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PUBLIC SERVICE COMMISSION

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Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Lonnie E. Bellar
Vice President
T 502-627-4830
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October 7, 2008

RE: ***Application of Kentucky Utilities Company for an Adjustment of Base Rates*** **– Case No. 2008-00251**

Application of Kentucky Utilities Company to File Depreciation Study **– Case No. 2007-00565**

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Kentucky Utilities Company to the Attorney General's (AG) Supplemental Requests for Information dated September 24, 2008 in the above-referenced matters.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

cc: Parties of Record

Counsel of Record

Allyson K. Sturgeon, Senior Corporate Attorney – E.ON U.S. LLC
Robert M. Watt – Stoll Keenon Ogden PLLC (Kentucky Utilities)
Kendrick R. Riggs – Stoll Keenon Ogden PLLC (Kentucky Utilities)
W. Duncan Crosby – Stoll Keenon Ogden PLLC (Kentucky Utilities)
Dennis Howard II – Office of the Attorney General (AG)
Lawerence W. Cook – Office of the Attorney General (AG)
Paul D. Adams – Office of the Attorney General (AG)
Michael L. Kurtz – Boehm, Kurtz & Lowry (KIUC)
David C. Brown – Stites and Harbison (Kroger)
Willis L. Wilson – LFUCG Department of Law (LFUCG)
Joe F. Childers (CAK and CAC)

Consultants to the Parties

Steve Seelye – The Prime Group (E.ON U.S. LLC)
William A. Avera – FINCAP, Inc (E.ON U.S. LLC)
John Spanos – Gannett Fleming, Inc. (E.ON U.S. LLC)
Robert Henkes (AG)
Michael Majoros – Snavely King Majoros O'Connor & Lee (AG)
Glenn Watkins – Technical Associates (AG)
Dr. J. Randall Woolridge – Smeal College of Business (AG)
Lane Kollen – Kennedy and Associates (KIUC)
Kevin C. Higgins – Energy Strategies, LLC (Kroger)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF BASE RATES	)))	CASE NO. 2008-00251
APPLICATION OF KENTUCKY UTILITIES COMPANY TO FILE DEPRECIATION STUDY	)))	CASE NO. 2007-00565

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
SUPPLEMENTAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL (AG)
DATED SEPTEMBER 24, 2008

FILED: OCTOBER 7, 2008

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says that he is the Chief Financial Officer, for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

SB Rives
S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Chris Hermann**, being duly sworn, deposes and says he is Senior Vice President – Energy Delivery for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

C Hermann
CHRIS HERMANN

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is the Senior Vice President, Energy services for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

PAUL W. THOMPSON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is the Vice President, State Regulation and Rates for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Lonnie E. Bellar
LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Kentucky Utilities Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Valerie L. Scott
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

ROBERT M. CONROY

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting for Kentucky Utilities Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Shannon L Charnas

SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and says that he is the Senior Consultant and Principal, for The Prime Group, LLC, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

WILLIAM STEVEN SEELYE

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) **SS:**
COUNTY OF CUMBERLAND)

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Vice President, Valuation and Rate Division for Gannett Fleming, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

John J. Spanos
JOHN J. SPANOS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 30th day of September, 2008.

________________(SEAL)
Notary Public

My Commission Expires:

February 20, 2011

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Cheryl Ann Rutter, Notary Public
East Pennsboro Twp., Cumberland County
My Commission Expires Feb. 20, 2011
Member, Pennsylvania Association of Notaries

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 1

Responding Witness: S. Bradford Rives

Q-1. The updated response to PSC-1-43 shows updated embedded debt cost rates and the resulting updated overall rate of return claim based on actual cost rates through July 31, 2008. In this regard, please provide the following information:

a. What has been the Commission's ratemaking approach with regard to such updated post-test year debt cost rates in KU's prior rate cases?

b. Is it the Company's intention to update its requested overall rate of return based on the most recent available actual debt cost rates that will be available prior to the close of record in this case? If so, please provide details. If not, explain why not.

A-1. a. The Commission has found it appropriate to use the most recent updated cost rates. See page 52 of the Commission's Order in Case No. 2003-00434 issued June 30, 2004.

b. Yes. The Company is providing monthly updated cost rates in response to the PSC-1 Question No. 43.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 2

Responding Witness: Shannon L. Charnas

Q-2. With regard to Reference Schedule 1.14, please provide the following information:

a. Does the proposed annualized depreciation expense amount of $111,536,507 represent Total Company depreciation or KY Retail Jurisdictional depreciation? If Total Company depreciation, provide the equivalent annualized depreciation expense on a KY Retail Jurisdictional basis.

b. Have the unadjusted test year ARO and ECR related depreciation expense amounts of $335,141 and $12,754,702 been removed from the filing results in separate pro forma adjustments? If so, indicate in which Exhibit 1 Reference schedule(s) these expense removals are included.

A-2. a. The proposed annualized depreciation expense amount of $111,536,507 represents total company depreciation. The annualized depreciation expense on a Kentucky Jurisdictional basis is as follows:

Annualized depreciation expense under proposed rates	$	111,536,507
Kentucky Jurisdiction (Reference Schedule Allocators)		87.457%
Kentucky Jurisdictional Depreciation Expense	$	97,546,483

b. The $12,754,702 of ECR-related depreciation expense was removed for ratemaking purposes through the Company's pro forma adjustment in Rives Exhibit 1, Reference Schedule 1.05. The ECR-related depreciation expense is included in the total Expenses Post '94 Plan of $18,865,888. In Rives Exhibit 1, Reference Schedule 1.06, $5,927,060 of ECR-related depreciation expense is included in the note (a) amount of $10,743,151 to reflect a full year of the ECR Roll-In.

There are no other adjustments required for the ARO depreciation amount of $335,141. Depreciation and accretion expense associated with ARO assets and liabilities have been removed from test year net operating income by recording offsetting regulatory credits as these expenses are recorded on the books.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 3

Responding Witness: Robert M. Conroy

Q-3. With regard to the emission allowance line item on Exhibit 3, page 1, line 19, please explain how it is possible to have a Kentucky jurisdictional emission allowance balance of $1,173,797, an Other jurisdictional emission allowance balance of $30,034, and a total company emission allowance balance of $223,085.

A-3. The majority of the $1,173,797 Kentucky jurisdictional emission allowance balance consists of amounts reflected in the current Base Period jurisdictional Environmental Surcharge Factor (BESF) that is part of the monthly Environmental Compliance Surcharge (ECR) mechanism. The Kentucky jurisdictional emission allowance balance amount reflected in the determination of the BESF is $1,113,313 (total amount as of the roll-in period ending February 28, 2007 is $1,286,517) pursuant to the Commission's Order dated March 28, 2008 in Case No. 2007-00379. See Attachment 1 to this response. This amount of the emission allowance balance will remain in the BESF until the next 2-year review proceeding initiated by the Commission.

At the end of test period, April 30, 2008, the total Company emission allowance balance contained in the ECR monthly filing is $223,085. See Attachment 2 to this response. Since the ECR is a separate mechanism and the amount of the emission allowance balance reflected in the current BESF remains a part of the ECR calculation, the Kentucky jurisdictional emission allowance balance used to determine base rates is greater than the Total Company emission allowance balance at April 30, 2008.

The values identified in the data request therefore reconcile and must be used to appropriately remove the complete impact of the ECR mechanism from base rates as recommended in the Company's adjustment.

Kentucky Utilities Company

Calculation of ECR Roll-in At February 28, 2007

Calculation of Revenue Requirement for Roll-In:

