KU

an e·on company

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

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 Kentucky Industrial Utility Customers, Inc. (KIUC) Second Set of Data Requests 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 THE
SECOND SET OF DATA REQUESTS OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. (KIUC)
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.

S. B. 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, **Paula H. Pottinger, Ph.D.**, being duly sworn, deposes and says that she is the Senior Vice President, Human Resources 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.

PAULA H. POTTINGER, Ph.D.

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

(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, **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, **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, **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

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.1

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

Q-2.1. Please provide each of the 13 months and the 13 month average for the test year of each accounts payable balance by account/subaccount. Provide these amounts on a total Company, service (electric/gas) and jurisdictional basis. Provide all assumptions used to allocate amounts to service and/or jurisdiction.

A-2.1. See attached. The Company does not maintain a jurisdictional balance sheet. The amounts allocated to Kentucky Retail and Other Jurisdictions were based on the April 2008 jurisdictional separation study that developed allocation factors for all elements of rate base and of cost of service. Depending on the type of account, the payable balance was assigned to the Kentucky retail jurisdiction using either a labor, rate base or energy allocator.

Kentucky Utilities Company
Monthly Balances - Accounts Payable
13 Months Ended April 30, 2008
Total Company

Account	APR-2007	MAY-2007	JUN-2007	JUL-2007	AUG-2007	SEP-2007	OCT-2007	NOV-2007	DEC-2007	JAN-2008	FEB-2008	MAR-2008	APR-2008	13 Month Total	13 Month Average
232001	(64,696,314 96)	(56,564,330.71)	(78,510,965.98)	(108,586,076.03)	(114,762,858 06)	(130,162,782 50)	(140,469,222 30)	(89,078,622 77)	(108,746,084.04)	(102,743,030.03)	(85,506,912.28)	(84,147,777.20)	(77,041,048 17)	(1,252,016,025.03)	(96,308,925.00)
232002	(2,700,960.40)	(3,342,060.34)	(1,506,650 54)	(1,661,588 35)	(2,553,205 80)	(2,681,779.64)	(3,363,401.84)	(1,297,529 22)	(1,580,764 34)	(2,245,196 41)	(2,485,968 24)	(3,059,737.57)	(3,281,416 82)	(31,770,349.71)	(2,443,873 05)
232004	(429,966 58)	(429,966 58)	(437,087.88)	(437,087.88)	-	-	-	-	-	-	-	-	-	(1,734,108.82)	(133,392 99)
232009	(589,724.77)	(595,923.84)	(582,200.55)	(563,346.36)	(732,404 89)	(691,490 01)	(709,906 09)	(743,355 67)	(675,182.41)	(595,148 13)	(571,442 51)	(591,785.12)	(617,411.25)	(8,259,321.60)	(635,332 43)
232010	(6,965,599 88)	(7,665,000.36)	(7,417,282.29)	(5,641,659 57)	(9,070,791.05)	(5,753,423.58)	(5,603,811.26)	(6,425,103 43)	(4,405,204.22)	(7,036,212.95)	(11,248,382.15)	(8,693,209 22)	(8,104,492.58)	(95,030,172 52)	(7,310,013 27)
232011	(1,144,154 90)	(1,238,289.75)	(1,290,310.80)	(416,582.40)	(1,000,780 51)	(684,487 09)	(434,461.54)	(513,882 74)	(410,458 77)	(500,254.83)	(771,031.02)	(753,179 49)	(772,783 13)	(9,930,657 07)	(763,896.70)
232014	5,132 73	5,235.33	(549 80)	(549 80)	(501.77)	(501 77)	3,898 23	3,898.23	3,898 23	3,898 23	3,898 23	-	-	27,756.07	2,135.08
232015	(26,241,671.80)	(23,740,786.29)	(23,949,551.20)	(26,488,901.46)	(25,943,853 95)	(15,185,768 02)	(29,165,225 64)	(24,033,798 63)	(19,571,630 90)	(25,853,249 38)	(23,627,635 47)	(22,734,432 29)	(24,943,985 26)	(311,478,490 30)	(23,959,883 87)
232100	(19,998,554 34)	(23,604,788 34)	(6,856,499 45)	(15,967,777.18)	(5,778,377.92)	(6,465,735.94)	(15,895,955 33)	(20,535,112 70)	(21,284,385.20)	(4,402,514 50)	(16,028,503.75)	(13,011,446.28)	(15,859,644.20)	(185,690,295.19)	(14,283,868 85)
232202	-	43 00	-	-	-	-	-	-	-	-		-	-	43.00	3 31
232205	-	2,059.56	-	-	-	-	-	-	-	-		-	-	2,059 56	158 43
232206	-	3,734 87	-	-	-	-	-	-	-	-		-	-	3,734.87	287.30
232207	(1,842 50)	(1,717.50)	(1,792.50)	(1,767.50)	(1,792 50)	(1,717.50)	(1,792.50)	(1,717.50)	(1,842 50)	(1,717.50)	(1,792.50)	-	-	(19,492.50)	(1,499 42)
232211	(103,128 84)		-	-	-	-	-	-	(5,162,296 80)	(5,162,296 80)	(5,162,296 80)	-	122 52	(15,589,896 72)	(1,199,222 82)
232214	994.28	994.28	994 28	994 28	994.28	994.28	-	-	-	-	-	-	-	5,965 68	458 90
232216	(5,684 37)	(6,527.97)	(5,554 45)	(7,055 07)	(4,806 05)	(4,827.65)	(4,316 45)	(5,128 95)	(5,283 00)	(6,508 62)	(5,147.19)	-	-	(60,839 77)	(4,679 98)
232220	-	901 00	-	-	-	-	-	-	-	-		-	-	901.00	69.31
232223	(660 81)	1,749 75	-	-	-	-	-	-	-	-	-	-	2,575 28	3,664 12	281.86
232229	-	-	-	-	-	-	-	-	-	-		(1,717 50)	(1,792.50)	(3,510 00)	(270.00)
232234	-	-	-	-	-	-	-	-	-	-		(6,349.70)	(7,190.21)	(13,538 91)	(1,041.45)
232235		2,787.47	-	-	-	-	-	-	-	-		-	-	2,787.47	214 42
232238	(20,008.28)	(20,803.18)	(20,569 51)	(20,374 98)	(22,456 68)	(14,418 76)	(19,467 86)	(18,033 10)	(18,742 81)	(19,884 42)	(16,727.17)	-	-	(211,486.83)	(16,268 22)
232239	(455.70)	(455.70)	(455.70)	(455 70)	(455 70)	(455.70)	(455 70)	(455 70)	(455.70)	(455 70)		-	-	(4,557.00)	(350.54)
232241	-	-	-	-	-	-	-	-	-	-		(13,580.14)	(14,227.63)	(27,807.77)	(2,139.06)
232242	-	-	-	-	-	-	-	-	-	-	-	(455 70)	(455 70)	(911 40)	(70 11)

Attachment to Response to KIUC-2 Question No. 2.1
Page 1 of 2
Charnas/Conroy

Kentucky Utilities Company
Monthly Balances - Accounts Payable
13 Months Ended April 30, 2008
Kentucky Jurisdictional

