Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

March 25, 2008

Lonnie E. Bellar
E.ON U.S. Services, Inc.
220 West Main Street
Louisville, KY 40202

RE: Case No. 2007-00563

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

Stephanie Stumbo

Stephanie Stumbo
Executive Director

SS/rs
Enclosure

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March 25, 2008

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

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March 25, 2008

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202

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March 25, 2008

Honorable Kendrick R. Riggs
Attorney at Law
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KY 40202-2828

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John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

March 25, 2008

Honorable Allyson K. Sturgeon
Attorney at Law
E.ON U.S. Services, Inc.
220 West Main Street
Louisville, KY 40202

RE: Case No. 2007-00563

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Sincerely,

Stephanie Stumbo
Executive Director

SS/rs
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PLAN OF KENTUCKY UTILITIES COMPANY FOR THE FUTURE DISPOSITION OF THE MERGER SURCREDIT MECHANISM	))))	CASE NO. 2007-00563

COMMISSION STAFF'S FIRST DATA REQUEST TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 1, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KU shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which KU fails or refuses to furnish all or part of the requested information, KU shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to page 5 of Lonnie Bellar's testimony, starting at line 11. Mr. Bellar states that, when KU's earnings deficit relative to authorized levels exceeds its share of the merger savings, customers are receiving 100 percent of the merger benefits.

a. Is KU currently experiencing an earnings deficit relative to authorized levels? Provide all workpapers supporting this calculation.

b. If KU is operating at an earnings deficit relative to authorized levels, provide the time period over which this has occurred and explain why KU has not filed for a rate increase.

2. In KU's most recent rate case, Case No. 2003-00434,[1] revenue requirements were based on the post-merger, test-year level of expenses plus $18,968,825 of additional expenses to reflect the shareholder merger savings. In addition, due to a settlement agreement reached in Case No. 2002-00429,[2] merger surcredits to customers of $17,898,933 annually were to continue. To properly reflect

[1] Case No. 2003-00434, An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company, final Order dated June 30, 2004.

[2] Case No. 2002-00429, Kentucky Utilities Company's Plan to Address the Future of the Merger Surcredit Approved by the Kentucky Public Service Commission in Case No. 1997-00300, final Order dated October 16, 2003.

the merger surcredits in the rate-making process, KU's total revenues were reduced by the amount of the surcredits and rates had to be increased by the amount of the surcredits.

a. Will eliminating KU's merger surcredits result in a revenue increase of $17,898,933 annually for KU? If no, explain in detail.

b. Given that the shareholders' 50 percent of the merger savings is included as an expense in KU's existing base rates, will eliminating the merger surcredits result in 100 percent of the merger savings being recovered through base rates? If no, explain in detail.

3. In Case Nos. 1998-00474[3] and 2003-00434, KU argued that in order for shareholders to retain their portion of the merger savings, an upward adjustment to operating expenses equal to 50 percent of the total savings originally estimated in Case No. 1997-00300[4] was necessary to eliminate the shareholders' merger savings from the return calculations. This operating expense adjustment was coupled with the recognition that ratepayers would receive their share of the merger savings through the surcredit mechanism, thus achieving a balance between the interests of shareholders and ratepayers. Explain in detail why it appears that KU now believes it is no longer necessary to maintain the balance between the interests of shareholders and ratepayers concerning the merger savings.

[3] Case No. 1998-00474, The Application of Kentucky Utilities Company for Approval of An Alternative Method of Regulation of Its Rates and Service, final Order dated January 7, 2000.

[4] Case No. 1997-00300, In the Matter of Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger.

4. Assume for purposes of this question the Commission does not issue an Order in this proceeding by June 30, 2008. Explain KU's understanding of what would happen under the Merger Surcredit tariff and how each customer class would be affected.

5. Assume for purposes of this question the Commission finds that the merger surcredit should be continued until the issuance of a final Order in KU's next general rate case. Would KU agree that the dollar level of the surcredit to be spread among all customer classes should be $18,968,825? Explain the response.

Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: March 25, 2008

cc: Parties of Record