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PUBLIC SERVICE
COMMISSION

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
www.eon-us.com

September 11, 2008

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

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 Kroger Company's (Kroger) First Set of Data Requests dated August 27, 2008, in the above-referenced matters.

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

Ms. Stephanie L. Stumbo
September 11, 2008

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)
Lawrence 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)	CASE NO.
UTILITIES COMPANY FOR AN)	2008-00251
ADJUSTMENT OF BASE RATES)	

APPLICATION OF KENTUCKY)	CASE NO.
UTILITIES COMPANY TO FILE)	2007-00565
DEPRECIATION STUDY)	

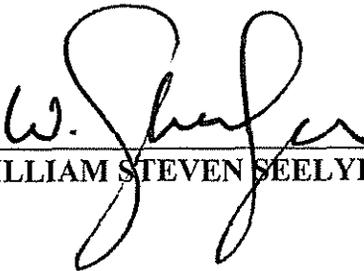
RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO THE
FIRST DATA REQUEST OF THE KROGER COMPANY
DATED AUGUST 27, 2008

FILED: September 11, 2008

VERIFICATION

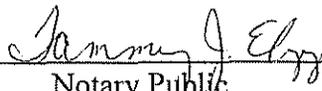
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 9th day of September, 2008.

 (SEAL)

Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

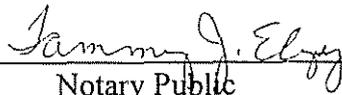
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 9th day of September, 2008.

 (SEAL)

Notary Public

My Commission Expires:
November 9, 2010

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.1

Responding Witness: William Steven Seelye

- Q-1.1. Please provide an electronic copy of Mr. Seelye's KU cost-of-service model (Filing Requirement Tab 40) with all formulas intact. If the model cannot be provided to outside parties, please provide an electronic copy of the model output (preferably in MS Excel format).
- A-1.1. See response to Question No. 30 of the Second Data Request of the Commission Staff to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

Response to First Data Request of the Kroger Company

Dated August 27, 2008

Question No. 1.2

Responding Witness: William Steven Seelye

- Q-1.2. Please provide an electronic copy with formulas intact, preferably in MS Excel format, of all KU electric rate design work papers.
- A-1.2. See response to Question No. 30 of the Second Data Request of the Commission Staff to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.3

Responding Witness: William Steven Seelye

Q-1.3. Please explain how KU derived its proposed demand charges for the proposed TOD primary and secondary rates. Include any electronic workpapers with formulas intact, if necessary.

A-1.3. KU's proposed Rate TOD was designed to be revenue neutral to KU's standard Large Power Service Rate LP, except that Rate TOD has a time differentiated demand charge. Specifically, the energy charge for Rate TOD was set equal to the energy charge for KU's standard Large Power Service, and the demand charge was designed to produce the same total demand-charge revenue as would be produced if the TOD customers were billed under KU's standard Large Power Service Rate LP. The on- and off-peak demand charge differential for Rate TOD was based on the relationship between the on- and off-peak demand charges for Rate LCI-TOD (which is being renamed LTOD).

See the response to Question No. 30 of the Second Data Request of the Commission Staff for electronic workpapers.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.4

Responding Witness: William Steven Seelye

- Q-1.4. Please explain why KU has chosen to design its proposed TOD rates by price-differentiating only the demand charge with respect to peak and off-peak usage and not the energy charge?
- A-1.4. Because KU's generation is produced predominantly by coal-fired steam generating facilities, KU's average energy costs do not vary significantly by time of day.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.5

Responding Witness: William Steven Seelye

- Q-1.5. Please explain why Seelye Exhibit 5 for KU does not include the proposed energy charge for TOD-Primary (p. 12) and TOD-Secondary (p. 13). Is this an inadvertent omission?
- A-1.5. The omission was inadvertent. The omission did not affect any other exhibit to Mr. Seelye's testimony or the calculation of the proposed rates. Attached are revised pages 12 and 13 of Seelye Exhibit 5 corrected for this omission.

KENTUCKY UTILITIES COMPANY
 Calculations of Proposed Rate Increase
 Based on Sales for the 12 months ended April 30, 2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Bills	Total KWH	Present Rates	Calculated Revenue at Present Rates	Proposed Rates	Calculated Revenue at Proposed Rates
STOD-P Rate Code 582 (Customers Eligible for Service Under Rate TOD-Primary)						
Customer	24		\$ 90.00	\$ 2,160	\$ 120.00	2,880
Demand (KW)	26,938		\$ 7.26	195,573		
On-Peak Demand (KW)	26,938				\$ 6.00	161,630
Off-Peak Demand (KW)	26,658				\$ 1.27	33,856
Minimum Demand				-		-
On Peak Energy		7,888,094	\$ 0.03879	309,858	\$ 0.03282	262,169
Off Peak Energy		7,861,106	\$ 0.02596	204,074	\$ 0.03282	258,002
Minimum Energy				(23,990)		(24,224)
Total Calculated at Base Rates				\$ 687,675		\$ 694,312
Correction Factor				1.000000		1.000000
Total After Application of Correction Factor				\$ 687,675		\$ 694,312
Fuel Clause Billings - proforma for rollover				28,561		28,561
VDT Amortization & Surcredit Adjustment				-		-
Adjustment to Reflect Year-End Customers				-		-
Adjustment to Reflect Temperature Normalization			\$ -		0.03282	-
Total				<u>\$ 716,236</u>		<u>\$ 722,873</u>
Proposed Increase						6,637
		Percentage Increase				0.93%