		(A) Post-1994 Plan at Feb. 28, 2007	(B) Allocation Title	(C) Allocation Factor	(D) Kentucky Jurisdictional ECR Roll-In Rate Base	Column D Exhibit 3 Column 5 Reference
Environmental Compliance Rate Base						
Pollution Control Plant in Service	ES Form 2 00. February 2007	240 437 831	DEMPROD	0 86537	208 067 685	
Pollution Control CWIP Excluding AFUDC	ES Form 2 00. February 2007	255,269,869	PRODSYS	0 86537	220,902,887	
Subtotal		495 707 700			428 970 572	Line 1
Additions:						
Emission Allowances net of baseline	ES Form 2 00. February 2007	1 286 517	DEMPROD	0 86537	1 113 313	Line 19
Cash Working Capital Allowance	ES Form 2.00 February 2007 per corrections made in Case No 2007-00379	153,616	EXP5017	0 86756	133,271	Line 20
Subtotal		1 440 133			1 246 584	Line 21
Deductions:						
Accumulated Depreciation on Pollution Control Plant	ES Form 2 00. February 2007	16 772 692	STMSYS	0 86537	14 514 584	Line 2
Pollution Control Deferred Income Taxes	ES Form 2 00. February 2007	30 600 634	PRODSYS	0 86537	26 480 871	Line 7
Pollution Control Deferred Investment Tax Credit	ES Form 2.00, February 2007 as revised September 21 2007	2,049,747	PRODPLT	0 85582	1,754,214	Line 13
Subtotal		49 423 073			42 749,669	
Environmental Compliance Rate Base		$ 447,724,760			$ 387,467,487	Line 22
Rate of Return – Environmental Compliance Rate Base	ES Form 1.10, February 2007 as revised April 23, 2007	11 52%				
Return on Environmental Compliance Rate Base		$ 51,577,892				
Pollution Control Operating Expenses						
12 Month Depreciation and Amortization Expense	See Support Schedule A	5 927 060				
12 Month Taxes Other than Income Taxes	See Support Schedule A	425,002				
12 Month Operating and Maintenance Expense	See Support Schedule A	1 228 923				
12 Month Emission Allowance Expense net of amounts in base rates	See Support Schedule A	3,162,166				
Total Pollution Control Operating Expenses		$ 10,743,151				
Gross Proceeds from By-Product & Allowance Sales	See Support Schedule B	997 763				
Total Company Environmental Surcharge Gross Revenue Requirement – Roll In Amount						
Return on Environmental Compliance Rate Base		51 577 892				
Pollution Control Operating Expenses		10,743 151				
Less Gross Proceeds from By-Product & Allowance Sales		(997,763)				
Roll In Amount		$ 61,323,280				
Jurisdictional Allocation Ratio – Roll In	See Support Schedule C	80.7487%				
Jurisdictional Revenues for 12 Months for Roll In	See Support Schedule C	947,408,732				
Roll In Jurisdictional Environmental Surcharge Factor:						
Total Company Environmental Surcharge Gross Revenue Requirement – Roll In Amount		$ 61 323 280				
Jurisdictional Allocation Ratio – Roll In		80 7487%				
Jurisdictional Environmental Surcharge Gross Revenue Requirement – Gross Roll In Amount		49 517 782				
Less Jurisdictional Environmental Revenue Previously Rolled In (Case No. 2006-00129)		25,837,275				
Jurisdictional Environmental Surcharge Gross Revenue Requirement – Net Roll In Amount		$ 23,680,507				
Base Revenues for the 12-Months Ending March 2008		$ 898 641 240				
BESF Gross Roll-in Amount		5 5103%				

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Revenue Requirements of Environmental Compliance Costs
For the Expense Month of February 2007

Determination of Environmental Compliance Rate Base

	Enviromental Compliance Plan	
Eligible Pollution Control Plant	$ 240,437,831	
Eligible Pollution CWIP Excluding AFUDC	255,269,869	
Subtotal		$ 495,707,700
Additions:		
Inventory - Limestone		
Less: Limestone Inventory in base rates		
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	1,355,932	
Less: Allowance Inventory Baseline	69,415	
Net Emission Allowance Inventory	1,286,517	
Cash Working Capital Allowance	177,307	
Subtotal		1,463,824
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	16,772,692	
Pollution Control Deferred Income Taxes	30,600,634	
Subtotal		47,373,326
Environmental Compliance Rate Base		$ 449,798,198

Determination of Pollution Control Operating Expenses

	Enviromental Compliance Plan
Monthly Operations & Maintenance Expense	$ 5,975
Monthly Depreciation & Amortization Expense	495,449
Monthly Taxes Other Than Income Taxes	53,478
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	162,300
Less Monthly Emission Allowance Expense in base rates (1/12 of $58,345.76)	4,862
Net Recoverable Emission Allowance Expense	157,438
Monthly Surcharge Consultant Fee	
Total Pollution Control Operations Expense	$ 712,340

Proceeds From By-Product and Allowance Sales

	Total Proceeds
Allowance Sales	$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	$ -

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

A. MESF for two months prior to Expense Month	4.66%
B. Net Jurisdictional E(m) for two months prior to Expense Month	3,840,163
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	4,180,625
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 0.3%)	247,872
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	588,334
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

ES FORM 2.31

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (SO_2) - Current Vintage Year

For the Expense Month of February 2007

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	120,154	0	12,830	0	0	107,324	
Dollars	$ 1,519,813	$ -	$ 162,300	$ -	$ -	$ 1,357,514	
$/Allowance	$ 12.65	$ -	$ 12.65	$ -	$ -	$ 12.65	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	120,029	-	12,830	-	-	107,199	
Dollars	$ 1,518,231	$ 0	$ 162,300	$ -	$ -	$ 1,355,932	
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	125	0	0	0	0	125	
Dollars	$ 1,582	$ (0)	$ -	$ -	$ -	$ 1,582	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0				0	
Dollars	$ -	$ -				$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	
From LG&E							
Quantity	0	0				0	
Dollars	$ -	$ -				$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

ES FORM 2.00

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirements of Environmental Compliance Costs
For the Expense Month of April 2008

Determination of Environmental Compliance Rate Base

	Enviromental Compliance Plan	
Eligible Pollution Control Plant	$ 380,268,508	
Eligible Pollution CWIP Excluding AFUDC	624,466,119	
Subtotal		$ 1,004,734,627
Additions:		
Inventory - Limestone	$ 387,472	
Less: Limestone Inventory in base rates	76,473	
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	222,606	
Less: Allowance Inventory Baseline	69,415	
Net Emission Allowance Inventory	153,191	
Cash Working Capital Allowance	421,936	
Subtotal		886,126
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	28,646,301	
Pollution Control Deferred Income Taxes	35,129,461	
Pollution Control Deferred Investment Tax Credit	13,659,670	
Subtotal		77,435,432
Environmental Compliance Rate Base		$ 928,185,321

Determination of Pollution Control Operating Expenses

	Enviromental Compliance Plan
Monthly Operations & Maintenance Expense	$ 286,270
Monthly Depreciation & Amortization Expense	1,158,571
Monthly Taxes Other Than Income Taxes	106,605
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	33,822
Less Monthly Emission Allowance Expense in base rates (1/12 of $58,345.76)	4,862
Net Recoverable Emission Allowance Expense	28,960
Monthly Surcharge Consultant Fee	
Total Pollution Control Operations Expense	$ 1,580,406

Proceeds From By-Product and Allowance Sales

	Total Proceeds
Allowance Sales	$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	$ -

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

A. MESF for two months prior to Expense Month	5.31%
B. Net Jurisdictional E(m) for two months prior to Expense Month	7,494,441
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	4,587,476
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 3.11%)	2,434,936
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	(472,029)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (SO_2) - Current Vintage Year

For the Expense Month of April 2008

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	65,466	0	8,628	0	0	56,838	
Dollars	$ 256,907	$ -	$ 33,822	$ -	$ -	$ 223,085	
$/Allowance	$ 3.92	$ -	$ 3.92	$ -	$ -	$ 3.92	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	65,344	-	8,628	-	-	56,716	
Dollars	$ 256,428	$ 0	$ 33,822	$ -	$ -	$ 222,606	
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	122	-	0	0	0	122	
Dollars	$ 479	$ (0)	$ -	$ -	$ -	$ 479	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0				0	
Dollars	$ -	$ -				$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	
From LG&E							
Quantity	0	0				0	
Dollars	$ -	$ -				$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 4

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas

Q-4. With regard to the response to AG-1-18, please provide the following information:

a. Please confirm that the proposed unbilled revenue adjustment of $6,878,000 is made up of the following components: unbilled base revenues of $6,308,250; unbilled FAC revenues of $409,208; unbilled DSM revenues of $7,998; unbilled ECR revenues of $287,592; unbilled MSR/VDT revenues of $(130,750); and unbilled STOD PCR revenues of $(4,298). If you do not agree, provide the correct answer.

b. What is the nature of STOD PCR revenues and why are they not considered base revenues?

c. Please confirm that the electric unbilled revenue adjustment for unbilled base rates only (i.e., excluding unbilled FAC, DSM, ECR, MSR/VDT and STOD revenues) amounts to a revenue reduction of $6,308,250 as shown in the response to part g.

A-4. a. Yes, the proposed unbilled revenue adjustment of $6,878,000 is made up of the following components: unbilled base revenues of $6,308,250; unbilled FAC revenues of $409,208; unbilled DSM revenues of $7,998; unbilled ECR revenues of $287,592; unbilled MSR/VDT revenues of $(130,750); and unbilled STOD PCR revenues of $(4,298). See response to PSC-2 Question No. 57.

b. Pursuant to the Kentucky Public Service Commission's Order dated June 30, 2004 in Case No. 2003-00434, KU filed an experimental electric tariff PSC No. 62 for the Small Time of Day Service (STOD). STOD PCR is the Program Cost Recovery (PCR) factor as contained in the tariff that provides for the calculation of a monthly charge per kWh to recover programming costs associated with modifying the customer billing system, plus any lost revenues associated with STOD. This monthly charge is applied to customers taking service under the Large Power Service tariff for KU.

c. Yes, the electric unbilled revenue adjustment for the base rates portion of unbilled revenues amounts to a revenue reduction of $6,308,250. Included in this base rate portion are customer charges, demand charges, energy charges, base rate ECR, and base rate FAC.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 5

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas / William Steven Seelye

Q-5. For the proposed unbilled revenue adjustment on Rives Exhibit 1, Schedule 1.00, please provide the following information:

a. The KWH volumes associated with the total 4/30/07 and 4/30/08 unbilled revenue levels and associated with the total revenue adjustment amount of $(6,878,000).

b. The KWH volume associated with the unbilled base rate revenue adjustment of $(6,308,250,000) referenced in the response to AG-1-23(g).

c. Explain why the Company has not reduced the test year base power expenses (those rolled into base rates) for the power expenses associated with the electric unbilled revenue adjustment.

d. Provide the test year pro forma base rate (rolled-in) power expenses per KWH, including the calculations to derive this unit cost. If this number is different from the $0.02591/KWH shown on Seelye Exhibit 14, provide a reconciliation.

A-5. a. and b.
Unbilled volumes used for all aspects of the unbilled revenue calculation, including the unbilled base rate revenue adjustment of $(6,308,250) in the response to AG-1-18(g), are as follows:

	April 30, 2007	April 30, 2008	Difference
kWh Unbilled	668,504,000	671,030,000	(2,526,000)

c. and d.
There are no "power expenses" to reduce. All generation expenses included in the unadjusted test year results were incurred during the test year, Ratemaking principles limit consideration of the Company's results to

revenues received and ***expenses incurred*** during the test year, with adjustments for known and measurable changes to normalize test year operating results so that they are representative of operations on a going forward basis. Therefore an adjustment to remove expenses is unnecessary and inappropriate.

Because test year revenues, expenses and billing determinants have been fully normalized in this proceeding, all three have been fully synchronized. Therefore, it would be inappropriate to make a further adjustment to reduce test year expenses. The Company has followed the Commission's long-standing practice of removing unbilled revenues from testyear operating results. The proper treatment of unbilled revenues for ratemaking purposes was thoroughly considered in KU's last rate case (Case No. 2003-00434) and in LG&E's last three rate cases (Case No. 2003-00433, 2000-00080, and 90-158). Expenses associated with unbilled revenues were not removed in any of these cases.

Because the billing determinants used to develop the Company's proposed rates do not include unbilled kWh sales and unbilled kW demands, it is appropriate to remove the unbilled revenues from the test year. If unbilled revenues are not removed from test year operating results, then the billing determinants used to develop the proposed rates would need to be adjusted to reflect the billing determinants associated with the unbilled revenues.

See the response to PSC-3 Question No. 3.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 6

Responding Witness: Shannon L. Charnas / William Steven Seelye

Q-6. While the Company has proposed to reflect only billed revenues in the test year, explain why the Company has not similarly proposed to reflect only billed operating expenses in the test year?

A-6. The Company has reflected normalized expenses in the test year. See the response to PSC-3 Question No. 3.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 7

Responding Witness: Robert M. Conroy

Q-7. With regard to the response to PSC-2-75, provide the following information:

a. Detailed explanation of the reasons for the very large revenue/expense mismatch reducing net revenues by $20.1 million.

b. Explain why the mismatch in the test year reduces the net revenue by $20.1 million while the corresponding mismatches in 2005, 2006 and 2007 increased net revenues by $8.7 million, $15.4 million, and $7.2 million, respectively.

A-7. a. and b.

The Fuel Adjustment Clause is a "stand-alone" cost recovery mechanism. As such, all revenues and expenses related to the FAC must be removed from operating results when determining the appropriate test year level of revenues and expenses for base rate case purposes. During the twelve-month period May 2007 through April 2008, KU collected $116.2 million in FAC revenues from retail customers; these FAC revenues are removed from test year operating results and lower test year revenues by $116.2 million. Also during the twelve-month period May 2007 through April 2008, KU incurred $96.1 million in fuel expenses that were recoverable through the FAC; these FAC-related expenses are removed from test year operating results and lower test year expenses by $96.1 million. The difference between the reduction to operating revenues and operating expenses is the net difference in net operating income, which in this case, since the adjustment to revenues exceeded the adjustment to expenses, is a net decrease to net operating income of $20.1 million (not net revenue as stated in the question).

The mismatches are due to timing differences between when KU incurs fuel costs and when those costs are recovered from customers through the FAC. The FAC cycle includes a two-month lag, whereby expenses incurred in January are recovered in March. Therefore, the test year revenue actually corresponds to a twelve-month expense period that is different than the test year twelve months, and the test year expenses correspond to a twelve-month revenue period that is different than the test year twelve months. Specifically, the FAC revenue collected from customers in May and June of 2007 corresponds to FAC expenses that were incurred in March and April 2007, months that are not in the test year. Likewise, FAC expenses incurred in March and April 2008 correspond to the FAC revenues collected in May and June 2008, months that are not in the test year. Furthermore, KU revised its base rates in December 2007 to reflect the FAC roll-in approved by the Commission in Case No. 2006-00510. The timing of the roll-in is such that the calculation of FAC expenses incurred in March and April 2007 assumed a fuel base of $0.01810/kWh, while the calculation of FAC expenses incurred in March and April 2008 assumed a fuel base of $0.02590/kWh. Because a larger portion of fuel expense is included in base rates for March and April 2008 than was the case in March and April 2007, the FAC expenses for the two months not in the test year are higher than the FAC expenses for the two months that are in the test year, although this difference is not indicative of changes in ***total*** fuel expense. The difference is instead due to the point in time of the comparison. Attachment 1 to this response demonstrates the timing differences and the reconciliation of revenues with expenses.

Whether the adjustment increases or decreases net operating income is a function of timing. KU examined the FAC revenues and expenses from January 2001 through June 2008, and as is shown on Attachment 2 to this response, the twelve month total revenues and expenses are cyclical. While generally for any twelve-month period, FAC expenses are likely to exceed FAC revenues (thereby producing an increase in net operating income in terms of a test year), the period from April 2003 through May 2004 indicates fourteen consecutive twelve-month periods where FAC revenues exceeded FAC expenses (thereby producing a decrease in net operating income in terms of a test year).

The Company's adjustment (Reference Schedule 1.03) therefore appropriately removes the impact of the FAC mechanism on base rates by recognizing the changes in FAC revenues associated with that mechanism.

	FAC Revenue Calculations			FAC Expense Calculations				
Expense Month	Retail Sales, kWh	FAC Billing Factor in effect	FAC Revenues	Generation for Retail Sales	FAC Factor	Expense Month for FAC Expenses	FAC Expenses	Revenue less Expense
May-07	1,383,632,874	$ 0.00630	8,716,887	1,468,320,798	$ 0.00063	Mar-07	9,250,421	
Jun-07	1,530,915,282	$ 0.01114	17,054,396	1,383,192,063	$ 0.00991	Apr-07	13,707,433	
Jul-07	1,619,098,612	$ 0.00871	14,102,349	1,473,634,282	$ 0.00972	May-07	14,323,725	
Aug-07	1,699,127,618	$ 0.00496	8,427,673	1,585,194,449	$ 0.00496	Jun-07	7,862,564	
Sep-07	1,758,856,929	$ 0.00731	12,857,244	1,623,453,551	$ 0.00731	Jul-07	11,867,445	
Oct-07	1,449,787,683	$ 0.01274	18,470,295	1,894,900,562	$ 0.01274	Aug-07	24,141,033	
Nov-07	1,326,864,327	$ 0.00735	9,752,453	1,512,478,663	$ 0.00735	Sep-07	11,116,718	
Dec-07	1,525,415,958	$ 0.00258	3,935,573	1,411,516,686	$ 0.00258	Oct-07	3,641,713	
Jan-08	1,770,878,690	$ 0.00795	14,078,486	1,417,156,732	$ 0.00797	Nov-07	11,294,739	
Feb-08	1,700,957,880	$ 0.00126	2,143,207	1,567,816,660	$ 0.00126	Dec-07	1,975,449	
Mar-08	1,602,170,807	$ (0.00010)	(160,217)	1,822,504,562	$ (0.00010)	Jan-08	(182,250)	
Apr-08	1,415,572,078	$ 0.00490	6,936,303	1,624,959,362	$ 0.00490	Feb-08	7,962,301	
May-08	1,290,512,896	$ 0.00063	813,023	1,534,085,491	$ 0.00063	Mar-08	966,474	
Jun-08	1,429,279,439	$ 0.00090	1,286,351	1,316,827,269	$ 0.00090	Apr-08	1,185,145	
Twelve Month Test Year Totals			116,314,649				96,155,056	20,159,593
Fourteen Month Matching Totals			118,414,024				119,112,910	(698,887)

Kentucky Utilities Company
Fuel Adjustment Clause
Revenues and Expenses

	Revenue	Expense	12ME Revenue	12ME Expense	NOI Impact
Jan-01	(3,230,783)	1,223,625			
Feb-01	815,020	73,419			
Mar-01	1,038,141	785,121			
Apr-01	73,557	521,192			
May-01	692,345	1,790,787			
Jun-01	579,237	961,527			
Jul-01	2,099,097	1,200,230			
Aug-01	1,064,244	1,920,721			
Sep-01	1,151,104	651,901			
Oct-01	1,458,957	925,383			
Nov-01	608,919	1,364,703			
Dec-01	972,406	1,001,744	7,322,244	12,420.353	5,098,109
Jan-02	1,791,495	1,010,439	12,344,522	12,207,167	(137,355)
Feb-02	1,025,744	902,534	12,555,246	13,036,282	481,036
Mar-02	914,622	2,070,845	12,431,727	14.322,006	1,890,279
Apr-02	874,927	2,390,214	13,233,097	16,191,028	2,957,931
May-02	1,884,293	2,919,465	14,425,045	17,319,706	2,894,661
Jun-02	2,830,581	4,219,214	16,676,389	20,577,393	3,901,004
Jul-02	3,613,014	5,279,169	18,190,306	24,656,332	6,466,026
Aug-02	4,427,301	5,064,020	21,553,363	27,799,631	6,246,268
Sep-02	5,122,709	4,858,190	25,524,968	32,005,920	6,480,952
Oct-02	4,028,950	4,280,800	28,094,961	35,361,337	7,266,376
Nov-02	4,241,409	3,521,367	31,727,451	37,518,001	5,790,550
Dec-02	5,013,276	2,787,457	35,768,321	39,303,714	3,535,393
Jan-03	4,231,897	4,510,322	38,208,723	42,803,597	4,594.874
Feb-03	3,062,898	4,259,284	40,245,877	46,160,347	5,914,470
Mar-03	3,823,692	798.672	43,154,947	44,888,174	1,733,227
Apr-03	3,622,905	2,151,622	45,902,925	44,649,582	(1,253,343)
May-03	763,466	2,226,354	44,782,098	43,956,471	(825,627)
Jun-03	5,156,416	(1,571,337)	47,107,933	38,165,920	(8,942,013)
Jul-03	2,683,786	1,053,068	46,178,705	33,939,819	(12,238,886)
Aug-03	(1,776,754)	3,357,880	39,974,650	32,233,679	(7,740,971)
Sep-03	1,035,787	1,099,278	35,887,728	28,474,767	(7,412,961)
Oct-03	2,588,014	1,784,380	34,446,792	25,978,347	(8,468,445)
Nov-03	1,025,897	452,542	31,231,280	22,909,522	(8,321,758)
Dec-03	2,115,909	890,518	28,333,913	21,012,583	(7,321,330)
Jan-04	576,333	(532,230)	24,678,349	15,970,031	(8,708,318)
Feb-04	933,854	1,039,466	22,549,305	12,750,213	(9,799,092)
Mar-04	(441,673)	513,172	18,283,940	12,464,713	(5,819,227)
Apr-04	958,037	1,526,388	15,619,072	11,839,479	(3,779,593)
May-04	488,733	114,415	15.344,339	9,727,540	(5,616,799)
Jun-04	1,726,897	1,973,800	11,914,820	13,272,677	1,357,857
Jul-04	106,127	2,348,631	9,337,161	14,568,240	5,231,079
Aug-04	1,961,685	3,243,211	13,075,600	14,453,571	1,377,971
Sep-04	2,247,312	4,367,088	14,287,125	17,721,381	3,434,256
Oct-04	2,761,803	3,871,540	14,460,914	19,808,541	5,347,627
Nov-04	3,841,201	2,703,124	17,276,218	22,059,123	4,782,905
Dec-04	4,516,505	4,475,728	19,676.814	25,644,333	5,967,519
Jan-05	3,431,547	5,061,676	22,532,028	31,238,239	8,706,211
Feb-05	4,229,000	4,922,385	25,827,174	35,121,158	9,293,984
Mar-05	4,847,682	4,019,243	31,116,529	38,627,229	7,510,700
Apr-05	4,774,175	6,523,479	34,932,667	43,624,320	8,691,653
May-05	3,304,805	5,860,308	37,748,739	49,370.213	11,621,474

Current and most recent test year adjustments indicated

Kentucky Utilities Company
Fuel Adjustment Clause
Revenues and Expenses

	Revenue	Expense	12ME Revenue	12ME Expense	NOI Impact
Jun-05	7,417,374	14,560,077	43,439,216	61,956,490	18,517,274
Jul-05	1,982,723	11,387,181	45,315,812	70,995.040	25,679.228
Aug-05	14,817,224	13,429,525	58,171,351	81,181,354	23,010,003
Sep-05	11,080,994	10,129,688	67,005,033	86,943,954	19,938,921
Oct-05	10,688,248	8,020,910	74,931,478	91,093,324	16,161,846
Nov-05	8,614,486	3,190,134	79,704,763	91,580,334	11,875,571
Dec-05	9,180,808	4,507,237	84,369,066	91,611,843	7,242,777
Jan-06	3,866,413	3,120,547	84,803,932	89,670,714	4,866,782
Feb-06	3,945,430	6,667,044	84,520,362	91,415,373	6,895,011
Mar-06	3,015,827	10,702,492	82,688,507	98,098.622	15,410,115
Apr-06	6,056,299	7,752,729	83,970,631	99,327,872	15,357,241
May-06	9,371,996	9,996,490	90,037,822	103,464,054	13,426,232
Jun-06	8,887,285	12,357,111	91.507.733	101,261,088	9,753,355
Jul-06	11,531,629	15,851,086	101,056,639	105,724,993	4,668,354
Aug-06	14,070,248	23,135,586	100,309,663	115,431,054	15,121,391
Sep-06	14,786,826	6,750,059	104.015,495	112,051,425	8,035,930
Oct-06	17,456,671	10,851,541	110.783,918	114,882,056	4,098,138
Nov-06	6,972,391	6,116,480	109,141,823	117,808,402	8,666,579
Dec-06	12.048.324	5,794.143	112,009,339	119,095.308	7,085.969
Jan-07	7,032,798	6,703,436	115,175,724	122,678,197	7,502,473
Feb-07	6,594,708	10,554,628	117,825,002	126,565,781	8,740,779
Mar-07	6,277,159	9,250,421	121,086,334	125,113,710	4,027,376
Apr-07	8,794,904	13,707,433	123,824,939	131,068,414	7,243,475
May-07	8,716,887	14,323,725	123,169,830	135,395,649	12,225,819
Jun-07	17,054,396	7,862,564	131,336,941	130,901,103	(435,838)
Jul-07	14,102,349	11,867,445	133,907,661	126,917,462	(6,990,199)
Aug-07	8,427,673	24,141,033	128,265,086	127,922,909	(342,176)
Sep-07	12,857,244	11,116,718	126,335,504	132,289,568	5.954,065
Oct-07	18,470,295	3,641,713	127,349,128	125,079,741	(2,269,388)
Nov-07	9,752,453	11.294,739	130,129,190	130,258,000	128,810
Dec-07	3,874,557	1,975,449	121,955,422	126,439,306	4,483,883
Jan-08	14,078,486	(182,250)	129,001,110	119,553,619	(9,447,491)
Feb-08	2,143,207	7,962,301	124,549,609	116,961,292	(7,588,317)
Mar-08	(160,217)	966,474	118,112,233	108,677,345	(9,434,888)
Apr-08	6,936,303	1,185,145	116,253,632	96,155,056	(20,098,575)
May-08	813,023	316,728	108,349,768	82,148,059	(26,201,709)
Jun-08	1,286,351	11,729,813	92,581,724	86,015,308	(6,566,416)

Current and most recent test year adjustments indicated

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 8

Responding Witness: S. Bradford Rives / Robert M. Conroy

Q-8. Please reconcile the 4/30/08 KY jurisdictional cumulative ACGT tax credit balance of $49,989,467 to the 4/30/08 KY jurisdictional Investment Tax Credit balance of $49,714,508 (which is supposed to include both the ACGT balance as well as the JDTC tax credit balance) shown on Exhibit 3, page 1, line 13, column (2).

A-8. The reconciliation of the ACGT tax credit at 4/30/08 Investment Tax Credit balance is as follows:

	Total Company Balance	Jurisdictional Allocator	Kentucky Jurisdictional Balance
Original response for ACGT on Trimble County 2	$57,766,647	86.5369%	$49,989,467
Adjustment to jurisdictional percentage		(0.9614%)	(555,367)
As revised ACGT on Trimble County 2	57,766,647	85.5755%	49,434,080
Job Development ITC	327,696	85.5755%	280,428
Total	$58,094,343		$49,714,508

KENTUCKY UTILITIES COMPANY

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 9

Responding Witness: Valerie L. Scott

Q-9. With regard to the response to PSC-2-116, please provide the following information:

a. From the data in the table in the response Attachment, it appears that if tax credits are generated in one year (the year of the coal purchases), the tax credits are booked by the Company in the next year. Please confirm if this is correct.
b. Please confirm that if the Company generates tax credits from coal purchases in 2008 and 2009, the tax credits will be applied as property tax or income tax credits in 2009 and 2010. If this is not correct, provide the correct answer.
c. In the years 2003, 2004 and 2006, why wasn't the coal tax credit applied first to the entire income tax liability with any remaining tax credits applied to property taxes?
d. Did the test year coal tax credits of $507,797 that were applied as a credit to property taxes in 2007 increase the Company's FIT liability by 35% and SIT liability by 6% of the property tax credit? In addition, provide the net after-tax impact on operating income of the test year's coal tax credit booking of $507,797 and show the calculations.
e. Did the test year coal tax credit of $598,704 that was applied as a credit to state income taxes increase the Company's FIT liability by 35% x $598,704? In addition, provide the net after-tax impact on operating income of the test year's coal tax credit booking of $598,704 and show the calculations.

