

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	CASE NO.
SURCHARGE MECHANISM OF KENTUCKY	)	2013-00436
UTILITIES COMPANY FOR THE SIX-MONTH	)	
BILLING PERIOD ENDING OCTOBER 31, 2013	)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission, pursuant to the electronic filing procedures set out at 807 KAR 5:001, Section 8, its responses to following information, with a copy to all parties of record. The information requested herein is due no later than March 13, 2014. KU shall file, pursuant to 807 KAR 5:001, Section 8 (12)(a)2, the original in paper medium no later than the second business day following the electronic filing.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. The paper original filed with the Commission shall be appropriately bound, tabbed and indexed and 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 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 should 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. In its response to Commission Staff's First Request for Information ("Staff's First Request"), item 1, KU calculated the true-up adjustment to recognize the change in KU's cost of debt based on rates for the billing month of October 2013 rather than for the expense month of August 2013. Provide KU's reasons for using the billing month of October 2013.

2. Refer to KU's response to Staff's First Request, item 1, page 3 of 3.

a. Footnote (a) indicates that the short-term debt and long-term debt amounts are based on an average daily balance per the Settlement Agreement in Case No. 2011-00161.<sup>1</sup> Provide the time frame of average daily balances used to determine the amounts of short-term and long-term debt indicated on this schedule.

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<sup>1</sup> Case No. 2011-00161, Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of its 2011 Compliance Plan for Recovery by Environmental Surcharge (Ky. PSC Dec. 15, 2011).

b. Provide the time period used to calculate the Annual Cost Rate shown in column 14.

c. Provide in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible, the calculations supporting each of the Annual Cost Rates shown in column 14.

d. Does the Company believe that using the average daily balances and daily interest rate for short-term debt and long-term debt for each expense month during the review period to calculate the actual weighted average cost of capital to be used in the true-up calculation would be consistent with the intent of Section 3.04 of the Settlement Agreement in Case No. 2011-00161? If not, explain.

e. In Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible, calculate the weighted cost of capital grossed up for income tax effect for each of the six expense months ending with August 2013 using the average daily balances and daily interest rate for short-term debt and long-term debt for each expense month.

3. Refer to KU's response to Staff's First Request, item 2, page 2 of 3, columns (9) and (10).

a. Explain KU's position regarding the decision to true up any over- or under-recovery of environmental surcharge amounts in a six-month or two-year review versus trueing up any over- or under-recovery on a monthly basis.

b. Confirm that the ECR Billing Factor Revenues are available for Group 1 and Group 2 at the time the monthly environmental surcharge report is filed with the Commission for a particular expense month, thereby allowing KU to calculate

an over- or under-recovery position for each group, which could be included as a monthly true-up for that particular expense month in the monthly filing.

c. Would KU agree that if these over- or under-recovery amounts are reflected in the monthly filings in determining each group's environmental surcharge billing factor, this action would result in a more timely resolution of any over- or under-collection from a ratepayer's standpoint, rather than waiting until the Commission issues an order in a six-month or two-year review?

d. Would KU agree that calculating the over- or under-recovery by customer group would more accurately allocate the over- or under-recovery to the customer group generating the over- or under-recovery?

e. Would KU agree that by including any over- or under-recovery in the monthly filings, it would eliminate the need to reflect any over/under reconciliation associated with use of 12-month average revenues in both the six-month and the two-year environmental surcharge reviews?



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

DATED FEB 26 2014

cc: Parties of Record

Robert Conroy  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

Rick E Lovekamp  
Manager - Regulatory Affairs  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

Ed Staton  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

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