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RECEIVED

JAN 27 2005

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT MAIL

January 26, 2005

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2004-00426

Dear Ms. O'Donnell:

Please find enclosed the original and twelve copies of First Set of Data Requests of Kentucky Industrial Utility Customers, Inc., to Kentucky Utilities Company filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service
A. W. Turner, Esq.

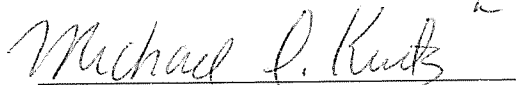
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by overnight mail (unless otherwise noted) to all parties on the 26th day of January, 2005.

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
betsy.blackford@law.state.ky.us

Mr. Kent W. Blake
Director State Regulations and Rates
Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010
kent.blake@lgeenergy.com

Honorable Elizabeth L. Cocanougher
Senior Corporate Attorney
Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010



Michael L. Kurtz, Esq.

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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

JAN 27 2005

PUBLIC SERVICE
COMMISSION

In The Matter Of: Application Of Kentucky Utilities Company
For A Certificate Of Public Convenience And Necessity To Construct
Flue Gas Desulphurization Systems And Approval Of Its 2004
Compliance Plan For Recovery By Environmental Surcharge

: Case No. 2004-00426
:
:
:

**FIRST SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO KENTUCKY UTILITIES COMPANY**

Dated: January 26, 2005

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "LG&E" means Louisville Gas & Electric Company and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
12. "KU" means Kentucky Utilities Company, and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**KIUC FIRST SET OF DATA REQUESTS TO KU
PSC CASE NO. 2004-00426**

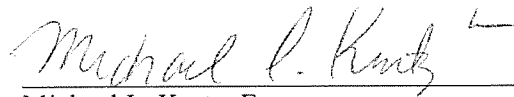
- Q1. Please provide copies of all bond rating agency reports (Moody's, Standard and Poor's, Fitch, etc.) for Louisville Gas and Electric Company and Kentucky Utilities for the last two years.
- Q2. Please provide the projected construction expenditures by month for each of the proposed environmental projects. Describe all assumptions, including those used for cost escalation.
- Q3. Please provide the ECR revenue requirement by month for each of the proposed environmental projects through the first month of operation of the last project to be placed in-service. Provide this information by FERC account. Provide all computations, assumptions, and data, including electronic spreadsheets with cell formulas intact.
- Q4. Please provide all supporting investment and expense information by FERC account necessary to quantify the revenue requirement associated with the Company's 2004 Plan upon full implementation.
- Q5. Refer to page 9 lines 3-12 of Mr. Blake's Direct Testimony. Please provide the computations, including all assumptions and electronic spreadsheets with formulas intact, underlying the revenue requirements relied on by Mr. Blake to quantify the rate effects of the Company's 2004 Plan.
- Q6. Please refer to page 9 lines 3-12 of Mr. Blake's Testimony. Is it correct to conclude from this testimony that the rate impact described on page 9 lines 3-12 does not include the reduction anticipated from the ability to switch to lower cost high sulfur coal? If so, then please provide the projected annual rate impact of the lower fuel costs associated with each of the Company's proposed projects.
- Q7. Refer to page 5 lines 3-19 of Mr. Blake's Direct Testimony. Please provide a copy of all studies performed by or on behalf of the Company that consider financing options, including those that are the most cost-effective.
- Q8. Refer to page 5 lines 3-19 of Mr. Blake's Direct Testimony. Please provide the maximum allocation of the state volume cap for tax-exempt financing that the Company believes may be available by year for the duration of the construction and first year of operation of the proposed projects. Provide all studies and/or analyses, including supporting assumptions, authorities relied on, notes and/or other documents related to conversations with government agencies or the Company's advisors.
- Q9. Refer to page 5 lines 3-19 of Mr. Blake's Direct Testimony. To the extent the Company is successful in obtaining tax-exempt financing, does the Company agree that it will specifically assign the dollar amount of this form of financing 100% in the ECR rate of return? If not, please explain why the benefit of this lower cost debt financing should not be specifically assigned to the ECR.
- Q10. Refer to page 5 lines 3-19 of Mr. Blake's Direct Testimony. Please describe whether the Company will specifically assign short term debt used to fund the construction of the proposed projects in the ECR rate of return. If not, please explain why the benefit of this lower cost debt financing should not be specifically assigned to the ECR.
- Q11. Refer to page 5 lines 3-19 of Mr. Blake's Direct Testimony. If the Company utilizes short term debt and tax exempt debt to finance the proposed projects, then please explain why use of the Company's overall rate of return on the rate base for the proposed projects will not result in overrecovery from ratepayers in excess of the Company's actual costs for these projects.

- Q12. Refer to Exhibit RMC-4 page 2 of 10. Please explain why the Company proposes to embed the 11.48% ROR in the tariff. If this is not a correct assumption based on the 11.48% shown on this schedule, then please explain how and under what circumstances the Company proposes to modify the ROR and the frequency of such proposed modifications.
- Q13. Refer to page 4 line 16 of Mr. Conroy's Direct Testimony. Please define the term "other power generation" and the fuel source of that generation as used in this sentence.
- Q14. Please indicate whether any allowance expense, other O&M expense, or any other cost associated with gas generation is currently included in the Company's ECR filings. If so, please identify each of the costs associated with gas generation included on each line item in the most recent ECR filing. In addition, identify the Commission Order relied on by the Company for this treatment and cite the relevant pages and language.
- Q15. Refer to page 6 lines 9-19 of Mr. Conroy's Direct Testimony. This testimony addresses only the credits that will be reflected against the cost of new facilities for the amount of net plant retired or replaced. Please confirm that the Company also plans to credit depreciation expense, property tax expense, insurance expense, and O&M expense associated with the net plant retired or replaced against the post 1994 plan expenses in the ECR revenue requirement. If the Company does not plan to credit these expenses, then please explain why not and provide all authorities relied on for this determination.
- Q16. Refer to Exhibit JPM-4. Please provide a schedule in the same format as Exhibit JPM-4, but with dollars rather than number of allowances in the columns that on Exhibit JPM-4 provide number of allowances. Provide this schedule in hard copy and in electronic format with cell formulas intact.
- Q17. Refer to page 3 line 15 of Ms. Scott's Direct Testimony. Please define the term "incremental O&M incurred on the new FGDs" and provide the methodology the Company proposes to compute the incremental O&M.
- Q18. Refer to page 3 lines 17-21 of Ms. Scott's Direct Testimony. Please define the term "incremental" as used in this portion of the testimony and provide the methodology the Company proposes to compute the incremental inventory and limestone expense.
- Q19. Please describe how the Company accounts for depreciation expense in the in-service month of new plant additions in its general ledger. Specifically, does the Company recognize a full month of depreciation expense, no depreciation expense, or some pro rated amount of depreciation expense in the in-service month?
- Q20. Please describe how the Company accounts for depreciation expense in the in-service month of new plant additions in its ECR filings. Specifically, does the Company recognize a full month of depreciation expense, no depreciation expense, or some pro rated amount of depreciation expense in the in-service month?
- Q21. Please describe how the Company accounts for property tax expense on new plant additions in its general ledger. Provide a time line from the date plant costs are incurred, to the date at which the costs are included in assessed value, to the date at which the Company recognizes the property tax expense included in the assessed value in its general ledger.
- Q22. Please describe how the Company accounts for property tax expense on new plant additions in its ECR filings. Provide a time line from the date plant costs are incurred and included in the ECR rate base to the date at which the Company includes the property tax expense in the ECR revenue requirement. If the plant additions are included in rate base and the related increase in property tax expense are included in

the ECR filing in the same month as a matter of computational methodology, then please explain why this does not provide the Company recovery in excess of its actual costs as reflected in its general ledger.

- Q23. Please describe whether, and if so, how the Company recognizes bonus tax depreciation and the related effect on accumulated deferred income taxes in the ECR filings. Please describe how the Company computes its tax depreciation, including bonus depreciation, and how it incorporates any Company-wide caps or other limitations (direct assignment or allocation) to the ECR assets. Provide an illustration using the Company's most recent ECR filing. If the Company does not recognize bonus tax depreciation and the related effect on accumulated deferred income taxes in the ECR filings, then please explain why it does not.
- Q24. H.R. 4520, known as the "American Jobs Creation Act of 2004", was signed into law by President Bush on October 22, 2004. This new income tax law will allow electric utilities to take a deduction of up to 9% of their domestic production or generation income starting in 2005. This change equates to an effective tax rate decrease for production income of slightly more than 3% upon completion of the transitional phase-in period. Please confirm that the Company agrees that the provisions of this tax legislation and the effective reduction in the federal income tax rate should be reflected in the Company's ECR. If the Company does not agree, then please provide all reasons for such disagreement.
- Q25. Please describe and quantify all changes to ECR rate base that will be necessary due to the tax law changes associated with H.R. 4520 that are effective on January 1, 2005. Such changes may include, but not be limited to, the amount of accumulated deferred income taxes used to reduce rate base, including the effects of changes in bonus depreciation. Provide all assumptions, data, computations, and workpapers, including electronic spreadsheets with formulas intact. Also provide copies of all authorities relied on.
- Q26. Please describe and quantify all changes to the calculation of the ECR operating expenses and rate of return that will be necessary due to the tax law changes associated with H.R. 4520 that are effective January 1, 2005. Such changes may include, but not be limited to, a lower income tax effect reflected in the grossed-up rate of return, and an amortization of excess deferred income tax balances. Provide all assumptions, data, computations, and workpapers, including electronic spreadsheets with formulas intact. Also provide copies of all authorities relied on.

Respectfully submitted,



Michael L. Kurtz, Esq.

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**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.**

January 26, 2005