

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RECEIVED

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING JULY 31,2003,)
JANUARY 31, 2004, JANUARY 31,2005,)
JULY 31,2005, AND JANUARY 31,2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
JULY 31, 2004)

JUN 30 2006

PUBLIC SERVICE
COMMISSION

CASE NO. 2006-00129

REQUEST FOR INFORMATION POSED BY THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Kentucky Utilities Company to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

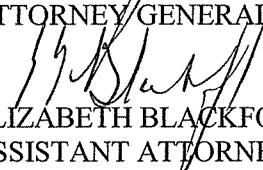
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY



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CERTIFICATE OF SERVICE AND NOTICE OF FILING

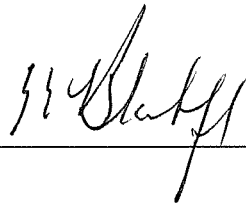
I hereby give notice that this the 30th day of June, 2006, I have filed the original and ten copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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Attorney General's Requests
To Kentucky Utilities Company
Case No. 2006-00129

1. At page 6, Robert Conroy's testimony states, "KU determined the roll-in amount of \$23,731,313 using the base-current methodology as proposed by Commission staff and further recommends adoption of the base-current methodology to calculate the monthly environmental surcharge going forward." With reference to this statement:

A. Is there any change to the base-current methodology approved in Case No. 2003-00068 and the base-current methodology as proposed by Commission staff? If so, please describe the difference(s) specifically.

B. Is there any change to the base-current methodology approved in Case No. 2003-00068 for the calculation of the monthly environmental surcharge factor, other than the change in amounts consequent to the roll-in, or its proposed use in the calculation of the monthly environmental surcharge factors going forward? If so, please describe the change(s) specifically.

2. At page 7, Robert Conroy's testimony states, "KU is presenting the total revenue method and an alternative methodology for allocating the roll-in amounts to the various classes of service in a way that gives some recognition to the inter-class subsidies that currently exist in KU's base rates."

A. Is the total revenues method the method utilized in KU's prior roll-in? If not, please describe any differences.

B. Has the Commission either adopted allocations in connection with environmental compliance cost recovery or encouraged KU to utilize KRS 278.183 as a tool to address "inner-class rate subsidies that currently exist in KU's base rates" as a matter of policy in connection with the roll-in of the environmental surcharge into existing rates? If so, please indicate where and/or when and provide a copy of any writing upon which the company relies for its answer.

C. To KU's knowledge, has the Commission either adopted allocations in connection with environmental compliance cost recovery or encouraged any utility to utilize KRS 278.183 as a tool to address any alleged inner-class subsidies that might exist for that electric utility as a matter of policy in connection with any roll-in of any environmental surcharge into existing rates? If so, please indicate where and/or when and provide a copy of any writing upon which the company relies for its answer.

D. Has the Commission either adopted allocations in connection with environmental compliance cost recovery or encouraged any utility to utilize KRS 278.183 as a tool to address any alleged inner-class subsidies that might exist for that electric utility in that utility's base rates as a matter of policy in connection with any aspect (i.e.-establishment, calculation, roll-in) of the environmental surcharge under KRS 278.183? If so, please

indicate where and/or when and provide a copy of any writing upon which the company relies for its answer.

3. At pages 4-5 of his testimony, Steven Seelye states that in connection with KU's last general rate case, Case No. 2003-00434, KU submitted a fully-allocated embedded class cost of service study based on pro-forma revenues and costs for the test year, which he has updated to reflect current class rate of return based on the rates approved in the general rate case.

A. What was the test year for the general rate case?

B. Does Mr. Seelye agree that the general rate case cost of service study allocated costs related to transmission and distribution as well as to generation? If not, please explain.

C. Does Mr. Seelye agree that the general rate case cost of service study allocated costs related to generation that does not involve the coal combustion wastes and byproducts from facilities utilized for the production of energy from coal? If not, please explain.

D. Does Mr. Seelye agree that the rates approved by the Commission in case No. 2003-00434 are those that reflect the rate allocation agreed to by all parties to the case? If not, please explain.

E. Does Mr. Seelye agree that the rates approved by the in Case No. 2003-00434 Commission are the existing rates? If not, please explain.

F. Does Mr. Seelye agree that the class rates of return shown in the table on page 4 of his testimony are the natural consequence of the allocation agreed to by the parties of the increase awarded in Case No. 2003-00434? If not, please explain.

G. Has the contribution of each class to KU's cost of service subsequent to the Commission's approval of the revenue increase agreed to by all parties other than the Attorney General and the allocation of that increase as agreed to by all parties in Case No. 2003-00434 differed from the contribution that was expected under that agreement? If yes, please explain in detail.

4. With reference to the general rate increase and the increase in the environmental surcharge that are the subject of this roll-in proposal:

A. Since base rates were raised in Case No. 2003-00434, has KU been told by any customer that the loss of that customer's load through complete or partial shut down is due to that increase in electric rates?

B. Since base rates were raised in Case No. 2003-00434 and the monthly environmental surcharge to collect the amounts now subject to roll-in went into effect under Case No. 2004-00426, has KU been told by any customer that the loss of that customer's load through complete or partial shut down is due to that increase in electric rates?

C. Please identify all electric providers known to KU that (1) serve customers at a lower rate than KU and (2) that are not now facing increasing rates to accommodate increasing costs related to achieving compliance with statutes and regulations pertaining to coal combustion wastes and by-products from facilities utilized for production of energy from coal.

5. With reference to the following rates:

A. Please identify all customers of KU served under the General Service rate who are not in the business of providing goods or services to the consuming public directly (by sale to the consuming public) or indirectly (by sale of goods or services to others for use in creating those goods or services that are sold to the consuming public).

B. Please identify all customers of KU served under the Combined Light & Power rate who are not in the business of producing goods or providing services to the consuming public directly (by sale to the consuming public) or indirectly (by sale of goods or services to others for use in creating those goods or services that are sold to the consuming public).

C. Please identify all customers of KU served under the Large Commercial/Industrial TOD rate that are not in the business of producing goods or providing services to the consuming public directly (by sale to the consuming public) or indirectly (by sale of goods or services to others for use in creating those goods or services that are sold to the consuming public).

D. Please identify all customers of KU served under the Coal Mining Power rate that are not in the business of producing goods or providing services to the consuming public directly (by sale to the consuming public) or indirectly (by sale of goods or services to others for use in creating those goods or services that are sold to the consuming public).

E. Please identify all customers of KU served under the Large Power Mine Power TOD rate that are not in the business of producing goods or providing services to the consuming public directly (by sale to the consuming public) or indirectly (by sale of goods or services to others for use in creating those goods or services that are sold to the consuming public).

F. Please identify all customers of KU served under the Large Industrial TOD rate that are not in the business of producing goods or providing services to the consuming public directly (by sale to the consuming public) or indirectly (by sale of goods or services to others for use in creating those goods or services that are sold to the consuming public).

6. To what rate does the reference in Table 1 designated NAS refer? Under what rate or rates is NAS served, if the reference is to the customer and not a rate? If NAS is served under a tariff not currently on the PSC website, please provide a copy.

7. Please confirm that the process for the preparation of the cost of service study contained at pages 5 through 8 of Steven Seelye's testimony refers to that that was used in preparing the cost of service studies for the general rate case, Case No. 2003-00434. If not, please explain.
8. Please explain the level of elasticity and responsiveness to price signals demonstrated by residential customers taking service under bundled rates. In your explanation, please identify the percentage of change in usage that occurs in relation to price changes unaccompanied by metering changes that allow tracking of usage on a real-time basis. In your explanation, please identify the percentage of change in usage that occurs absent capital investment in energy saving appliances or energy efficient heating and cooling systems. To the extent that you rely on any studies or reports to support your explanations, please provide a copy of the material utilized.
9. Under the alternative 2 methodology for the incorporation of surcharge amounts into base rates described in Steven Seelye's testimony and demonstrated in the exhibits to his testimony:
 - A. Would those classes that receive a charge to increase the share of rolled-in amounts collected from that class above the amount that is allocated on the basis of base-rate revenues and the amount that class has paid under the monthly surcharge prior to the roll-in also pay a proportionately larger share of all future environmental costs on a going forward basis through the monthly environmental surcharge and any future roll-ins? If not, explain.
 - B. Would those classes that receive a credit to reduce the share of rolled-in amounts collected from that class below the amount that is allocated on the basis of base-rate revenues and the amount that class has paid under the monthly surcharge prior to this roll-in also pay a proportionately smaller share of all future environmental costs on a going forward basis through the monthly environmental surcharge and any future roll-ins? If not, explain.
 - C. Under the alternate methodology would you agree that the share of environmental compliance costs being rolled-in that the residential class pays would increase by 33% the share of environmental costs the class paid under the monthly surcharge?
 - D. Under the alternate methodology would you agree that the share of those environmental compliance costs being rolled-in that NAS pays would decrease by 74% the share of environmental costs the class paid under the monthly surcharge?
 - E. Under the alternate methodology would you agree that the share of those environmental compliance costs being rolled-in that combined light and power pays would decrease by 51% the share of environmental costs the class paid under the monthly surcharge?
 - F. Under the alternate methodology would you agree that the share of those environmental compliance costs being rolled-in that Large Coal Mining Power pays would decrease 75% the share of environmental costs the class paid under the monthly surcharge.

10. In Case No. 2003-00068, on March 17, 2003, the Commission posed a data request to KU that includes Question 46 (pertaining to the two-year period ending 2000) and Question 56 (pertaining to the two-year period ending 2002), both of which contain the same question, using the same wording as Question 12 of the April 25, 2006 data request in this case. In Case No. 2003-00068, for both of the two-year roll-ins under consideration, KU responded only with a proposal to incorporate the surcharge roll-in into base rates by the percentage of base rate revenues method. In this case KU says that “either method will effectively incorporate the correct amount of surcharge revenues and expenses into base rates” in response to Question 12, but offers both the percentage of revenues method of allocation and an alternative. As it makes no difference to KU, what change has occurred that makes the proposal or consideration of an alternative method compelling?

11. KU posed the first environmental surcharge in Case No. 93-465. The Order establishing that surcharge and the allocation of costs was dated July 19, 1994. In that case the Commission ruled that a percentage of revenues method should be used to allocate the costs among the classes after hearing arguments from various intervenors concerning the allocation of the environmental costs under the surcharge mechanism as it maintains the allocations in the existing rates saying specifically, “In a limited proceeding such as this, the allocation of costs reflected in existing rates should be maintained absent a compelling argument to the contrary.” (Order, Page 21). Please identify KU’s compelling argument to the contrary.

12. The roll-in being considered in this case is for the two-year period ending July 31, 2004. Are these environmental compliance costs those that were being recovered when Case No. 2003-00434 was filed and when the settlement agreement resolving the allocation of rates for that case was entered into by the parties and approved by the Commission?