KENTUCKY UTILITIES COMPANY
 Calculations of Proposed Rate Increase
 Based on Sales for the 12 months ended April 30, 2006

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Bills / KW	Total KWH	Present Rates	Calculated Revenue at Present Rates	Proposed Rates	Calculated Revenue at Proposed Rates
STOD-S Rate Code 584 (Customers Eligible for Service Under Rate TOD-Secondary)							
Customer		612		\$ 90.00	\$ 55,080	\$ 90.00	55,080
Demand (KW)		351,379		\$ 7.65	2,688,050		
On-Peak Demand (KW)		351,379				6.39	2,245,312
Off-Peak Demand (KW)		348,514				1.27	442,612
Minimum Demand					-		-
On Peak Energy			94,624,461	\$ 0.03879	3,670,463	\$ 0.03282	3,105,575
Off Peak Energy			94,679,823	\$ 0.02596	2,457,888	\$ 0.03282	3,107,392
Minimum Energy					(251,753)		(254,154)
Total Calculated at Base Rates					\$ 8,619,748		\$ 8,701,818
Correction Factor					1.000000		1.000000
Total After Application of Correction Factor					\$ 8,619,748		\$ 8,701,818
Fuel Clause Billings - proforma for rollover					308,031		308,031
VDT Amortization & Surcredit Adjustment					-		-
Adjustment to Reflect Year-End Customers					-		-
Adjustment to Reflect Temperature Normalization					(32,622)	0.03282	(32,622)
Total					<u>\$ 8,895,156</u>		<u>\$ 8,977,226</u>
Proposed Increase							82,070
		Percentage Increase					0.92%

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.6

Responding Witness: William Steven Seelye

- Q-1.6. Please provide the KU Test Period kWh for TOD (primary and secondary) in the following categories:
- a. Summer On-Peak
 - b. Winter On-Peak
 - c. Off-Peak
- A-1.6. KU has not performed an analysis breaking out the test period kWh for Rate TOD by pricing period. The hourly loads for Rate TOD (formerly Rate STOD) are included in the response to Question No. 118 of the Initial Requests for Information of the Attorney General to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.7

Responding Witness: William Steven Seelye

- Q-1.7. Please provide KU Test Period system average energy costs for the following categories:
- a. Summer On-Peak
 - b. Winter On-Peak
 - c. Off-Peak
- A-1.7. KU has not performed an analysis breaking out the test period system average energy costs by pricing period. The hourly system average energy costs are provided in response to Question No. 115 of the Initial Requests for Information of the Attorney General to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.8

Responding Witness: William Steven Seelye

- Q-1.8. If the information requested in #1.7 above is not readily available and KU is not willing to make the calculations necessary to answer the question, please provide the data necessary to make the calculation.
- A-1.8. The requested information can be calculated by analyzing the hourly system average energy costs provided in response to Question No. 115 of the Initial Requests for Information of the Attorney General to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.9

Responding Witness: William Steven Seelye

- Q-1.9. Please provide KU Test Period system marginal energy costs for the following categories:
- a. Summer On-Peak
 - b. Winter On-Peak
 - c. Off-Peak
- A-1.9. KU has not performed an analysis breaking out the test period system marginal energy costs. The hourly system marginal energy costs are provided in response to Question No. 115 of the Initial Requests for Information of the Attorney General to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.10

Responding Witness: William Steven Seelye

- Q-1.10. If the information requested in #1.9 above is not readily available and KU is not willing to make the calculations necessary to answer the question, please provide the data necessary to make the calculation.
- A-1.10. The requested information is provided in the response to Question No. 115 of the Initial Requests for Information of the Attorney General to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.11

Responding Witness: William Steven Seelye

- Q-1.11. For any of Mr. Seelye's exhibits (other than the cost-of-service study or rate design workpapers previously requested) that include calculated values for KU's electric business, please provide an electronic copy with all formulas intact (and any supporting workpapers with formulas intact) for KU's electric business only.
- A-1.11. See response to Question No. 30 of the Second Data Request of the Commission Staff to Kentucky Utilities Company.

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

CASE NO. 2007-00565

**Response to First Data Request of the Kroger Company
Dated August 27, 2008**

Question No. 1.12

Responding Witness: Robert M. Conroy

Q-1.12. For any of Mr. Conway's exhibits that include calculated values for KU's electric business, please provide an electronic copy with all formulas intact (and any supporting workpapers with formulas intact) for KU's electric business only.

A-1.12. The Company assumes the request is for Mr. Conroy's exhibits.

The requested information is being provided on CD. Please also see the response to PSC-2 Question No. 23.