Account	Allocator	APR-2007	MAY-2007	JUN-2007	JUL-2007	AUG-2007	SEP-2007	OCT-2007	NOV-2007	DEC-2007	JAN-2008	FEB-2008	MAR-2008	APR-2008	13 Month Total	13 Month Average
232001	0.8796	(56,907,618.32)	(49,754,632.00)	(69,938,754.73)	(95,513,553.95)	(100,946,722.04)	(114,492,671.65)	(123,558,333.93)	(78,354,575.03)	(85,654,298.82)	(80,373,943.88)	(75,212,857.65)	(82,813,481.22)	(67,766,186.79)	(1,101,287,610.01)	(84,714,431.54)
232002	0.8914	(2,407,604.24)	(2,678,073.16)	(1,343,010.52)	(1,481,120.25)	(2,275,977.75)	(2,390,506.73)	(2,698,096.81)	(1,156,002.24)	(1,409,074.68)	(2,001,341.59)	(2,215,962.76)	(2,727,413.97)	(2,933,930.21)	(28,310,714.91)	(2,178,439.61)
232004	0.8914	(383,267.14)	(383,267.14)	(389,614.98)	(389,614.98)										(1,545,764.24)	(118,904.94)
232009	0.8796	(518,728.65)	(524,181.42)	(512,110.26)	(485,525.90)	(644,231.71)	(608,242.52)	(624,441.51)	(653,864.15)	(593,898.17)	(523,498.10)	(502,647.37)	(520,540.96)	(543,081.99)	(7,264,893.71)	(558,845.67)
232010	0.8796	(6,127,021.29)	(6,742,221.85)	(6,524,326.30)	(4,962,468.26)	(7,978,771.51)	(5,060,777.14)	(4,929,176.45)	(5,651,594.44)	(3,874,868.00)	(6,189,133.36)	(9,894,205.54)	(7,646,848.22)	(8,008,415.77)	(83,589,626.23)	(6,429,971.25)
232011	0.8796	(1,006,411.73)	(1,089,213.82)	(1,134,972.22)	(356,430.64)	(880,297.98)	(602,092.67)	(382,157.34)	(452,017.13)	(361,044.23)	(440,029.87)	(678,207.70)	(662,505.29)	(679,748.88)	(8,735,119.50)	(671,932.27)
232014	0.8796	4,514.81	4,605.06	(483.61)	(483.61)	(441.36)	(441.36)	3,428.93	3,428.93	3,428.93	3,428.93	3,428.93	-	-	24,414.58	1,878.04
232015	0.8684	(22,788,617.75)	(20,618,815.42)	(20,798,109.65)	(23,001,578.46)	(22,529,988.77)	(13,187,523.47)	(25,327,470.89)	(20,871,271.24)	(16,996,265.28)	(22,451,306.54)	(20,518,553.74)	(19,742,884.19)	(21,601,689.45)	(270,492,074.85)	(20,807,082.68)
232100	0.8796	(17,590,957.04)	(20,763,041.70)	(6,031,055.31)	(14,045,439.37)	(5,083,606.89)	(5,687,335.26)	(13,982,264.05)	(18,062,919.91)	(18,721,988.57)	(3,872,502.09)	(14,098,855.15)	(11,445,016.91)	(13,850,324.42)	(163,335,309.67)	(12,564,254.38)
232202		-	-		-	-	-	-	-	-		-	-		-	-
232205	0.8914	-	1,835.87												1,835.87	141.22
232206	0.8914	-	3,329.22												3,329.22	256.09
232207	0.8914	(1,642.38)	(1,530.96)	(1,597.81)	(1,575.53)	(1,597.81)	(1,530.96)	(1,597.81)	(1,530.96)	(1,642.38)	(1,530.96)	(1,597.81)	-	-	(17,375.37)	(1,336.57)
232211	0.8914	(91,927.83)	-						-	(4,601,610.47)	(4,601,610.47)	(4,601,610.47)	-	109.21	(13,896,050.03)	(1,068,973.08)
232214	0.8914	886.29	886.29	886.29	886.29	886.29	886.29						-		5,317.74	409.06
232216	0.8914	(5,056.98)	(5,818.96)	(4,951.17)	(6,288.81)	(4,764.06)	(4,303.31)	(3,847.63)	(4,571.89)	(4,709.20)	(5,801.71)	(4,588.14)	-	-	(54,231.86)	(4,171.68)
232220	0.8914		803.14												803.14	61.78
232223	0.8914	(589.13)	1,559.71											2,295.57	3,266.15	251.24
232229	0.8914		-										(1,530.96)	(1,597.81)	(3,128.77)	(240.67)
232234	0.8914												(5,659.16)	(6,409.27)	(12,068.43)	(928.34)
232235	0.8914		2,484.72												2,484.72	191.13
232238	0.8914	(17,835.14)	(18,543.71)	(18,335.42)	(18,162.00)	(20,017.62)	(12,852.71)	(17,353.42)	(16,074.49)	(16,707.21)	(17,724.74)	(14,910.40)	-	-	(188,518.88)	(14,501.30)
232239	0.8914	(406.21)	(406.21)	(406.21)	(406.21)	(406.21)	(406.21)	(406.21)	(406.21)	(406.21)	(406.21)		-		(4,062.10)	(312.47)
232241	0.8914		-	-	-								(12,105.18)	(12,682.34)	(24,787.52)	(1,906.73)
232242	0.8914		-	-	-	-		-			-	-	(406.21)	(406.21)	(812.42)	(62.49)

Kentucky Utilities Company
Monthly Balances - Accounts Payable
13 Months Ended April 30, 2008
Other Jurisdictional

Account	Allocator	APR-2007	MAY-2007	JUN-2007	JUL-2007	AUG-2007	SEP-2007	OCT-2007	NOV-2007	DEC-2007	JAN-2008	FEB-2008	MAR-2008	APR-2008	13 Month Total	13 Month Average
232001	0.1204	(7,788,696.64)	(6,809,698.71)	(9,572,211.25)	(13,072,522.08)	(13,816,136.02)	(15,670,110.85)	(16,910,858.37)	(10,724,047.74)	(13,091,785.22)	(12,369,086.15)	(10,294,054.63)	(11,334,315.98)	(9,274,661.38)	(150,728,415.02)	(11,594,493.46)
232002	0.1086	(293,356.16)	(362,987.18)	(163,640.02)	(180,465.10)	(277,318.05)	(291,272.91)	(365,305.13)	(140,926.98)	(171,689.66)	(243,854.82)	(270,005.48)	(332,323.60)	(357,466.71)	(3,450,634.60)	(265,433.45)
232004	0.1086	(46,699.44)	(46,699.44)	(47,472.90)	(47,472.90)										(188,344.68)	(14,488.05)
232009	0.1204	(70,996.12)	(71,742.42)	(70,090.28)	(67,820.46)	(88,173.18)	(83,247.49)	(85,464.58)	(89,491.52)	(81,284.24)	(71,649.03)	(68,795.14)	(71,244.16)	(74,329.26)	(994,327.89)	(76,486.76)
232010	0.1204	(838,578.59)	(922,778.41)	(892,855.99)	(679,191.31)	(1,092,019.54)	(692,646.42)	(674,634.61)	(773,508.99)	(530,336.22)	(847,079.59)	(1,354,176.61)	(1,046,563.00)	(1,096,076.81)	(11,440,546.29)	(880,042.02)
232011	0.1204	(137,743.17)	(149,075.93)	(155,338.68)	(50,151.76)	(120,482.53)	(82,404.42)	(52,304.20)	(61,865.61)	(49,414.54)	(60,224.96)	(92,823.32)	(90,674.20)	(93,034.25)	(1,195,537.57)	(91,964.43)
232014	0.1204	617.92	630.27	(66.19)	(66.19)	(60.41)	(60.41)	469.30	469.30	469.30	469.30	469.30	-	-	3,341.48	257.04
232015	0.1316	(3,453,054.05)	(3,123,970.87)	(3,151,441.55)	(3,485,323.00)	(3,413,865.19)	(1,998,244.55)	(3,837,754.75)	(3,162,527.39)	(2,575,365.62)	(3,401,942.84)	(3,109,081.73)	(2,991,548.10)	(3,282,295.81)	(40,986,415.45)	(3,152,801.19)
232100	0.1204	(2,407,597.30)	(2,841,746.64)	(825,444.14)	(1,922,337.81)	(695,771.03)	(776,400.68)	(1,913,691.28)	(2,472,192.79)	(2,562,396.63)	(530,012.41)	(1,929,648.60)	(1,566,429.37)	(1,909,310.84)	(22,354,986.52)	(1,719,614.50)
232202	1.0000	-	43.00												43.00	3.31
232205	0.1086	-	223.69	-											223.69	17.21
232206	0.1086	-	405.65	-											405.65	31.20
232207	0.1086	(200.12)	(186.54)	(194.69)	(191.97)	(194.69)	(186.54)	(194.69)	(186.54)	(200.12)	(186.54)	(194.69)	-		(2,117.13)	(162.86)
232211	0.1086	(11,201.01)								(560,686.33)	(560,686.33)	(560,686.33)	-	13.31	(1,693,240.69)	(130,249.75)
232214	0.1086	107.99	107.99	107.99	107.99	107.99	107.99						-		647.94	49.84
232216	0.1086	(617.39)	(709.01)	(603.28)	(766.20)	(521.99)	(524.34)	(468.82)	(557.00)	(573.80)	(706.91)	(559.05)	-		(6,607.91)	(508.30)
232220	0.1086	-	97.86												97.86	7.53
232223	0.1086	(71.78)	190.04											279.71	397.97	30.61
232229	0.1086	-											(186.54)	(194.69)	(381.23)	(29.33)
232234	0.1086	-											(689.54)	(780.94)	(1,470.48)	(113.11)
232235	0.1086	-	302.75												302.75	23.29
232238	0.1086	(2,173.14)	(2,259.47)	(2,234.09)	(2,212.96)	(2,439.06)	(1,566.05)	(2,114.44)	(1,958.61)	(2,035.70)	(2,159.68)	(1,816.77)	-	-	(22,969.97)	(1,766.92)
232239	0.1086	(49.49)	(49.49)	(49.49)	(49.49)	(49.49)	(49.49)	(49.49)	(49.49)	(49.49)	(49.49)		-		(494.90)	(38.07)
232241	0.1086	-											(1,474.96)	(1,545.29)	(3,020.25)	(232.33)
232242	0.1086	-											(49.49)	(49.49)	(98.98)	(7.61)