A-9. a. Yes. Subsequent to each year-end, the Company collects data regarding coal purchases and, if Kentucky purchases exceed the 1999 thresholds, an application is filed by the following March 15 with the Department of Revenue. Upon approval by the Department of Revenue, the credit is recorded in the year following the purchase.

b. Yes.

c. Kentucky views the income tax limitation on a consolidated basis, not on a company by company basis. During 2003, 2004, and 2006, state tax losses were incurred at the consolidated level, therefore, the state required the credit to be applied to the property tax liabilities. In 2007, the consolidated group had an adequate level of state tax due, against which to apply the credit generated from 2006 coal purchases.

d. Yes. The reduction in property tax expense recorded in the test year effectively increased taxable income and resulted in additional federal and state income taxes.

The after-tax impact of booking the $507,797 coal tax credit in the test year for financial reporting purposes was approximately $310,264 (507,797 – (507,797 x .389)). This is based on using the statutory income tax rates (.35 + .06 – (.06 x.35)).

A pro forma adjustment was made to property tax in this rate case for the removal of the coal tax credit (the jurisdictional adjustment is $447,054); (See Rives Exhibit 1, Reference Schedule 1.33.) The income tax expense associated with the coal tax credit adjustment is included in the tax calculation of Rives Exhibit 1, line 40. *The income tax expense pro forma adjustment for* the coal tax credit decreased income tax expense.

e. Yes. The reduction in state income tax expense due to the recording of the coal tax credit in the test year effectively increased federal taxable income and resulted in additional federal income taxes.

The after-tax impact of booking the $598,704 coal tax credit in the test year for financial reporting purposes was $389,158 (598,704 – (598,704 x .35)).

A pro forma adjustment was made in this rate case for the removal of the coal tax credit from income tax expense (the jurisdictional adjustment is $556,945, ($598,704 x 93.025%); see Rives Exhibit 1, Reference Schedule 1.41. In addition to the removal of the coal tax credit a pro forma adjustment was also made in Rives Exhibit 1, Reference Schedule 1.41, to reduce federal income tax expense. See also the attachment to the response to PSC-2 Question No. 118 (a) for the federal income tax expense adjustment made.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 10

Responding Witness: Valerie L. Scott

Q-10. With regard to the response to PSC-2-116: In 2008, the Company booked total coal tax credits of $2,490,758 generated by coal purchases in 2007. Since only 1/4th, or $622,690 has been utilized in the test year, please confirm that this means that the Company in the future will be able to use the remaining coal tax credit amount of $1,868,068 either as an income tax or a property tax reduction.

A-10. The remaining $1,868,068 will be recorded by the Company over the last three quarters of 2008. The total coal tax credit of $2,490,758 is expected to be used on the 2007 Kentucky Income Tax return that will be filed by October 15, 2008.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 11

Responding Witness: Valerie L. Scott

Q-11. LG&E is eligible for the Kentucky Recycle Credit and has a remaining credit balance of approximately $4 million as of 4/30/08 that can be used for state income tax credits when certain conditions are met. In this regard, please provide the following information:

a. Is KU eligible for the same recycle credit? If not, explain why not.

b. If so, provide the exact same information as provided by LG&E in its response to AG-1-30.

A-11. a. No, KU is not eligible for the same recycle credit that LG&E received. LG&E had a project that qualified for the recycle credit and this project related only to LG&E. KU could potentially receive a recycle credit but has not had any projects that have met the Kentucky recycle credit criteria and therefore have not earned any recycle credit.

b. Not applicable.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 12

Responding Witness: William Steven Seelye

Q-12. With regard to the Attachment to the response to PSC-2-66, please provide the following information:

a. Explain the reasons for the very large spike in the May 2007 number of customers for the SLDEC rate class, which increased from 5,627 in April 2007 to 20,853 in May 2007 and then went back down to 7,673 in June 2007.

b. Are the revenues associated with the incremental May 2007 customers included in the unadjusted test year results?

c. Provide the per books SLDEC revenues for the test year in total and on a monthly basis.

A-12. a. See response to PSC-3 Question No. 9.

b. Yes. Revenues associated with the May 2007 customers are included in the unadjusted test-year results.

c. The total and monthly information was provided in the response to PSC-2 Question No. 30.

KENTUCKY UTILITIES COMPANY

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CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 13

Responding Witness: S. Bradford Rives

Q-13. What is the nature and purpose of the 4/30/08 Special Funds balance of $6,046,656 and why has that balance not been used as a capital structure reduction?

A-13. The Special Funds are various funds established under the Purchased Power Agreement between Kentucky Utilities Company (KU) and Owensboro Municipal Utilities (OMU) for the purpose of operating and maintaining OMU Station 2. The 1991 Supplemental agreement to the Purchased Power Contract established the balances and requirements of these funds. Both KU and OMU have contributed to the various funds according to their contractual capacity ratios. The balance of the special funds on KU's books represents KU's contribution to the funds.

KU customers benefit from the low cost power purchased from OMU and therefore must bear the costs of acquiring this power, including the amounts in "Special Funds". Consistent with Commission practice, no adjustment is made for this account.

KENTUCKY UTILITIES COMPANY

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CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 14

Responding Witness: S. Bradford Rives

Q-14. With regard to the response to AG-1-34, page 2 of 20, please provide the following information:

a. Revised Exhibit 2 without the deferred income tax adjustment of $8,915,810 (i.e., column 4 of Revised Exhibit 2 should show an equity reduction balance of $23,584,679).

b. Revised Appendix B – Exhibit 2 without the deferred income tax adjustment of $8,915,810 (i.e., column 4 of Appendix B - Revised Exhibit 2 should show an equity reduction balance of $23,584,679).

A-14. a. and b.

This data request seeks the production of an erroneous calculation. As indicated in the Company's response to AG-1 Question No. 34, the deferred income taxes associated with the equity in subsidiary earnings need to be properly reflected in the capitalization adjustment. Although the calculation is erroneous, it can be performed by the requesting party with the spreadsheet previously provided on the CD in response to KIUC-1 Question No. 1.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251
CASE NO. 2007-00565

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 15

Responding Witness: Valerie L. Scott / Robert M. Conroy

Q-15. With regard to the response to AG-1-39, please provide the following information:

a. Please clarify as to whether the Estimated Recalculated MISO Exit Fee data in the table at the top of the response to (a) must be multiplied by 86.537% to arrive at the KY retail jurisdictional amounts.

b. Please reconcile the March 2008 MISO refund amount of $1,116,673 referenced in the response to AG-1-39(b) to the March 2008 MISO refund amount of $1,055,848 shown in the table in the response to AG-1-39(a). In addition, clarify as to whether the refund amount of $1,116,673 represents a total company amount that should still be multiplied by 86.537% to get to the KY retail jurisdictional amount.

c. Does the response to AG-1-39(a) indicate that, based on information available at this time, it is estimated that the Company's ultimate MISO Exit fee liability at the end of the first quarter of 2015 will be $16,173,417 on a total company basis? If not, explain in detail the correct answer.

A-15. a. Yes.

b. The difference between the two amounts is interest income of $60,825. See the response to AG-1 Question No. 39(b). The refund amount of $1,055,848 does need to be multiplied by 86.537% to get to the Kentucky jurisdictional amount.

c. Yes.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 16

Responding Witness: Robert M. Conroy

Q-16. Explain why on Reference Schedule 1.24 the Company has used a KY jurisdictional allocator of 86.537% for the EKPC Transmission Settlement cost as compared to the corresponding allocator of 80.089% in the 2007 Trial Balance (Attachment to response to PSC-1-13, page 12).

A-16. The demand allocation factor of 86.537% that KU applied on Reference Schedule 1.24 is the appropriate factor to use. The demand allocation factor is applied to generation and transmission assets, to system dispatch operations expenses, and to the capacity component of purchased power (if any). The demand allocation factor is appropriate in this instance because transmission assets are built to meet load requirements. The allocation factor of 80.089% included in the trial balance in the original response to PSC-1-13 and the supplemental response filed on September 11, 2008 was provided in error.

KU does not maintain its books in such a manner to apply individually calculated allocation factors to specific expense items. To respond to the Commission's request for information, KU applied the various jurisdictional allocation factors developed in the jurisdictional separate study to all of the FERC accounts listed in the Trial Balance and provided in response to PSC-1 Question No. 13. Consistent with prior proceedings where pro forma adjustments were jurisdictionalized at the summary level, the demand allocation factor of 86.537% that KU used on Reference Schedule 1.24 is appropriate, as stated above, because transmission assets are built to meet load requirements. Because the allocation factor is applied at the summary level as described above, the demand allocator is the logical and reasonable choice in this instance.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 17

Responding Witness: Robert M. Conroy

Q-17. With regard to the response to PSC-2-106, page 1, please provide the following information:

a. Provide a schedule showing the KY Retail jurisdictional amounts for each account line item shown in the response to PSC-2-106 part (a) that would result from applying the KY jurisdictional allocation factors that are listed in the 2007 Trial balance (page 12 of 16) in the response to PSC-1-13.

b. Confirm that the schedule to be provided in response to part (a) above results in a total test year KY jurisdictional expense of approximately $5,311,850 which, when compared to the total test year total company expense of $5,708,101 indicates a composite jurisdictional allocation factor of 93.06%. If this is not correct, provide the correct answer.

c. Explain why the allocation factor derived from the responses to parts (a) and (b) was not used on Reference Schedule 1.18 rather than the factor of 94.09% used by the Company.

