Guidelines to the extent those conditions were not superseded by KRS 278.2201 through 278.2219 or the jurisdiction

[1] Case No. 1997-00300, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger, final Order dated September 12, 1997.

[2] Case No. 1997-00300, September 12, 1997 Order at 39.

of the Securities and Exchange Commission or the Federal Energy Regulatory Commission.[3]

a. Would KU agree that the Guidelines' requirements concerning the transfer or sale of assets between KU and LG&E apply to emission allowances? Explain the response.

b. In the response to Item 14(b), KU states, "transferring allowances between companies as needed, priced at market, results in the lowest net present value to all customers." Explain the basis for this statement.

4. Refer to the response to the Staff's First Request, Items 14(c) and 14(e).

a. In the attachment to the response to Item 14(c), pages 6 through 10 of 10, the tables show SO_2 emission allowances allocated to the gas-fired combustion turbines ("CTs") at the Brown generating station. Between 2000 and 2004, did KU include any of the SO_2 emission allowances allocated to CTs in the allowance inventory included in KU's environmental surcharge? Explain the response.

b. Between 2000 and 2004, did KU include the cost of any of the SO_2 emission allowances allocated to CTs in the weighted average cost of allowances used to determine the allowance expense recovered through the environmental surcharge? Explain the response.

[3] See Case No. 2000-00095, Joint Application of PowerGen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger, final Order dated May 15, 2000, Appendix A, Item No. 1 and Appendix B at 1; Case No. 2001-00104, Joint Application for Transfer of Louisville Gas and Electric Company and Kentucky Utilities Company in Accordance with E.ON AG's Planned Acquisition of PowerGen plc, final Order dated August 6, 2001, Appendix A, Item No. 1.

c. Does KU agree that any inventory of SO_2 emission allowances and the expense of any allowances associated with gas-fired generation cannot be recovered through the environmental surcharge? Explain the response.

d. Do the SO_2 emission allowance bank projections shown in the response to Item 14(e) include allowances allocated to CTs? If yes, indicate the amount included for each year shown.

e. Explain in detail how KU determined the "Desired Bank Level" as shown in the response to Item 14(e).

5. Refer to the response to the Staff's First Request, Item 17. Estimate the net impact to a residential customer's monthly bill after all the scrubbers have been installed. Net impact as used in this question refers to both the environmental surcharge and the fuel adjustment clause. Include all supporting workpapers, calculations, and assumptions.

6. Refer to the response to the Staff's First Request, Item 18. Does KU's weighted average cost per ton of eligible vintage allowances in inventory include the estimated cost of allowances expected to be purchased or only allowances actually purchased? Explain the response.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED _February 23, 2005__

cc: All Parties