COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ELECTRIC BASE RATES	)))	**Case No. 2008-00251**

SUPPLEMENTAL REQUESTS FOR INFORMATION OF THE ATTORNEY GENERAL

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

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

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

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

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

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

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

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL OF KENTUCKY

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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 24th day of September, 2008, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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I. REVENUE REQUIREMENTS

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.

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.

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.

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.

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.

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?

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.

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).

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.

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.

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.

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.

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?

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).

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.

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).

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.

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.

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.

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?

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.

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.

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?

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.

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.

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.

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.

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?

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.

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.

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?

II. DEPRECIATION

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.

III. RATE DESIGN

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%

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.

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.

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.

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.

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).