Attachment to Response to KIUC-2 Question No. 2.1
Page 2 of 2
Charnas/Conroy

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.2

Responding Witness: Valerie L. Scott

Q-2.2. Refer to the Company's response to PSC 1-25. Please provide the state excess deferred income taxes at the end of the test year for each originating temporary difference.

A-2.2. The state excess deferred income taxes for each originating temporary difference containing state excess deferred income taxes as of April 30, 2008 is as follows:

AFUDC	$ (465,139)
Contributions In Aid of Const. & Capitalized Int.	899,357
Depreciation	(10,941,499)
Total	$(10,507,281)

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.3

Responding Witness: Lonnie E. Bellar

Q-2.3. Refer to Exhibit 1 Reference Schedule 1.00. Please confirm that the sign on the amounts on line 2 is not negative and that the parentheses are meant to denote a subtraction of the April 30, 2008 amounts.

A-2.3. KU confirms the sign on the amount on line 2 is not negative and the parentheses are meant to denote a subtraction of the April 30, 2008 amounts.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.4

Responding Witness: Lonnie E. Bellar / William Steven Seelye / Counsel

Q-2.4. Refer to Exhibit 1 Reference Schedule 1.00.

a. Please cite to all Commission decisions where an adjustment to exclude unbilled revenues was explicitly decided and relied on by the Company for this adjustment, if any.

b. Other than precedent, if any, please explain the Company's rationale for this adjustment.

A-2.4. a. KU relied upon eighteen years of Commission precedent in LG&E's and its own rate cases in proposing its unbilled revenue adjustment in this proceeding. Most recently, the Commission explicitly accepted KU's unbilled revenue adjustment in Case No. 2003-00434: "The following adjustments were proposed by KU in its application, accepted by the AG, and have been found reasonable and accepted by the Commission[:] ... Adjustment to eliminate unbilled revenues."[1]

The Commission explicitly approved the unbilled revenue adjustment of KU's sister company, LG&E, in its most recent rate case, as well: "Based on all of the evidence on this issue ... we will accept LG&E's unbilled electric revenue adjustment as proposed."[2]

Eighteen years ago, the Commission approved LG&E's unbilled revenue adjustments to its electric and gas revenues:

> In normalizing its electric revenues, LG&E made adjustments to reflect year-end customers, to eliminate a non-recurring refund,

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[1] *In the Matter of: An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order at Appendix F (June 30, 2004).
[2] *In the Matter of: An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company*, Case No. 2003-00433, Order at 26 (June 30, 2004).

> and to eliminate the effect of changing to the unbilled method of recording revenues midway through the test year.
>
> ...
>
> LG&E's proposed adjustments are reasonable for determining normalized electric revenues.
>
> ...
>
> In normalizing its gas revenues, LG&E made adjustments to reflect normal weather conditions and year-end customers. LG&E eliminated the effect of changing to the unbilled method of recording revenues and adjusted its gas cost revenues to $130,285,428 based on its wholesale gas cost in effect at the time the application was filed.
>
> ...
>
> KIUC proposed an adjustment to increase LG&E's normalized gas revenues by $5,034,036 to reflect a 3-year amortization of LG&E's initial booking of unbilled revenues. This was the same adjustment KIUC proposed for LG&E's electric revenues. For the same reasons previously cited in the discussion of electric revenues, the Commission finds that no adjustment should be made.[3]

Other Commission precedents upon which KU did not explicitly rely, but which nonetheless support KU's proposed unbilled revenue adjustment, are:

1. *In the Matter of: An Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2005-00042, Order at Appx. D ("The following adjustments were proposed by ULH&P in its application, accepted or not opposed by the AG, and have been found reasonable and accepted by the Commission[:] ... 6. Unbilled Revenue and Gas Costs.").

2. *In the Matter of: Application of Kenergy Corporation for Review and Approval of Existing Rates*, Case No. 2003-00165, Order at 4 (April 22, 2004) ("The Commission finds that the following 19 adjustments proposed by Kenergy are reasonable and will be accepted without change: ... the removal of unbilled revenue, a decrease in revenues of $350,000[.]").

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[3] *In the Matter of: Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company*, Case No. 1990-00158, Order at 17-19 (Dec. 21, 1990).

b. The Company's rationale for this adjustment is as follows:

First, the Commission has approved this type of adjustment in LG&E's rate cases for at least the last three rate cases prior to this case (explicitly in the two cases discussed in a. above, implicitly in Case No. 2000-00080) and in KU's most recent rate case.

Second, the adjustment provides a better match of test-year revenues and expenses, using as-billed revenues for rate-making purposes rather than the revenues recorded on an accrual basis for accounting purposes.

Third, unbilled revenues are *estimates* that attempt to put revenue on a calendar month basis instead of a billing cycle basis. As a result, there are no class billing determinants associated with unbilled revenues. The only metered billing determinants available are associated with as-billed revenue. With a historical test year, rate case revenue, allocators, billing determinants, etc. should be based on known and measured metered information that is readily available and verifiable, and much more accurate than estimated unbilled revenues data.

Fourth, the billing determinants used to develop the proposed rates *do not* include units related to the unbilled revenues. In other words, the billing determinants used to determine proposed rates reflect as billed determinants, and do not include unbilled determinants. Consequently, if unbilled revenues *are not* removed from test-year operating revenues, then the billing units used to establish rates in the case would need to be revised to also reflect unbilled revenue.

Fifth, if unbilled revenues *are not* removed from operating revenues, all revenue adjustments would have to be re-determined on an unbilled basis and not an as-billed basis.

Sixth, for a fully normalized test year, there would be no difference between as-billed revenues and revenues including unbilled revenues.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.5

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

Q-2.5. Refer to Exhibit 1 Reference Schedules 1.03 and Schedule 1.09 line 4. Please reconcile the difference between the net of the test year revenues and expenses on Schedule 1.03 and the Schedule 1.09 line 4 amount.

A-2.5. The purpose of the referenced adjustments is to remove the effects of the separate FAC regulatory mechanism (Reference Schedule 1.03) and the accrual accounting treatment of that mechanism (Reference Schedule 1.09) from the determination of base rates consistent with appropriate regulatory principles.

Schedule 1.09 is the change in the FAC accrual between the beginning and end of the test year. Schedule 1.03 is the difference between the billed FAC revenues and the recoverable FAC expenses during the test year. As noted on Schedule 1.03, there is a two-month lag between when FAC expenses are incurred and when they are recovered. The FAC revenue for May 2007 and June 2007 is the recovery of the FAC expense for March 2007 and April 2007, which was accrued as of the beginning of the test year. The FAC expenses for March 2008 and April 2008 will not be recovered until May 2008 and June 2008, and is included in the April 2008 accrued revenues. The net of the test year revenues and expenses will not reconcile to the change in the accrual due to expenses both incurred and recovered during the test year.

FAC Revenue Recovered in May 2007 (Ref. Sch. 1.03)	$(8,716,887)	
FAC Revenue Recovered in June 2007 (Ref. Sch. 1.03)	(17,054,396)	
FAC Expenses Recovered in March 2008 (Ref. Sch. 1.03)	966,474	
FAC Expenses Recovered in April 2008 (Ref. Sch. 1.03)	1,185,145	
Net FAC Revenue and Expenses Adjusted for Timing		$(23,619,664)
Net FAC Reported in Unbilled		(409,208)
FAC Over- or Under-Recovery		(1,013,000)
Other		26,872
FAC Accrued Revenue (Ref. Sch. 1.09 line 5)		$(25,015,000)
FAC Revenue Recovered in May 2007 (Ref. Sch. 1.03)	$8,716,887	
FAC Revenue Recovered in June 2007 (Ref. Sch. 1.03)	17,054,396	
FAC Over- or Under-Recovery	546,000	
FAC Reported as Unbilled Revenue	---	
Other	(14,283)	
FAC Regulatory Asset balance at April 30, 2007		$26,303,000
FAC Revenue Recovered in May 2008 (March 2008 Expense on Ref. Sch. 1.03)	$966,474	
FAC Revenue Recovered in June 2008 (April 2008 Expense on Ref. Sch. 1.03)	1,185,145	
FAC Over- or Under-Recovery	(467,000)	
FAC Reported as Unbilled Revenue	(409,208)	
Other	12,589	
FAC Regulatory Asset balance at April 30, 2008		1,288,000
Decrease in Accrued FAC		$25,015,000

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.6

Responding Witness: William Steven Seelye

Q-2.6. Refer to the Company's response to KIUC 1-12 and the statement: "Changes in customers result in changes in variable costs and changes in fixed costs."

a. Please provide all support for this statement in the short term, defined as the test year.

b. Please identify all changes in fixed costs that the Company incurs for customer growth that occurs from the beginning of the test year to the end of the test year.

A-2.6. a. The statement is supported by the Commission's long-standing practice of associating an operation and maintenance expense adjustment with the revenues resulting from the *pro forma* year-end adjustment to annualize year-end customers.

b. The Company has not performed a comprehensive *marginal* cost study to identify the *changes* in all fixed costs during the test year that result from adding new customers. However, attributing fixed costs to customers is consistent with the allocation of fixed customer- and demand-related costs in the cost of service study. Furthermore, adding new customers will almost certainly increase meter reading expenses, billing expenses, transformer maintenance expenses, maintenance of services, customer information expenses, and other distribution expenses during the test year. It is likely that the Company will also experience marginal changes in other types of fixed costs.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.7

Responding Witness: Paula H. Pottinger, Ph.D. / Valerie L. Scott

Q-2.7. Please provide a copy of each incentive compensation program in effect for the test year. Provide the target metrics, the achieved metrics, and the computation of the expense by each employee group or department, however, the data is available.

A-2.7. Attached is a copy of the Team Incentive Award (TIA) brochure, which is the only incentive compensation program applicable to costs charged directly to KU.

The TIA is an incentive plan designed to attract, retain and motivate employees to achieve financial, customer, team and individual results. An incentive target is established annually for each employee and the actual earned payout is at risk each year depending on the achievement of financial, customer, team, and individual objectives.

Target financial, customer, team, and individual metrics is established on an annual basis and vary by employee group and by department. Target and achieved financial, customer, and team metrics for the 2007 performance year are attached.

Performance against these various pre-determined metrics are evaluated after the end of the year and incentive payments are calculated for each employee.

Sixty percent (60%) of an employee's TIA is based on a combination of financial and customer metrics. Forty percent (40%) is based on team or individual metrics. Based on performance, the financial payout can range from 0% to 200%; customer, team and individual payouts range from 0% - 150%.

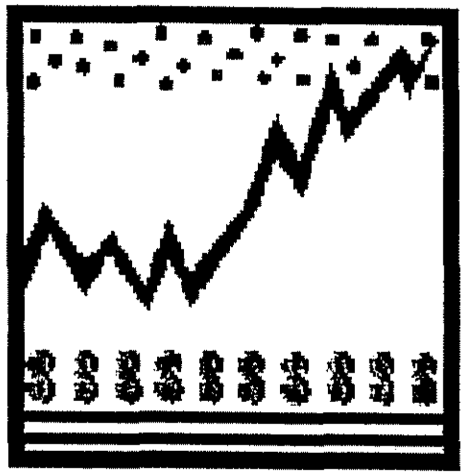
The computation of the expense is not available by employee group or department. The test year TIA payments included in KU's net operating income totaled $7,197,663 as noted in PSC-2 Question No. 101(a), 101(b), and 101(d).

Team Incentive Award (TIA) Plan
Responding Witness – Paula H. Pottinger, Ph.D.

E.ON U.S.

TEAM INCENTIVE AWARD (TIA) PLAN

- ☑ Financial Performance
- ☑ Customer Satisfaction
- ☑ Individual Contributions To The Team



[redacted]

Eligible employees participate in the E.ON U.S. Team Incentive Award ("TIA"). The TIA seeks to focus employee efforts on business goals and rewards employees for achieving those goals. The TIA provides an opportunity for eligible employees to share in the added value they create through superior performance.

TIA AND BUSINESS STRATEGY

The company realizes the wealth that exists in the abilities of its people. The challenge is to become the best in our competitive market through each individual using his or her talents combined with other team members to make it happen. The TIA Plan plays a key role in assisting the company in focusing employees on business goals as well as providing employees with a program that can increase their individual compensation.

The TIA was developed to motivate and direct employees toward the achievement of strategic goals. It also assists with attracting and retaining skilled personnel by providing competitive financial rewards that are commensurate with *their talents, cooperation and contribution*.

There are several basic TIA concepts:

- There is a focus on the cooperative spirit of all employees working together as a team to ensure a bright future.
- Risk-taking, embodied in initiative, fresh perspectives and innovative solutions, is encouraged and rewarded.
- The plan is designed to motivate and improve the individual performance of all employees.
- Incentive award levels will vary depending on the employee's base salary, position and performance. The TIA represents "pay at risk." The relationship of the target awards to salary reflects that employees who have increasing responsibility for company performance, as reflected in higher salaries, generally have higher amounts of individual compensation tied to that performance.

With these concepts in mind, the TIA was designed:

- To promote the achievement of the company's objectives.
- To attract, motivate and retain employees.

TIA PLAN

Key elements of the TIA are as follows:

1. Participants include all active full-time and regular, part-time salaried employees, IBEW 2100 employees and KU hourly and bargaining unit employees.

2. All TIA participants have Target Awards based on the following:

Target Award Participation

Non-Exempt & Hourly	6% of annual earnings
Exempt	
Individual Contributors	9% of base salary
Managers	14% of base salary
Senior Managers	25% of base salary

3. Performance objectives are established annually to support the Company's business strategies. The size of the awards will depend upon the degree to which these objectives are achieved. The payout level of the award will range from zero to 150% with a target level at 100% for expected performance.

4. Exempt employees with salary changes during the year will have their awards calculated in accordance with the amount of time they work under each respective base salary.

5. Total annual earnings, including overtime, are used in calculating the earned awards for all regular non-exempt and hourly full- and part-time employees. Prior TIA awards are excluded from total annual earnings to calculate earned awards.

6. Earned TIA Awards will be paid in cash within 90 days of the completion of the calendar-based annual performance period.

7. Compensation from the TIA is included in *calculating benefits under the Company's* Retirement (except for the KU Retirement Plan) and 401(k) Savings Plan.

8. This plan in no way creates a contract of employment for any duration. The company has full and final discretion with respect to the interpretation and application of this plan. The Company reserves the right to modify or terminate this plan in its sole discretion. This plan document supersedes any prior plan document relating to the TIA.

ELIGIBILITY

All active, regular full- and part-time salaried employees, IBEW 2100 employees and KU hourly and bargaining unit employees, who have at least one month continuous service and are on the payroll on December 31 of the performance year, are eligible for a TIA. Employees who become disabled, die or retire during the performance year will be eligible for a prorated award. Disability, for purpose of this plan, means that the employee is eligible for the receipt of benefits under the Long Term Disability Plan. Retire means that the employee is eligible to retire under the terms of the pension plan. Employees who join the company during the performance year, who have at least one month continuous service, and are on the payroll on December 31 will also be eligible for a prorated award. Employees incurring unpaid work days during the performance year may experience a proportionate reduction in their TIA.

FINANCIAL PERFORMANCE OBJECTIVES

The financial performance objective is determined annually by E.ON and the E.ON U.S. Finance department. This performance measure is also used for the officer annual incentives as part of the E.ON U.S. Short Term Incentive Plan to provide direct alignment and common performance objectives with the TIA. In 2000, we began combining the averages for LG&E and KU Customer Satisfaction into one financial performance objective.

