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PUBLIC SERVICE
COMMISSION

Ms. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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Frankfort, KY 40602

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State Regulation and Rates
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June 15, 2009

**RE: *APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN
ORDER APPROVING THE ESTABLISHMENT OF A
REGULATORY ASSET
CASE NO. 2009-00174***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and seven (7) copies of the Response of Kentucky Utilities Company to the Initial Data Request of Commission Staff dated June 2, 2009, in the above-referenced matter.

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

Sincerely,

Rick E Lovekamp / DJH

Rick E. Lovekamp

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY)
FOR AN ORDER APPROVING THE) **CASE NO.**
ESTABLISHMENT OF A REGULATORY ASSET) **2009-00174**

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
INITIAL DATA REQUEST OF COMMISSION STAFF
DATED JUNE 2, 2009

FILED: JUNE 15, 2009

VERIFICATION

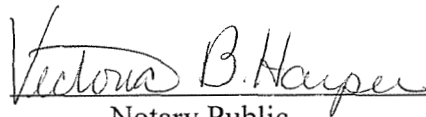
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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 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.



CHRIS HERMANN

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of June, 2009.

 (SEAL)

Notary Public

My Commission Expires:

Sept 20, 2010

KENTUCKY UTILITIES COMPANY**Response to Initial Data Request of Commission Staff****Dated June 2, 2009****Case No. 2009-00174****Question No. 1****Witness: Chris Hermann / Valerie L. Scott**

Q-1. