COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ELECTRIC AND GAS BASE RATES	)))	CASE NO. 2009-00549

FIRST DATA REQUEST OF COMMISSION STAFF TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

The Kentucky Industrial Utility Customers, Inc. ("KIUC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than May 19, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to 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.

KIUC 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 KIUC 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.

1. Refer to the Direct Testimony of Lane Kollen ("Kollen Testimony"), page 6, where he states that KIUC opposed the unbilled revenue adjustment in a previous Louisville Gas and Electric Company ("LG&E") rate case, Case No. 2003-00433.[1] State whether KIUC opposed the unbilled adjustment in LG&E's subsequent rate case, Case No. 2008-00252.[2] If no, explain why it was not opposed.

2. Refer to page 13 of the Kollen Testimony, specifically, lines 8 through 15, where Mr. Kollen discusses the harm to ratepayers until base rates are reset in the next base rate case if off-system sales ("OSS") margins are not normalized and states that "[i]t is vitally important that base rates reflect a <u>normal</u> amount of OSS margins. . . ." (Emphasis added.)

a. Confirm whether it is Mr. Kollen's understanding that historically, in LG&E rate cases, the Commission has not adjusted or normalized OSS margins.

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[1] Case No. 2003-00433, An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company (Ky. PSC Jun. 30, 2004).

[2] Case No. 2008-00252, Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates (Ky. PSC Feb. 5, 2009).

b. Confirm that, by "normal" amount of OSS margins, Mr. Kollen means an average of historical annual OSS margins.

c. If the Commission were to adopt Mr. Kollen's recommendation in this case, when OSS margins are below "normal" and the normalization adjustment increases them and lowers the revenue requirement, does KIUC commit to supporting adjustments to normalize OSS margins in future LG&E cases irrespective of the test year level and the adjustment's impact on the revenue requirement? If no, explain why.

3. Refer to page 14 of the Kollen Testimony where he cites LG&E's proposal to normalize revenues based on normal weather and its proposed normalizations of storm damage expense and injuries-and-damages expense. Mr. Kollen points out that LG&E's temperature normalization of revenues is based on normal temperatures over 30 years and that its storm damage expense and injuries-and-damages expense normalizations are based on 10-year averages. Given the use of these time periods in the adjustments proposed by LG&E, explain why Mr. Kollen opted to use only five years to develop an average to normalize OSS margins.

4. Refer to pages 12 – 13 of the Kollen Testimony, specifically lines 11 – 17 on page 12 and the chart on page 13.

a. LG&E's OSS margins always exceeded 20 percent of related fuel costs, and averaged more than 25 percent, for the years 2005 – 2008. For the test year, they were 12 percent of related fuel costs. In nominal dollars, they averaged more than $45 million annually for 2005 – 2008. For the test year, they were $18.2 million. What part of the data on pages 12 – 13 leads Mr. Kollen to believe that OSS margins will increase in the near-term future to the "normal" amount he has calculated?

b. Mr. Kollen has referred to ratepayers being harmed if base rates reflect too low a level of OSS margins. Explain whether he agrees that shareholders may be harmed if the level of OSS margins is set too high.

5. Refer to the Direct Testimony of Dennis W. Goins ("Goins Testimony"), page 21, where he states that "not all customers may be able to curtail load with only 10-minutes notice." Explain whether this applies to KIUC customers. Are they unable to curtail with only 10-minutes' notice? Provide a description for each affected customer.

6. Refer to page 26 of the Goins Testimony. Provide the basis for the proposed CSR10 credits of $5.40 and $5.50 per kW-month and for the proposed CSR30 credits of $5.20 and $5.30 per kW-month.

7. Refer to the Direct Testimony of Stephen J. Baron ("Baron Testimony") at page 10, line 7. Explain whether Mr. Baron meant to state that winter peak period costs are assigned based on winter coincident peak rather than summer coincident peak.

8. Refer to Exhibit SJB-3 of the Baron Testimony. Provide this exhibit in electronic format with the formulas intact.

9. Refer to page 5 of the Direct Testimony of Richard A. Baudino ("Baudino Testimony"). Provide a copy of the entire article referenced in footnote 1.

10. Refer to page 8 of the Baudino Testimony. Provide a copy of the Standard and Poor's article referenced at lines 5 through 7.

11. Refer to pages 16 - 18 of the Baudino Testimony.

a. Explain whether the ROE estimate is appropriate for LG&E on a basis of combined electric and gas operations.

b. What is the percentage of LG&E's revenues obtained from electric operations?

c. Explain why using 50 percent of revenues derived from electric operations is an appropriate screen for the proxy companies.

d. For the electric companies not selected for the proxy group, provide the reason each did not pass the screening process.

12. Refer to page 28 of the Baudino Testimony and Exhibit RAB-5.

a. Explain why it is appropriate to use five-year Treasury note yields in the Capital Asset Pricing Model ("CAPM") analysis.

b. Explain why 30-year Treasury bond yields should not be considered in the CAPM analysis.

on behalf of

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