INDIVIDUAL PERFORMANCE OBJECTIVES

The individual performance objective links an individual employee's performance and contributions to the Company and their work group to the TIA award. The individual performance objective can be combined with performance objectives for small teams as well as with key objectives from the Performance Excellence Process. Individual performance objectives should align with, and support, strategic business goals to drive business success.

TIA COMMUNICATION

TIA performance results for financial and operational performance measures are communicated periodically through the Company's internal communications to provide information concerning performance to date. Final TIA performance results are approved following the completion of the performance period and are communicated through the Company's internal communications.

CONCLUSION

The Team Incentive Award Plan is designed to strengthen the connection between pay and performance. It will direct a portion of total pay to awards based on financial, operational and individual achievements. TIA focuses eligible salaried and hourly employee's attention on the company's business goals. It shares the added value created by success and provides everyone a powerful incentive to do his or her very best.

TIA FORMULA

The TIA calculation formula is shown below, along with an example of a potential award. In this example, note the participant's salary is $40,000 and the target award is 9%.

TIA CALCULATION

Step 1: Target Award % x Annual Base Pay Earnings = Target Award

Step 2: Target Award x Financial Performance Objective Weight x Financial Performance % Earned = Financial Performance Earned Award

Step 3: Target Award x Customer Satisfaction Objective Weight x Customer Satisfaction Performance % Earned = Customer Satisfaction Earned Award

Step 4: Target Award x Individual Performance Objective Weight x Individual Effectiveness % Earned = Individual Performance Earned Award

Step 5: Financial Performance Earned Award + Customer Satisfaction Earned Award + Individual Performance Earned Award = Total Earned TIA

TIA CALCULATION EXAMPLE

Annual Base Pay Earnings = $40,000
Target Award Percent = 9%
Financial Performance % Earned = 105%
Customer Satisfaction % Earned = 100%
Individual Performance % Earned = 110%

Step 1: 9% x $40,000 = $3,600

Step 2: $3,600 x 45% x 105% = $1,701

Step 3: $3,600 x 15% x 100% = $540

Step 4: $3,600 x 40% x 110% = $1,584

Step 5: $1,701 + $540 + 1,584 = $3,825

Customer and Team Metrics 2007 Performance Plan
Responding Witness – Paula H. Pottinger, Ph.D.

2007 Financial Incentive Measures and Results

Measure	Target	Actual
E.ON U.S. EBIT	477,086	511,104
Combined Utility EBIT	495,139	517,981
Combined Utility Off-System Sales	38,825	19,284
E.ON U.S. Value Added	75,973	109,991

2007 Customer Satisfaction Results

	Peer Average Results	LG&E	KU	LG&E/KU
Quarter 1	39.9%	46.3%	62.9%	54.6%
Quarter 2	39.9%	43.8%	62.3%	53.0%
Quarter 3	43.6%	50.2%	62.8%	56.5%
Quarter 4	45.8%	47.7%	60.9%	54.3%

2007 Operating Services Team Incentive Measures and Results (40% of Target TIA)

Measure	Measure Weighting	Weighting of Team Rating	Targets	Ranges	Actual Results
Safety (TRR) Combined Energy Delivery	20%	50%	2.05	3.05 - 1.05	0.81
Corrective Maintenance (seven days within receipt of request)	10%	25%	99.5	98.5 - 100	100
Maintenance work orders completed without a call-back request	10%	25%	99.5	98.5 - 100	99.8

KU PLANTS - 2007 Targets and Results (40% of TIA Target)

Ghent

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	5 - 3 - 1	3
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-1.90
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	5.10 - **3.40** - 0.90	4.18
5	Availability - EAF Plant	77.80 - 82.**00** - 85.30	83.40

EWB/Tyrone Steam

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	6 - **4** - 1	0
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-2.60
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	5.70 - **3.80** - 1.90	3.04
5	Availability - EAF Plant	83.80 - 86.**60** - 88.00	85.60

EWB CT's

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	6 - **4** - 1	0
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-2.60
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
15	Starting Reliability	92.00 - **96.50** - 98.50	94.80

Green River

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	4 - **2** - 1	3
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-6.80
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	9.00 - 6.**00** - 3.00	4.30
5	Availability - EAF Plant	83.40 - **86.10** - 87.90	90.10

LGE Plants - 2007 Targets and Results (40% of TIA Target)

Trimble County

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	4 - **2** - 1	0
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-1.90
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	5.00 - **3.30** - 0.80	4.00
5	Availability - EAF Plant	80.90 - 84.**60** - 87.80	83.70

Mill Creek

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	6 - 4 - 1	4
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-7.30
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	6.60 - 4.**40** - 3.30	4.00
5	Availability - EAF Plant	84.00 - **87.10** - 88.20	89.00

Cane Run

Weighting	Measure	MIN - TARGET - MAX	Actual
15	Safety - Total Recordable Incidents	5 - **3** - 1	3
5	Cont. Budget Variance - Plant	3.00 - **0.00** - (-2.00)	-3.20
5	Cont. Budget Variance - Combined	3.00 - **0.00** - (-2.00)	-1.40
10	Availability - EFOR Plant	7.10 - 4.**70** - 3.50	8.70
5	Availability - EAF Plant	81.50 - **85.20** - 86.50	83.70

2007 Distribution Operations Incentive Measures and Results (40% of Target TIA)

Measure	Measure Weighting	Weighting of Team Rating	Targets	Range		Actual Results
				Minimum	Max	
Safety (Total Recordable Rate)	25%	62.5%	2.05	3.1	1.05	0.81
Electric Reliability SAIDI	5%	12.5%	80.19	113	61	78.39
Electric Reliability SAIFI	5%	12.5%	0.85	1.15	63	0.9
Gas Response (Response to Priority 1 Calls - Minutes)	5%	12.5%	42	55	29	45

2007 IT Telecommunications Department Hourly Targets and Results (40% of Target TIA)

Measure	Weighting	Target	Ranges	Actual Results
Safety	20%	1	0 - 3+	0
Average Team Competency	10%	3	0 - 5	0
Internal Customer Satisfaction	10%	3 - 10	0 - 25+	0

2007 Retail Team Incentive Measures and Results (40% of Target TIA)

Measure	Measure Weighting	Weighting of Team Rating	Targets	Ranges	Actual Results
Safety (TRR)	25%	62.5%	2.05	3.05 - 1.05	0.81
Meter Reading Accuracy	5%	12.5%	99.85	99.2 - 100.0	99.83
Meter Reads Completed	5%	12.5%	99.4	95.0 - 100.0	99.64
Field Service Orders Completed	5%	12.5%	99.7	95.0 - 100.0	99.81

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.8

Responding Witness: Valerie L. Scott

Q-2.8. Please provide the expense included in the test year O&M expenses for each incentive compensation program incurred directly by the Company and incurred indirectly by the Company through expenses charged by the affiliate service company.

A-2.8. The Team Incentive Award (TIA) program is the only incentive compensation program with costs charged to KU. The table below summarizes the TIA charges from responses in PSC 2 Question No. 101(a), 101(b) and 101(d).

TIA Costs	Direct Charges PSC 2-101(a)	From Servco PSC 2-101(b)	From LG&E PSC 2-101 (d)	Total
Construction/Other(1)	$ 1,417,718	$ 1,280,160	$ 36,749	$ 2,734,627
O&M(2)	3,523,424	3,603,951	70,288	7,197,663
Total	$ 4,941,142	$ 4,884,111	$ 107,037	$ 9,932,290

(1)Construction/Other includes accounts 107001 through 426591.
(2)O&M includes accounts 500100 through 935488.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.9

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.9. Please provide the Company's current estimated cost of an installed CT in 2009 dollars. Provide all supporting workpapers.

A-2.9. The Companies' current estimated cost of an installed CT in 2009 dollars is approximately $710/kW. For supporting documentation, please refer to the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) in the Supply-Side Analysis contained in Volume III.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.10

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.10. Please provide a levelized fixed charge rate for a CT using the Company's cost of capital and tax rates. Provide all supporting workpapers.