A-17. a. The Kentucky jurisdictional allocation factors used are listed in the Supplemental Response to PSC-1-13 filed on September 11, 2008.

Account	Total Company	Kentucky Jurisdictional Allocator	Kentucky Jurisdictional
583001	$ 547,144	0.93023	$ 508,968
584001	3,111	0.98451	3,063
588100	265,907	0.94097	250,212
592100	135,888	0.91675	124,575
593002	4,600,008	0.93023	4,279,052
593004	129,859	0.93023	120,798
594001	10,784	0.98451	10,617
595100	14,346	0.94743	13,592
596100	204	0.97550	199
925001	805	0.89139	718
Total	$ 5,708,101		$ 5,311,793

b. The calculations performed in part (a) above results in a composite jurisdictional allocation factor of 93.06% ($5,311,793 / $5,708,101 = 93.06%).

c. KU does not maintain its books in such a manner to apply individually calculated allocation factors to specific expense items. To respond to the Commission's request for information, KU applied the various jurisdictional allocation factors developed in the jurisdictional separation study to all of the FERC accounts listed in the Trial Balance and provided in response to PSC-1 Question No. 13. Consistent with prior proceedings where pro forma adjustments were jurisdictionalized at the summary level, the distribution plant allocation factor of 94.097% that KU used on Reference Schedule 1.18 is appropriate because storm damage expense is incurred almost exclusively on the distribution system. Because the allocation factor is applied at the summary level as described above, the distribution plant allocator is the logical and reasonable choice in this instance.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 18

Responding Witness: Valerie L. Scott / Robert M. Conroy

Q-18. With regard to Reference Schedule 1.25, please provide the expense account listed in the 2007 Trial Balance (response to PSC-1-13) and compare the jurisdictional allocator for this expense account shown in the Trial Balance to the allocator of 86.537% used by the Company.

A-18. In reference to Schedule 1.25, the expense account listed in the test year Trial Balance (response to PSC-1-13) is 555016 – Native Load Power Purchases – Demand. The jurisdictional allocator for 555016 (per the Amended response to PSC-1-13, as filed on September 11, 2008) is 86.537%. This is the same percentage that is referenced in Schedule 1.25.

KENTUCKY UTILITIES COMPANY

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 19

Responding Witness: Paul W. Thompson / Shannon L. Charnas

Q-19. With regard to TC2, please provide the following information:

a. What is KU's share of the capacity of TC2 and at what date (month and year) is TC2 expected to become operational?

b. What is the TC2 dollar investment in the total company plant included in rate base on Rives Exhibit 3?

c. What is the TC2 related annualized depreciation expenses included in line 1 of Reference Schedule 1.14?

d. Provide any other investments and expenses/taxes associated with TC2 that are affecting the revenue requirement in this case.

A-19. a. KU's share of the capacity of Trimble County Unit 2 (TC2) is 456 MW. The unit is scheduled to begin operation in June 2010.

b. The TC2 dollar investment in the total company plant included in rate base on Rives Exhibit 3 is $398.6 million. (This amount was incorrectly shown as $396.6 million in Question No. 51, Response to First Data Request of Commission Staff Dated July 16, 2008.)

c. There is no TC2 related annualized depreciation expenses included in line 1 of Reference Schedule 1.14 because the investment is in CWIP and the unit is not yet in service.

d. Additional transmission lines are being constructed in connection with the TC2 plant. This investment of $28.2 million is recorded in CWIP as of the end of the test year and is included in the total company plant included in rate base on Rives Exhibit 3. There are no other investments and expenses/taxes associated with TC2 that are affecting the revenue requirement in this case.

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Response to Supplemental Requests for Information of the Attorney General
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Question No. 20

Responding Witness: S. Bradford Rives

Q-20. With regard to the responses to AG-1-48 and PSC-2-115, please provide the following information:

a. When (month and year) will the Company convert the (revised) four bonds referenced in the response to part (b)? In addition, provide any source documentation in support of this expectation.

b. What other alternatives would be available to the Company to refinance the tax-exempt bonds and what would be the annual costs associated with those alternative refinancing tools?

c. If any cost update is available by now, what would be the updated annual cost amount associated with the assumed letter of credit refinancing as compared to the currently projected cost of $2,250,000?

d. The response to PSC-2-115 indicates that the projected cost derivation is based on one bank's proposal for a letter of credit for LG&E's TC2 bond of $83.335 million. Has KU sent out proposals for letter of credit enhancement for each of the (revised) planned bond conversions listed in the response to AG-1-48(b)? If not, why not?

A-20. a. The Company currently expects to close on the $77.9 million bond during October 2008, the $50 million bond and the $12.9 million bond in November 2008, and the $54 million bond in late November 2008 or December 2008. However, the capital markets are extremely volatile and market conditions may result in the need to modify this plan.

b. The tax-exempt bond documents allow the Company to select from a variety of modes. The modes available under the documents that would not require a letter of credit are all long-term modes, but can be classified into two categories - "put bonds" and "fixed to maturity bonds". If the interest rate is set for a period longer than a year, but less than to maturity it is referred to as a "put bond". "Put bonds" are generally set for periods of between two and seven years. Because of the difficult general capital market conditions, very little new debt has been issued in the last two weeks. However, based on estimates based on KU's debt ratings provided on October 1, the interest rates for a two-year reset would have been 5.55%, a three year reset would have been 5.90%, a five-year reset would have been 6.30%, and a seven-year reset would have been 6.65%. A fixed to maturity rate would be approximately 7.35%. An all-in rate for the letter of credit backed bond based on long-term averages is expected to be approximately 3.25% using the expected letter of credit cost of 50 bps.

c. See the response to PSC-3 Question No. 34.

d. See the response to PSC-3 Question No. 34.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 21

Responding Witness: Chris Hermann / Robert M. Conroy

Q-21. With regard to the Attachment to AG-1-55 (bottom of page), please provide the exact nature and purpose of the reception expenses of $16,309. Also, indicate what these reception expenses of $16,309 consist of and what the KY retail jurisdictional portion of this expense is.

A-21. The purpose of these receptions was to provide the forum and opportunity for our service territory economic development professionals to meet and network with a variety of site location and real estate consultants. In 2007 and early 2008, E.ON U.S. hosted events in Atlanta, Covington, Lexington, Louisville, and Nashville. The decision to target these particular markets was driven by proximity, new market development, or analysis indicating these markets had site selection professionals who had previously focused on Kentucky as a target for their clients. Therefore, the total represents the Kentucky retail jurisdictional portion of the expense items.

Covington Real Estate Reception – September 13, 2007
Expenses: Event venue, catering, valet parking, service charge - $1,028
Music and florist - $206
TOTAL: $1,234

Lexington Real Estate Reception – October 11, 2007
Expenses: Event venue & catering - $11,851
TOTAL: $11,851

Nashville Real Estate Reception – November 8, 2007
Expenses: Event venue, catering, valet parking, service charge - $1,052;
TOTAL: $1,052

Atlanta Real Estate Reception – January 8, 2008
Expenses: Event venue & catering - $1,949;
Regional showcase gifts: $223
TOTAL: $2,172

KU does not maintain its books in such a manner that allows jurisdictional allocation factors to be applied to specific expense items at the time expenses are incurred and booked to the general ledger. Rather, KU calculates allocation factors on an annual basis and applies those allocation factors at a summary level. To respond to the Commission Staff's Initial Request for Information, Question No. 13, KU applied the various jurisdictional allocation factors developed in the jurisdictional separation study to all of the FERC accounts listed in the Trial Balance. Consistent with prior proceedings where pro forma adjustments were jurisdictionalized at the summary level, the customer service allocation factor of 94.408% that KU used for this FERC account is appropriate.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 22

Responding Witness: Chris Hermann / Robert M. Conroy

Q-22. With regard to the Attachment to the response to AG-1-56, please describe the nature and purpose of the total "sponsorship" expenses of $1,335 shown on pages 3 and 4 and the total "community involvement" expenses of $1,675 shown on page 4. In addition, indicate whether these expenses are total company expenses and, if so, provide the jurisdictional allocation factor.

A-22. All of these expenses are for total company. The jurisdictional allocation factor is .94069. The nature and purpose are as follows:

Vendor Name	Nature	Purpose	Total
Shoreline Communications WVLC-FM	Winter Weather Watch forecast	To provide weather forecasts sponsored by the Company to the community	$ 450
WQXE-FM	Radio advertisement for local festivals	To provide sponsorship to community events	810
Central KY News Journal	Chamber of Commerce page in newspaper	To show the Company's commitment and services to the chamber members	75
Total Sponsorship Expenses			**$ 1,335**
Chamber of Commerce	Networking event with chamber members	To make chamber members aware of our services to business owners	$ 375
News Enterprise	March of Dimes and Relay for Life races	To take part in charitable community events	140
Greater Lexington Apartments	Various networking events, trade shows, and fundraisers	To build customer relationships with property owners, landlords, and other members	420
Louisville Apartments	Various networking events, trade shows, and fundraisers	To build customer relationships with property owners, landlords, and other members	740
Total Community Involvement Expenses			**$ 1,675**

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 23

Responding Witness: Robert M. Conroy

Q-23. Attachment to Response to PSC-1-30(b), page 2, shows total EEI dues paid during the test year of $378,191. What is the KY jurisdictional allocation factor applicable to this expense?

