

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF KENTUCKY)
UTILITIES COMPANY FROM) CASE NO. 2010-00266
NOVEMBER 1, 2009 THROUGH APRIL)
30, 2010)

COMMISSION STAFF'S SUPPLEMENTAL INFORMATION REQUEST TO
KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), 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 within 10 days of the date of this request. 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 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.

1. Refer to page 1 of the letter filed by KU on August 17, 2010 regarding the transfer of the rail cars described as obsolete. KU explains that it plans to transfer 149 steel rail cars to Trinity Industries Leasing Company ("Trinity") as part of a lease transaction in which KU will lease 150 new aluminum rail cars from Trinity.

a. KU states that it "will ultimately recover the full original purchase price of the cars through its Fuel Adjustment Clause ('FAC'), but the trade-in value of the cars will be used to reduce the lease payments that will be recovered through KU's fuel adjustment clause."

(1) Provide the full purchase price of the new rail cars.

(2) Provide what the lease payment for the new rail cars would be without the trade-in value of the steel cars.

(3) Provide what the lease payment for the new cars will be with the trade-in value of the steel cars.

(4) Confirm that the lease term for the new rail cars is five years.

(5) State the page and line of the monthly FAC filing on which the lease payments will be included.

b. Refer to footnote 1, which states that KU had originally purchased 150 steel cars but that one of the steel rail cars was lost; was later found, used, and maintained by KU; but will not transfer because KU does not own it. Explain why KU no longer owns this rail car and provide the name of the current owner.

c. Provide the dates of the lease term for the steel rail cars.

2. Refer to page 2 of the letter, which states that the new cars should allow for labor savings in the coal yard and less maintenance expense. State whether these costs are costs that flow through the FAC.

3. Refer to page 3 of the letter.

a. KU states that it "will recover the full amount of its investment in the 149 steel rail cars through its FAC." State whether the full amount of the investment has already been recovered through the FAC. If no, state the amount that has been recovered to date.

b. State whether the cost of the one rail car that was lost has been fully recovered through the FAC. If no, state the amount that has been recovered to date.

c. Explain why KU is proposing to recover the \$480,000 loss on the rail cars through the FAC in a single month rather than over a period of time.

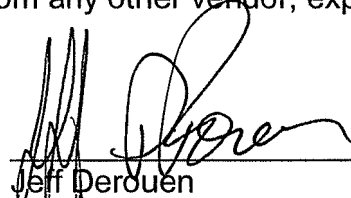
d. This page states that "KU will recover the trade-in value of the rail cars (\$774,800) in equal monthly amounts." Explain why KU would "recover" the trade-

in value of the steel cars. Page 1 of the letter states that the trade-in value will be used to "reduce the lease payments" for the new rail cars.

- e. State the most recent assessed value of the steel rail cars.
- f. Describe the steel rail cars by type, year of make, gross tonnage, and carrying capacity.
- g. State the depreciable useful life of the steel rail cars.
- h. This page refers to approval by the Federal Energy Regulatory Commission. State when this approval is expected.

4. Explain whether KU performed a "lease/buy" analysis that resulted in the decision to lease the new rail cars rather than purchase them.

- a. If the analysis was performed, provide all calculations and workpapers involved in completing the analysis.
- b. If no analysis was performed, explain how KU made the decision to lease rather than buy the new rail cars and why the decision is the most economical choice.
- c. Explain whether KU obtained bids from any other rail car vendor before the decision was made to lease aluminum rail cars from Trinity.
- d. If no bids were obtained from any other vendor, explain why.



Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED: AUG 25 2010

cc: Parties of Record

Lonnie E Bellar
VP - State Regulation
Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40202