A-2.10. The levelized fixed charge rate for a CT using the Companies' cost of capital and tax rates is approximately 10.59%. For supporting documentation, please refer to the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) in the Supply-Side Analysis contained in Volume III.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.11

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.11. Please provide the estimated fixed O&M for a new CT in 2009 dollars. Provide all supporting workpapers.

A-2.11. The estimated fixed O&M for a new CT in 2009 dollars is approximately \$12.30/kW-Yr. For supporting documentation, please refer to the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) in the Supply-Side Analysis contained in Volume III.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the
Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.12

Responding Witness: Paul W. Thompson / William Steven Seelye

Q-2.12. Please provide the Company's required reserve margin for capacity planning.

A-2.12. As indicated in the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148) study, Reserve Margin Planning Criterion, contained in Volume III, the optimal reserve margin range is 12%-14%, with 14% recommended for planning purposes.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the
Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.13

Responding Witness: Shannon L. Charnas

Q-2.13. For each of the Company's curtailable service riders, please provide a list of customers (with identifying information removed) and the amount of contracted firm load and curtailable load for the most recent 12 months available.

A-2.13. The requested information was provided in response to AG-1 Question Nos. 128, 129, and 130. A summary is below.

Curtailable Service Rider 1 (CSR1)

Customer A:

	Total Firm Contract Demand (KW)	Total Contract Curtailable Load (KW)
Aug-08	200	3,100
Jul-08	200	3,100
Jun-08	200	3,100
May-08	200	3,100
Apr-08	200	3,100
Mar-08	200	3,100
Feb-08	200	3,100
Jan-08	200	3,100
Dec-07	200	3,100
Nov-07	200	3,100
Oct-07	200	3,100
Sep-07	200	3,100

Curtailable Service Rider 2 (CSR2)
No Customers are served under this rate schedule.

Curtailable Service Rider 3 (CSR3)

Customer A:

	Total Firm Contract Demand (KW)	Total Contract Curtailable Load (KW)
Aug-08	4,000	148,000
Jul-08	4,000	148,000
Jun-08	4,000	148,000
May-08	4,000	148,000
Apr-08	4,000	148,000
Mar-08	4,000	148,000
Feb-08	4,000	148,000
Jan-08	4,000	148,000
Dec-07	4,000	148,000
Nov-07	4,000	148,000
Oct-07	4,000	148,000
Sep-07	4,000	148,000

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.14

Responding Witness: Paul W. Thompson

Q-2.14. Please provide a 10 year forecast of load and capability, showing at a minimum the following information:

a. Annual peak;

b. Firm capacity

c. Firm requirement wholesale capacity sales;

d. Firm capacity purchases;

e. Demand side management (if any) assumed for planning purposes, including interruptible or curtailable load; and

f. Reserve margin.

A-2.14. Please refer to Table 8.4(a)-1 in Volume I, Section 8 of the Companies' 2008 Integrated Resource Plan (Case No. 2008-00148). For convenience, the referenced table is attached.

Table 8.(4)(a)-1

Kentucky Utilities Company / Louisville Gas and Electric Company
Resource Assesment and Acquisition Plan
Resource Capacity Available (MW)

At Summer Peak

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Forecasted Peak Load	7132	7199	7293	7385	7508	7617	7705	7812	7916	8017	8117	8231	8330	8469	8566	8696
Existing Peak Reductions																
Interruptible		105	105	105	105	105	105	105	105	105	105	105	105	105	105	105
Existing DSM		128	128	128	128	128	128	128	128	128	128	128	128	128	128	128
Case No. 2007-00319 DSM		11	61	111	161	207	252	292	330	330	330	330	330	330	330	330
Planned IRP08 Reduction (DSM)	0	0	0	14	29	45	62	77	93	109	109	109	108	108	107	106
Total Demand	7132	6956	6999	7027	7085	7132	7158	7210	7260	7345	7445	7560	7659	7798	7896	8028
Capacity From:																
Existing Resources	7521	7507	7467	8018	8020	8022	8024	8026	8022	8497	8497	8497	8497	8972	8972	8972
Planned Resources	0	0	0	0	0	0	0	0	475	0	0	0	475	0	0	155
Firm Purchases:																
Dynegy (MW)	0	165	165	0	0	0	0	0	0	0	0	0	0	0	0	0
OMU (MW)	169	168	167	0	0	0	0	0	0	0	0	0	0	0	0	0
OVEC (MW)	179	179	179	179	179	179	179	179	179	179	179	179	179	179	179	179
Firm Purchases Non-Utility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Capacity Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planned Retirements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Supply	7869	8019	7978	8197	8199	8201	8203	8205	8676	8676	8676	8676	9151	9151	9151	9306
Reserve Requirements	998	974	980	984	992	998	1002	1009	1016	1028	1042	1058	1072	1092	1105	1124
Excess (Deficit)	-262	89	-1	186	122	71	43	-14	399	303	188	58	419	261	149	155
Reserve Margin (%)	10.3%	15.3%	14.0%	16.6%	15.7%	15.0%	14.6%	13.8%	19.5%	18.1%	16.5%	14.8%	19.5%	17.3%	15.9%	15.9%

Note: 2007 Peak Load is from Actual Peak on 8/9/2007; Capacity is from Planned

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.15

Responding Witness: Paul W. Thompson

Q-2.15. For each year of the 10 year load and capability forecast requested in the previous question, please identify the following:

a. Capacity additions (provide mW, type of unit);

b. Capacity reductions and/or retirements (mW, type of unit).

A-2.15. Please refer to the attachment to the response to Question No. 2.14.

a. Please refer to the rows labeled "Planned Resources" and "Existing Resources" for capacity additions. For the 10 year period, 2009-2018, two new units and one rehabilitation are planned. In 2010, Trimble County 2, a supercritical coal-fired unit, is planned, with a summer net capacity of 549 MW (KU and LG&E combined ownership share). In 2015, a new combined-cycle combustion turbine unit is planned, with a capacity of 475 MW. For the period 2009 through 2014, six Ohio Falls hydro units will be rehabilitated thus increasing the expected capacity by 2 MW each (for a total of 12 MW during that time period).

b. No retirements are planned in the next 10 years. Please refer to the row labeled "Existing Resources" for capacity reductions. The 40 MW reduction in 2009 is due to the addition of the Ghent 2 FGD (21 MW) and the Brown FGD (21 MW). The 4 MW reduction in 2015 is due to the planned addition of SCR's on units Ghent 2 and Brown 3 (both coal-fired units).

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.16

Responding Witness: Shannon L. Charnas

Q-2.16. Please provide a copy of all accounting policies and procedures that address cost capitalization, plant retirements, cost of removal, and salvage value.

A-2.16. See Case No. 2007-00565, Response to the Attorney General's Initial Requests for Information dated February 4, 2008, Question Nos. 12 and 41 for the policies and procedures addressing cost capitalization, plant retirements, cost of removal, and salvage value.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.17

Responding Witness: Shannon L. Charnas

Q-2.17. Please provide a list of all retirement units used for book purposes and copy of all policies and procedures that address retirement unit costs.

A-2.17. See file entitled "Attachment to KU KIUC-2 Q-17" on the enclosed CD for the listing of all retirement units.

See Case No. 2007-00565, Response to the Attorney General's Initial Requests for Information dated February 4, 2008, Question No. 37 for the policies and procedures addressing retirement unit costs.

Electronic Attachment on CD

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.18

Responding Witness: S. Bradford Rives / Paul W. Thompson / Lonnie E. Bellar

Q-2.18. Refer to the KU's response to PSC 1-34.

a. Please provide a detailed description of EEI.

b. Please provide a history by year of KU's investment in EEI.

c. Please provide a history by year of KU's earnings from EEI.

d. Please explain why KU records the income from EEI in "Other Income Less Deductions."

A-2.18. a. EEI was formed in the early 1950's by several independent sponsoring companies, including:

Union Electric Company (UE)
Central Illinois Public Service Company (CIPS)
Illinois Power Company (IP)
Kentucky Utilities Company (KU)
Middle South Utilities, Inc.