A-23. The Kentucky jurisdictional allocation factor is .89139.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 24

Responding Witness: Shannon L. Charnas

Q-24. Please reconcile the penalty expenses of $4,998 in account 930209 shown in the 2007 Trial Balance and the penalty expense of $3,789 in account 930209 in Attachment to the response to PSC-1-30(b) page 2. Also, indicate whether these penalties concerned the Company's Kentucky operations.

A-24. The penalty expenses of $4,998 in account 930209 shown in the response to KU PSC-1 Question No. 13 resulted from two payments made to the Indiana Department of Revenue of $1,209 and $3,789. Both of these amounts appear on page 2 of the Attachment to the Response to PSC-1-30(b). The penalties are related to the Company's Kentucky operations. See responses to AG-1 Question No. 67 and AG-1 Question No. 70 for a detailed explanation of the penalty.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 25

Responding Witness: Shannon L. Charnas / Robert M. Conroy

Q-25. Please indicate whether the $15,049 expense amount provided in the response to AG-1-68 is a total company or KY jurisdictional amount. If total company, provide the jurisdictional allocation factor.

A-25. The $15,049 expense amount provided in the response to AG-1 Question No. 68 is a total company amount. The jurisdictional allocation factor varies depending upon which account is used to record the expense. See the table below.

Account	Total Company	Kentucky Jurisdictional Allocator	Kentucky Jurisdictional	Other Jurisdictional
500900	$ 41	.85400	$ 35	$ 6
506100	4,550	.85400	3,886	664
566100	5	.80089	4	1
566900	589	.80089	472	117
580100	2,254	.94097	2,121	133
588100	1,909	.94097	1,796	113
593004	175	.93023	163	12
903003	1,723	.94069	1,621	102
903022	15	.94069	14	1
903030	480	.94069	452	29
903930	(37)	.94069	(35)	(2)
921002	21	.89139	19	2
921003	1,015	.89139	904	110
921902	2,118	.89139	1,888	230
921903	191	.89139	170	21
Total	$ 15,049		$ 13,510	$ 1,539

KU does not maintain its books in such a manner that allows jurisdictional allocation factors to be applied to specific expense items at the time expenses are incurred and booked to the general ledger. Rather, KU calculates allocation factors on an annual basis and applies those allocation factors at a summary level. To respond to the Commission Staff's Initial Request for Information, Question No. 13, KU applied the various jurisdictional allocation factors developed in the jurisdictional separation study to all of the FERC accounts listed in the Trial Balance. Consistent with prior proceedings where pro forma adjustments were jurisdictionalized at the summary level, the appropriate allocation factor is used for each FERC account.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 26

Responding Witness: Shannon L. Charnas / Robert M. Conroy

Q-26. With regard to the response to AG-1-57 (legal expenses), please provide the following information:

a. Are all of the numbers shown total company numbers and, if so, provide the KY jurisdictional allocation factor.

b. Provide the same legal issue breakout as shown for the test year in the response to (b) for the actual legal expenses for 2005, 2006, 2007, the 12-month period ended 4/30/7, and the 2008 budget of $4.3 million.

c. Provide detailed explanations of the reasons for the test year expenses of $6.1 million to be so much higher than the actual expenses in 2005, 2006 and 2007 (which averaged $4.2 million) and the 2008 budgeted legal expenses of $4.3 million. Provide these explanations for the differences (test year vs. prior years and 2008 budget) in each of the legal issue categories to be provided in response to part (b) above.

A-26. a. Yes, all of the numbers shown were total company numbers.

Please see below for the Kentucky Jurisdictional allocation factors:

Year	Kentucky Jurisdictional Factor
a.	87.934%
b.	88.874%
c.	88.929%
d.	89.035%
e.	88.952%
Test Year	89.139%

b.

Major Legal Issue	2005	2006	2007	12 Month Period Ended 4/30/07	Test Year	2008 Budget
Regulatory					$3,395,552	$2,289,030
Litigation					2,295,358	1,686,289
Contracts					205,639	71,750
Corporate					118,792	68,306
Employment					67,607	20,090
Real Estate					26,874	139,400
Total	$4,192,082	$3,585,449	$4,901,509	$3,535,349	$6,109,822	$4,274,865

All of the information requested is not readily available and cannot be compiled in a reliable form as was provided for the test year in response to AG-1 Question No. 57 within the time provided in the procedural schedule.

c. Litigation concerning the OMU contract and New Source Review investigation by the Department of Justice have caused increases in legal expenses. These cases are expected to be on-going. In addition, the 2008 budget of $4.3 million has been exceeded in the first eight months of the year in part due to these on going cases.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 27

Responding Witness: Shannon L. Charnas

Q-27. With regard to the response to AG-1-59, please provide the following information:

a. Provide a breakout of the actual account 923 expenses for the 12-month period ended 4/30/07 expense total of $6,741,000 in the same format and detail as provided for the test year in the response to AG-1-59(a).

b. In the response to AG-1-59(c), the Company confirms that outside legal expenses in the test year were $3.4 million higher than the corresponding expenses in the year prior to the test year. Please provide a detailed description of the reasons for that very large expense increase.

A-27. a.

KENTUCKY UTILITIES COMPANY
ACCOUNT 923 - OUTSIDE SERVICES BY MAJOR CATEGORY
FOR THE 12-MONTH PERIOD ENDED 4/30/07

CATEGORY	TOTAL
Accounting Services	$10,223.00
Audit Fees	436,462.49
Contractors - Computer Support	5,769.20
Environmental - Labor - 3rd Party	54,804.83
Legal - 3rd Party	3,535,348.95
Management Consulting Fees & Expenses	466,540.18
Material & Equipment	83,029.96
Other - Labor - 3rd Party	1,866,764.82
Physical & Medical Exams	52,210.63
Servco Convenience Payments	42,836.59
Temporary Help	181,055.54
Other	6,090.13
	$6,741,136.32

b. Litigation concerning the OMU contract and New Source Review investigation by the Department of Justice have caused increases in legal expenses. These cases are expected to be on going.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 28

Responding Witness: Paul W. Thompson / Shannon L. Charnas / Robert M. Conroy/ Counsel

Q-28. With regard to the response to PSC-2-132(n) regarding Uncollectible accounts, please provide the following information:

a. Provide a detailed history of the billing dispute with Owensboro Municipal Authority, including the starting date dispute, current status, and the anticipated date of resolution of the dispute.

b. What would be the test year account 904 – uncollectible account expense of $3,330,953 without the expenses associated with the Owensboro billing dispute?

c. What portion of the test year expense of $3,330,953 is included in the KY jurisdictional operating expenses in this case?

A-28. a. The litigation between KU and Owensboro Municipal Utilities (OMU) involves a number of issues, including a billing dispute regarding the pricing of back-up power provided to OMU by KU when OMU's own generating units are unable to supply the needs of OMU's customers. The litigation was initially filed by OMU and the City of Owensboro in 2004, although the referenced billing dispute preceded that actual filing by several years. Trial is scheduled to begin on October 14, 2008, and could last several weeks or more. Still, a date for final resolution of the dispute is unknown, as all substantive rulings to date remain subject to appeal. KU has defended, and expects to continue to vigorously defend, itself against OMU's claims and prosecute KU's claims against OMU.

b. The test year expense for Account 904 would have been $2,564,027 without the expenses associated with the Owensboro billing dispute.

c. The Kentucky jurisdictional operating expense for the test year for Account 904 is 94.069% or $3,133,404.

KU does not maintain its books in such a manner that allows jurisdictional allocation factors to be applied to specific expense items at the time expenses are incurred and booked to the general ledger. Rather, KU calculates allocation factors on an annual basis and applies those allocation factors at a summary level. To respond to the Commission Staff's Initial Request for Information, Question No. 13, KU applied the various jurisdictional allocation factors developed in the jurisdictional separation study to all of the FERC accounts listed in the Trial Balance. Consistent with prior proceedings where pro forma adjustments were jurisdictionalized at the summary level, the customer accounting allocation factor of 94.069% that KU used for this FERC account is appropriate.

