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March 9, 2005

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PUBLIC SERVICE  
COMMISSION

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

**RE: The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge**  
**Case No. 2004-00426**

Dear Ms. O'Donnell:

Enclosed please find an original and eight (8) copies of Kentucky Utilities Company's ("KU") responses to the Supplemental Request for Information Posed by the Attorney General dated February 23, 2005, in the above-referenced docket.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Kent W. Blake

cc: Hon. Elizabeth E. Blackford  
Hon. Michael L. Kurtz

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

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PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

**THE APPLICATION OF KENTUCKY UTILITIES )  
COMPANY FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO CONSTRUCT ) CASE NO. 2004-00426  
FLUE GAS DESULFURIZATION SYSTEMS AND )  
APPROVAL OF ITS 2004 COMPLIANCE PLAN FOR )  
RECOVERY BY ENVIRONMENTAL SURCHARGE )**

**RESPONSE OF KENTUCKY UTILITIES COMPANY  
TO SUPPLEMENTAL REQUEST FOR  
INFORMATION POSED BY THE ATTORNEY GENERAL  
DATED FEBRUARY 23, 2005**

**FILED: MARCH 9, 2005**



# KENTUCKY UTILITIES COMPANY

CASE NO. 2004-00426

## Response to Supplemental Request for Information Posed by the Attorney General Dated February 23, 2005

### Question No. 1

**Responding Witness: Robert M. Conroy**

Q-1. Refer to the response to question 6 that indicates that R(m) has always exceeded E(m). The question is restated as follows: Please provide an example and elaborate on the circumstances or conditions where the monthly "Environmental Cost Recovery Surcharge" jurisdictional revenues derived from applying the monthly Environmental Surcharge Factor to all electric rate schedules **would exceed** the jurisdictional total of each approved environmental compliance plan revenue requirement of environmental compliance costs that are over and above the revenues associated with "Base Environmental Surcharge Factor." In other words, are there circumstances when more revenues could be collected than are intended, and if so, what are they?

A-1. Yes. Actual ECR revenues collected from customers are the result of multiplying the current month billing factor (MESF) times the sum of customer charges, energy charges, demand charges, and FAC and DSM charges. Additionally, actual ECR revenues include the portion of base rate (customer, energy and demand) revenues attributable to the ECR roll-in and represented by the Base Period Jurisdictional Environmental Surcharge Factor ("BESF"). The monthly environmental factor is determined by dividing the current month environmental revenue requirement (Net Jurisdictional E(m)) by the **twelve-month average retail revenues** for the period ending with the current expense month. To the extent that monthly retail revenue subject to the ECR differs (either higher or lower) from twelve-month average revenue used to determine the ECR billing factor, actual ECR revenues will be higher or lower than Net Jurisdictional E(m).

In the monthly ECR filing, ES Form 2.00 provides for a True-up Adjustment to account for any over/under recovery of the monthly surcharge due to timing differences. To account for over/under collections, the Net Jurisdictional E(m) for the two months prior to the current expense month is subtracted from the current monthly ECR Revenue as reported on ES Form 3.00. Additionally, the BESF is multiplied by base revenues for the current month as reported on ES Form 3.00 to determine the ECR revenue recovered through base rates. These amounts are added and carried forward to ES Form 1.00 as an adjustment to the current month environmental revenue requirement. Over collections reduce the Current Period Jurisdictional Environmental Surcharge Factor ("CESF") and under collections increase the CESF. Thus, ECR over- and under-collections are regularly and continuously adjusted each month by the True-up mechanism in the ECR Tariff.



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2004-00426**

**Response to Supplemental Request for Information Posed by the Attorney General  
Dated February 23, 2005**

**Question No. 2**

**Responding Witness: Robert M. Conroy**

Q-2. Refer to the response to question 7 that indicates that the Environmental Surcharge Billing Factor would have to exceed 100% . The question is restated as follows: Please provide an example and elaborate on the circumstances or conditions where the monthly "Environmental Cost Recovery Surcharge" jurisdictional revenues derived from applying the monthly Environmental Surcharge Factor to all electric rate schedules **would be less than** the jurisdictional total of each approved environmental compliance plan revenue requirement of environmental compliance costs that are over and above the revenues associated with "Base Environmental Surcharge Factor." In other words, are there circumstances when less revenues are collected than are intended and if so, what are they?

A-2. See response to Question No. 1.