Each company purchased stock in the newly formed company. EEI was formed for constructing, owning and operating the electric generating plant in Joppa, Illinois to provide power to a gaseous diffusion uranium plant owned and operated by the United States Atomic Energy Commission (AEC) near Paducah, Kentucky. Construction began on the 1,000 MW plant in 1951. Plant start-up occurred in 1954 and the plant reached full operation in the summer of 1955. At that time the sponsoring companies purchased any excess power produced by the plant beyond the energy required by the AEC pursuant to a purchase power agreement with a definite term. EEI generated 1,000 MW of electric capacity at its coal-fired power plant in Joppa, Illinois, and 55 MW at it natural gas fired facility at the same location. Today, Missouri-based utility holding company Ameren Energy holds an 80% stake in EEI and Kentucky Utilities (a subsidiary of E.ON U.S.) owns the remaining 20% of the company.

The gross capacity of the plant is currently 1,162 MW. Of that total, 1,086 MW is from the coal fired Joppa facility and 76 MW is combustion turbine capacity from Midwest Electric Power Inc. By contract, EEI sold its energy to AEC and the sponsoring companies at cost based rates until the expiration under its terms at the end of 2005. In late 2005, as a majority shareholder, Ameren Energy voted to sell this power into the market rather than to sponsoring companies beginning in 2006. KU receives equity in earnings from 20% of the net income of EEI. KU also receives 20% of the cash dividends that are declared and paid by EEI.

b. In 1951, the Company's original investment was $350,000. In 1953 and 1958 the Company invested $270,000 and $675,800, respectively. Since then, the investment has been $1,295,800.

c.

Kentucky Utilities Company
Earnings from EEI*

Year	Earnings
1998	$2,167,436
1999	2,333,723
2000	2,242,280
2001	1,802,856
2002	6,967,101
2003	3,644,247
2004	2,559,212
2005	2,256,843
2006	29,405,773
2007	26,358,781
April 30, 2008 – Year to Date	9,877,611

* Data provided is for the test year and the ten years previous that was readily available.

d. The investment in EEI has never been included in utility capitalization at KU. Correspondingly, the earnings from EEI are recorded below the line in "Other Income Less Deductions." KU records the earnings on its investments in EEI on the equity method of accounting. KU records its share of EEI's net income each period in proportion to KU's ownership percentage (20%). These amounts have been reported as "Other Income

Less Deductions" in KU's reports filed with the Commission based on the Commission's Uniform System of Accounts (USofA). The Code of Federal Regulations indicates account 418.1 "shall include the utility's equity in the earning or losses of subsidiary companies for the year", which is included in "Other Income" in the FERC Statement of Income for the Year.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.19

Responding Witness: S. Bradford Rives

Q-2.19. Refer to Mr. Rives' Exhibit 2 in the KU filing.

a. Please list all amounts by subsidiary and by year included in the undistributed subsidiary earnings in column 4 on these exhibits.

b. Please list all amounts by subsidiary and by year included in the undistributed subsidiary earnings in column 5 on these exhibits.

c. Please indicate whether the amounts in column 5 represent only direct investment or also include the earnings from EEI booked below the line.

d. Please provide the earnings by year from EEI booked below the line.

A-2.19. a. The entire amount in column 4 is the balance in undistributed earnings associated with KU's investment in EEI. The year by year accumulation to this balance is not readily available.

b. Column 5 includes the undistributed subsidiary earnings in column 4 and the cost based equity investment in EEI of $1,295,800. As explained in the Company's response to AG-1-34, there has been a double-counting of the equity in earnings by including it in columns 4 and 5 of Rives Exhibit 2. See AG-1-34 for revised Exhibit 2.

c. As stated in (b), column 5 includes the original investment as well as accumulated equity in earnings from EEI.

d. See response to KIUC 2-18(c).

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.20

Responding Witness: Valerie L. Scott

A-2.20. Refer to Exhibit 1 Reference Schedule 1.15. Please confirm that the Company included $7.040 million in TIA expense in the test year O&M expenses.

A-2.20. Yes. However, the amount should be $7.127 million and has been recalculated from the $7.040 million included in Rives Exhibit 1, Reference Schedule 1.15. The $7.127 million is made up of the $3.523 million direct O&M charges and $3.604 million Servco O&M charges in the response to Question No. 2.8. No TIA expense was included in the *pro forma* calculation included on line 7, Rives Exhibit 1, Reference Schedule 1.15, page 2 of 4.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.21

Responding Witness: Shannon L. Charnas

Q-2.21. Refer to the Company's response to AG 1-7.

a. Please provide a description of each deferral amount and the related amortization expense not previously approved by the Commission, including all costs that were aggregated into single lines, such as account 924 insurance and account 925 insurance.

b. For each deferral and amortization expense where the Company has described the amortization date as "Various," please provide the balance of each unamortized balance at April 30, 2008, the amortization expense and the expiration date.

c. Please explain why the Commission should not remove the amortization expense associated with the Southwest Power Pool and Tennessee Valley Authority deferrals, which will be fully amortized by August 30, 2008, before the rates are reset in this proceeding.

A-2.21. a. For accounting under U.S. GAAP, the payment of expenses that will benefit future accounting periods are identified as prepayments and amortized to expense over the period they benefit. The cost of intangible assets is capitalized and amortized to expense over the period they benefit.

Title of Amortization	Description
IT Expenses	For a description of each prepaid asset, see the attachment to the response to PSC 2-113
Carrollton Sale/Leaseback	Prepaid rent for the Carrollton office

Title of Amortization	Description
Insurance (Account 924)	Prepaid Master Property, Property, and River Marine insurance policies expensed to account 924 – Property Insurance
Insurance (Account 925)	Prepaid AEGIS Excess Liability, Excess Liability, and Permit Bond for Pesticides insurance policies expensed to account 925 – Injuries and Damages
Maintenance Contracts (Account 512)	Prepaid Honeywell technical support
Maintenance Contracts (Account 935)	Prepaid ARCS support and software agreement
OMU Scrubber Construction Fund	1991 B bond for pollution control facilities credit – intangible asset
Southwest Power Pool	Prepaid Independent Transmission Organization service
Tennessee Valley Authority	Prepaid Reliability Coordinator service
PSC Assessment Fee	Prepaid annual PSC Assessment
Transmission	Prepaid support management, technical support, software license, and MicroStation SELECT subscription
Intangible Assets	Franchises, consents, and software recorded on the balance sheet in account 101 and amortized monthly to expense

b. See attached. All IT contracts are held by Servco and allocated to KU based on the IT departmental allocation of 44.2573%. Because the contracts are held by Servco, KU has no unamortized balance at April 30, 2008. Monthly amortization expense is not calculated by contract. See PSC-2 Question No. 113 for test year amortization and contract expiration dates.

c. See the response to AG-2 Question No. 31 (b) and (c).

Kentucky Utilities Company
Deferral and Amortization Schedule Detail

Title of Amortization	Unamortized Bal @ 4/30/08	Monthly Amortization @ 4/30/08	Expiration Date	Recurring
924 Insurance - Master Property	$ 1,293,287	$ 215,548	10/08	Yes
924 Insurance - Property	49,941	8,323	10/08	Yes
924 Insurance - River Marine	10,078	1,260	12/08	Yes
Total 924 Insurance	1,353,306	225,131		
925 Insurance - AEGIS Excess Liability	382,306	47,788	12/08	Yes
925 Insurance - Excess Liability	106,166	13,271	12/08	Yes
925 Insurance - Permit Bond for Pesticides	4,263	711	10/08	Yes
Total 925 Insurance	492,735	61,770		
PSC Assessment	298,419	149,210	6/2008	Yes
Transmission - Open Systems International	65,235	8,154	12/2008	Yes
Transmission - Powerline Systems Inc	10,590	921	4/2009	Yes
Transmission - PowerGEM LLC	8,125	813	2/2009	Yes
Transmission - Bentley	4,700	587	12/2008	Yes
Total Transmission	88,650	10,475		
Intangible Assets (1)	7,167,678	429,131	Various	Yes

(1) The detail of Intangible Assets by Vintage year is provided on page 2.