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Response to Supplemental Requests for Information of the Attorney General
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Question No. 29

Responding Witness: Chris Hermann / Shannon L. Charnas

A-29. In the PSC Order, Case No. 2003-00434, page 39, the Order states that KU incurred storm damage expenses of $15,540,679 in storm damage expenses in 2003 and received $8,944,009 in insurance reimbursement for an un-reimbursed storm damage expense balance of $6,596,670. In this regard, please provide the following information:

a. Reference Schedule 1.18 shows that LG&E incurred storm damage expenses of $1,434,000 in 2003. Were any of these expenses (and, for that matter, any of the expenses listed in Reference Schedule 1.18) included in the $15,540,679 for which KU requested extraordinary deferral and amortization treatment in the prior case? If so, identify these expenses.

b. If the 2003 storm damage expenses of $1,434,000 were not part of the $15,540,679 discussed above, do they represent storm damage expenses incurred in 2003 other than the expenses associated with the ice storm?

c. Given that KU received insurance reimbursement of $8,944,009 for its $15,540,679 ice storm damage expenses, did it also receive insurance reimbursements for the 2000 – 4/30/08 storm damage expenses on Schedule 1.18? If not, why not?

d. If so, are the actual storm damage expenses listed for each of the years 2000 through 4/30/08 stated net of insurance reimbursements? If not, why not?

e. If the answer to part (d) is negative, provide the actual expenses net of insurance reimbursements and recalculate the storm damage expense normalization adjustment on this basis.

A-29. a. No. The $1.4 million on KU's Reference Schedule 1.18 for 2003 storm expenses did not include any of the KU $15.5 million ice storm expenses. None of the other years' expenses on Reference Schedule 1.18 include any of the 2003 ice storm expenses.

b. Yes, the $1.4 million is for storm expenses other than the KU ice storm in 2003.

c. No. The reimbursement to KU in 2003 was a one time situation. KU was covered by storm insurance from 2001 through 2003. After that time, the coverage was declined as the premium and deductible were raised and it was deemed not cost effective. No other KU storm costs have been reimbursed from insurance companies from because there were no individual incidents which met the deductible during the term of the coverage.

d. Not applicable.

e. Not applicable.

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Response to Supplemental Requests for Information of the Attorney General
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Question No. 30

Responding Witness: Shannon L. Charnas

Q-30. With regard to the response to AG-1-73, is the Company saying that the high level of Account 593 test year expenses is being normalized downwards through the storm damage expense adjustment on Reference Schedule 1.18? Please explain this in detail.

A-30. Yes, a portion of Account 593 is related to storm damage and is therefore being normalized downward through this adjustment.

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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 31

Responding Witness: Shannon L. Charnas

Q-31. With regard to the response to AG-1-7 (amortizations of deferred costs), please provide the following information:

a. Is the $791,604 Ice Storm amortization expense of $791,604 anywhere reflected in the storm damage normalization dollar amounts on Reference Schedule 1.18? If so, explain in which years and for which dollar amounts.

b. Since the 4/30/08 deferred Southwest Power Pool costs of $712,533 will be fully amortized by 8/31/08, why isn't the test year amortization expense of $1,425,067 to be considered a non-recurring event?

c. Since the 4/30/08 deferred TVA costs of $306,987 will be fully amortized by 8/31/08, why isn't the test year amortization expense of $613,973 to be considered a non-recurring event?

A-31. a. The $791,604 of Ice Storm amortization expense in not included in the storm damage normalization dollar amounts on Reference Schedule 1.18. See response to AG-2 Question No. 29 (a) and (b).

b. Southwest Power Pool (SPP) is KU's Independent Transmission Organization. The initial term of the Agreement with SPP is for four years beginning June 1, 2006, subject to annual renewals thereafter. The amount of the contract is $2,137,600 per year and will be amortized ratably over that period. This contract is in place because of the MISO exit and was approved by the FERC in Dockets ER06-20-004 and ER06-20-005, and thus is a recurring expense.

c. TVA is KU's Reliability Coordinator. The initial term of the Agreement with TVA is for four years beginning July 19, 2006, subject to annual renewals thereafter. The amount of the contract is $967,040 per year and will be amortized ratably over that period. This contract is in place because of the MISO exit and was approved by the FERC in Dockets ER06-20-004 and ER06-20-005, and thus is a recurring expense.

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Question No. 32

Responding Witness: Shannon L. Charnas / John J. Spanos

Q-32. Please refer to the attachment to KU AG-1 Q. 6. Please provide the derivation (including all parameters) and source of each depreciation rate shown on that attachment that was not specifically shown on pages III-4 through III-10 of Mr. Spanos's KU depreciation study. Provide all calculations in Excel format with all formulae intact.

A-32. The following plant accounts are depreciated but were not specifically included in the depreciation study. They are included in "Accounts Not Studied" shown on page III-10 of Mr. Spanos's KU depreciation study:

303.00 Miscellaneous Intangible Plant—Software	20%
392.00 Transportation Equipment—Cars and Trucks	20%

The detail relating to these classes of assets has not been historically tracked for depreciation study purposes. The Company's policy on these assets is to use a five year life or 20% depreciation rate.

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Question No. 33

Responding Witness: William Steven Seelye

Q-33. Follow-up to Question No. 100

(a) Please reconcile the following as provided in the response to Q-100, which references KU response to PSC-2, Question 30, and the figures shown in Seelye Exhibit 17:

	Seelye Exhibit 17	File: BIP Calculation Per PSC-2, Question 30	File: BIP Calculation On & Off Peak Hours Page 11 of 11 Per PSC-2, Question 30
Winter Peak Period Hours	946	946	2,464
Summer Peak Period Hours	2,464	2,464	946

(b) Please provide the precise references, calculations and explanations based on the cost of service study in the KU response to PSC-2, Question 30, or elsewhere, that shows the specific steps and procedures to determine the Base, Intermediate, and Peak percentages of electric Production plant implicit in Seelye Exhibit 18 (below in column (a)) based on using the period costs percentages from Seelye Exhibit 17 (below in column (b)):

	(a)	(b)	
Base	33.58%	Non-Time Differentiated Cost	33.89%
Intermediate	39.97%	Winter Peak Period Costs	15.32%
Peak	26.45%	Summer Peak Period Costs	50.78%

A-33. (a) The hours in the file "BIP Calculation On & Off Peak Hours" per PSC-2, Question No. 30, reflect the correct hours.

(b) The procedures and steps used to perform the BIP calculation are: (i) enter the minimum system demand for the combined KU and LG&E systems; (ii) enter the winter system peak demand for the combined KU and LG&E systems; (iii) enter the summer system peak demand for the combined KU and LG&E systems; (iv) enter the winter peak period hours from the file "BIP Calculation On & Off Peak Hours"; (v) enter the summer peak period hours from the file "BIP Calculation On & Off Peak Hours"; and (vi) perform calculations shown on Seelye Exhibit 17.

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Question No. 34

Responding Witness: William Steven Seelye

Q-34. Follow-up to Question No. 103

The response to Question No. 103 only refers to pages in Seelye Exhibit 18 and Seelye Exhibit 19, which lists the names and values of functional vectors and allocation vectors. Please provide the requested "detailed explanation or definition" of each of the vectors as stated in Question No. 103.

A-34. See response to Question Nos. 42 and 44 of the Supplemental Response to the Second Data Request of Commission Staff Dated August 27, 2008.

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Question No. 35

Responding Witness: William Steven Seelye

Q-35. Follow-up to Question No. 136

Please reconcile the response to Question No. 136 that for classification purposes "Mr. Seelye did not combine all distribution conductors" with the Mr. Seelye's zero-intercept analysis of overhead conductors presented in Seelye Exhibit 20.

A-35. Seelye Exhibit 20 shows the zero-intercept analysis for Account 365 – Overhead Conductor, and Seelye Exhibit 21 shows the zero-intercept analysis for underground conductor. Overhead and underground conductors are shown separately and are not combined in these two analyses.

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Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 36

Responding Witness: William Steven Seelye

Q-36. Please refer to KU Seelye Exhibit 9, Exhibit 12 page 1. The total kWH Adjustment for Residential Rate R in April is -515.904. Please explain why this amount (-515.904) is included as part of the weather normalization adjustment when Exhibit 9 indicates that April is excluded.

A-36. Exhibit 9 illustrates adjustments to the end-point of the range for HDD65. The total kWh Adjustment for Residential Rate R of -515.904 for April shown on Seelye Exhibit 12 is for HDD60, which is outside of the two standard deviation range for that variable.

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Question No. 37

Responding Witness: William Steven Seelye

Q-37. Please refer to KU Seelye Exhibit 9, Exhibit 12 page 2. The total kWH Adjustment for Large Power Rate LP Secondary in July is 566.556. Please explain why this amount (566.556) is included as part of the weather normalization adjustment when Exhibit 9 indicates that July is excluded.

A-37. Exhibit 9 illustrates adjustments to the end-point of the range for HDD65. The total kWh Adjustment for Large Power Rate LP PF of 566.556 for July shown on Seelye Exhibit 12 is for MinTEMP, which is outside of the two standard deviation range for that variable.

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Question No. 38

Responding Witness: William Steven Seelye

Q-38. With regards to KU's response to Attorney general Initial Request 165, the Company indicated it did not maintain monthly billed kWH and customers by rate schedule. Please provide the following by month for the period January 2003 through July 2008 summarized by class or category:

(a) customer billed; and,

(b) billed kWH.

Please provide in hard copy as well as in Microsoft readable electronic format (preferably Microsoft Excel).

A-38. a. and b.
KU provided the requested data in a supplemental response filed on September 25, 2008.