

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF KENTUCKY UTILITIES COMPANY |) | |
| FOR CERTIFICATES OF PUBLIC CONVENIENCE |) | |
| AND NECESSITY AND APPROVAL OF ITS 2011 |) | CASE NO. |
| COMPLIANCE PLAN FOR RECOVERY BY |) | 2011-00161 |
| ENVIRONMENTAL SURCHARGE |) | |

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| APPLICATION OF LOUISVILLE GAS AND ELECTRIC |) | |
| COMPANY FOR CERTIFICATES OF PUBLIC |) | |
| CONVENIENCE AND NECESSITY AND APPROVAL |) | CASE NO. |
| OF ITS 2011 COMPLIANCE PLAN FOR RECOVERY |) | 2011-00162 |
| BY ENVIRONMENTAL SURCHARGE |) | |

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission, **in each of the above styled cases**, the original and 15 copies of the following information, with a copy to all parties of record. The information requested herein shall be filed no later than October 13, 2011. 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.

The AG 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 the AG 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.

1. Refer to the Direct Testimonies of J. Randall Woolridge (“Woolridge Testimonies”) at pages 4-9 and 17-18. Explain how the U. S. Environmental Protection Agency’s recently enacted and pending rule changes might affect capital markets in terms of capital availability, capital cost, investor expectations, and risk, both for the electric utility industry and specifically for Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”).

2. Refer to the Woolridge Testimonies at pages 8-9.

a. Compare KU’s and LG&E’s percentage of revenues derived from regulated electric operations to that of the proxy group companies.

b. Explain why the selection criteria of 80 percent of revenues derived from regulated electric operations used by Mr. Woolridge in Case Nos. 2009-00548 and 2009-00549 were lowered to 50 percent for this case.

c. Explain how the proxy group changes if the 50 percent of revenue from regulated electric operations selection criteria were changed to more closely fit with the percentage of revenue from regulated electric operations of KU and LG&E.

d. Compare KU's and LG&E's percentage of coal used for generation to that of each company in the proxy group.

e. Explain why the selection criteria for the proxy group do not include electric generation fuel mixes similar to that of KU and LG&E.

f. Explain why the selection criteria of requiring an annual dividend history of three years as used by Mr. Woolridge in Case Nos. 2009-00548 and 2009-00549 was changed to simply paying a cash dividend in this case.

g. Explain the inclusion of selection criteria 5 and 6.

3. Refer to the Woolridge Testimonies at pages 30-31 and page 3 of Exhibits JRW-10.

a. Identify the outliers among the proxy group companies and the criteria used for identifying them as outliers.

b. Explain why it is appropriate to include companies with either 10 or 5 year negative average Earnings Per Share ("EPS"), Dividend or Book Value, figures in the proxy group or in the analysis.

c. Explain how averaging the median values of 10 and 5 year historical averages of EPS, Dividend and Book Value, produce a meaningful growth rate measure.

d. Explain whether the 3.4 percent Average of Median Figure in the Exhibit is the Discounted Cash Flow growth rate adjustment to the historical data referenced on page 31 of the Testimonies.

4. Refer to the Woolridge Testimony for KU at page 31 and for LG&E at page 32, along with page 4 of Exhibits JRW-10, the Return on Equity column. Since the

return on equity for regulated utilities is determined by awards of utility regulatory commissions, explain why the use of this measure is not circular, especially in the context of utilities with a high percentage of revenues derived from regulated operations.

5. Refer to the Woolridge Testimonies at Exhibits JRW-11, page 6.

a. Explain why it is appropriate to include estimates based upon the geometric mean.

b. Explain whether these surveys were conducted for the purpose of determining risk premiums for use in contested utility rate proceedings. If they were not, explain why it is appropriate to use these estimates.



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DATED SEP 30 2011

cc: Parties of Record

Case No. 2011-00161
Case No. 2011-00162

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