Kentucky Utilities Company
Deferral and Amortization Schedule for Intangible Assets

Description	Vintage	Unamortized Bal @ 4/30/08	Monthly Amortization @ 4/30/08	Life Factor April 2008 (1)
KU-130200-Franchises and Consents	1987	$ 42	$ 8	0.97714732
KU-130200-Franchises and Consents	1988	106	6	0.93024378
KU-130200-Franchises and Consents	1989	104	4	0.88334079
KU-130200-Franchises and Consents	1990	148	4	0.83643642
KU-130200-Franchises and Consents	1991	334	6	0.78953398
KU-130200-Franchises and Consents	1992	204	3	0.74262887
KU-130200-Franchises and Consents	1993	1,881	25	0.69572896
KU-130200-Franchises and Consents	1994	7,056	81	0.64882646
KU-130200-Franchises and Consents	1995	4,064	41	0.60192290
KU-130200-Franchises and Consents	1996	4,653	42	0.55501994
KU-130200-Franchises and Consents	1997	849	7	0.50811444
KU-130200-Franchises and Consents	1998	1,107	8	0.46121587
KU-130200-Franchises and Consents	1999	416	3	0.41431344
KU-130200-Franchises and Consents	2002	426	2	0.27360874
KU-130200-Franchises and Consents	2003	1,173	6	0.22670279
KU-130300-Misc Intangible Plant	2003	52,924	57,014	0.98696617
KU-130300-Misc Intangible Plant	2004	3,374,226	227,828	0.78276628
KU-130300-Misc Intangible Plant	2005	569,486	20,667	0.57856638
KU-130300-Misc Intangible Plant	2006	2,028,258	51,613	0.37436648
KU-130300-Misc Intangible Plant	2007	1,120,221	71,763	0.17016658
Total		$ 7,167,678	$ 429,131	

(1) Amortization for Intangible Assets is calculated at the group level. The Life Factor is the calculated reserve ratio for a particular vintage year within a given amortization group.

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the Kentucky Industrial Utility Customers, Inc. Dated September 24, 2008

Question No. 2.22

Responding Witness: Shannon L. Charnas

Q-2.22. Please refer to KU's response to AG-1 Question 6(a). Please provide the attachment computation of depreciation expense in electronic format with all formulas intact.

A-2.22. See file entitled "Attachment to KU KIUC-2 Q-22" on the CD provided.

Electronic Attachment on CD

KENTUCKY UTILITIES COMPANY

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

Response to Second Set of Data Requests of the
Kentucky Industrial Utility Customers, Inc.
Dated September 24, 2008

Question No. 2.23

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

Q-2.23. Please refer to the variances comparing test year vs. 2007 actual costs for each of the O&M accounts found in KU'S response to PSC-1 Question 23 (b) for the Kentucky jurisdiction. For each of the FERC accounts listed below, please describe all reasons for the increases in expenses in the test year compared to those incurred in 2007. Please quantify the effects of each reason cited.

a. Acct 502 Steam Expenses - +6.05%.

b. Acct 510 Maintenance Supervision and Engineering - +10.79%.

c. Acct 512 Maintenance of Boiler Plant - +18.40%.

d. Acct 514 Maintenance of Misc Steam Plant - +9.21%.

e. Acct 548 Generation Expenses - +137.90%.

f. Acct 560 Operation Supervision and Engineering - +21.33.

g. Acct 571 Maintenance of Overhead Lines - +17.45%.

h. Acct 583 Overhead Line Expenses - +16.55%.

i. Acct 593 Maintenance of Overhead Lines - +15.86%.

j. Acct 904 Uncollectible Accounts - +43.33%.

k. Acct 905 Misc. Customer Accounts Expenses - +39.29%.

l. Acct 923 Outside Services - +19.57%.

A-2.23. From KU's response to PSC-1 Question No. 23(b), Total Electric Operation and Maintenance Expense increased 4.35% from 2007 to the test year.

a. Account 502, Steam Expenses, had a 6.05% ($515,000) increase due to scrubber operating costs, primarily limestone purchases of $316,000, for the FGD at Ghent Unit 3 that went online in June 2007. Another $199,000 was due to limestone and other operating costs, such as boiler plant operation labor and water treatment costs, for the Brown and Tyrone stations. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating KU's system.

b. Account 510, Maintenance Supervision and Engineering, had a 10.79% ($456,000) increase due to planned inspection and repairs for high energy piping at Ghent station in Spring 2008. This accounted for 9% ($391,000) of the variance. 1% ($56,000) is for labor costs. The remaining $9,000 variance is the net of all other variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining KU's system.

c. Account 512, Maintenance of Boiler Plant, increased 3.67% ($872,000), based on a 2007 balance of $23,776,000 and a test year balance of $24,648,000 not the 18.40% posed in the question above. Brown Station had storm damage of $251,000 and an auxiliary outage of $232,000. Pulverizer maintenance ($225,000) and service and feed water costs ($207,000) are also major contributors across the KU fleet. The remaining $16,000 variance is the net of all other variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining KU's system.

d. Account 514, Maintenance of Miscellaneous Steam Plant, had a 9.21% ($84,000) increase due to costs at Tyrone ($39,000) and Ghent ($11,000) for miscellaneous plant equipment charges including pump repairs, motor repairs, costs to open/clean/close auxiliary boiler, electrician fees, etc. Brown incurred $30,000 for 2008 storm damage repairs and clean up. The remaining $4,000 variance is the net of all other variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining KU's system.

e. Account 548, Generation Expenses, had a 137.9% ($846,000) increase due to outages for the Trimble County 10 combustion turbine in spring 2008. These expenses were incorrectly recorded to the 548 account but were later reclassified to the 553 account (Maintenance of Generating and Electric Equipment) in June 2008. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating KU's system.

f. Account 560, Operation Supervision and Engineering, had a 21.33% ($156,000) increase primarily due to compliance consulting and a new department developed for reliability compliance in January – April 2008 that were not incurred in 2007 for the same period. The compliance consulting cost accounted for 15.14% ($111,000) of the variance and the new department accounted for 4.92% ($36,000) of the variance. The remaining $9,000 variance is the net of all other variances. (All amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with operating KU's system.

g. Account 571, Maintenance of Overhead Lines, had a 17.45% ($490,000) increase due to NERC regulation, FAC-003. The regulation FAC-003, addresses vegetation management around transmission lines. Compliance required increased spending on vegetation management of 17.28% ($486,000). The remaining $4,000 variance is the net of all other variances. (All amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses associated with maintaining KU's system.

h. Account 583, Overhead Lines Expense, had a 16.55% ($430,000) increase due to the January and February storms of 2008. The expense attributed to the storms accounts for a 15.25% ($412,000) variance. Additionally $4,000 can be attributed to jurisdictional rate changes from January – April 2008 compared to January – April 2007. The remaining $14,000 variance is the net of all variances. (All amounts are rounded.) Storm expense is addressed in Exhibit 1, Schedule 1.18 to the testimony of S. Bradford Rives.

i. Account 593, Maintenance of Overhead Lines, had a 15.86% ($2,780,000) increase due primarily to storm restoration expense in the 1st quarter of 2008, which accounts for a 15% ($2,712,000) variance. Additionally $20,000 can be attributed to jurisdictional rate changes from January – April 2008 compared to January – April 2007. The remaining $48,000 variance is the net of all other variances. (All dollar amounts are rounded.) Storm expense is addressed in Exhibit 1, Schedule 1.18 to the testimony of S. Bradford Rives.

j. Account 904, Uncollectible Accounts, increased 43.33% ($1,007,000). The Wholesale Uncollectible Account makes up about half of the total variance and is attributed to the billing dispute with Owensboro Municipal Utilities related to backup power supplied by Kentucky Utilities. This accounts for $555,000 or 55% of the total variance between the time periods. The remaining variance of $452,000 or 45% is due to higher net customer charge-offs during the 12 months of the test year as compared to 2007 actual costs. (See response to PSC 2-132(n).) (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses.

k. Account 905, Miscellaneous Customer Account Expenses, increased 39.29% ($64,000), due largely to the creation of a new department (Retail Strategy and Operational Analysis). This department supports the Retail Business by developing process improvements and cost analyses. This accounts for 90% or $58,000 of the variance. Also, 10% or $6,000 of the variance is due to temporary housing for employees from other parts of the state temporarily working in Lexington. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses.

l. Account 923, Outside Services, increased 19.57% ($1,564,000) due largely to increased legal expenses on environmental, contract, and regulatory issues ($1,183,000). (See response to AG 2-26(c).) Additionally, there was an increase in expenses for outside IT consultants ($149,000). Furthermore, there were additional expenses for a carbon study ($102,000), audit fees ($39,000), and environmental consulting ($28,000, due to increased regulations). The remaining $63,000 variance is the net of all other Outside Services variances. (All dollar amounts are rounded.) The amounts reflected in the test year for this account are normal and recurring expenses.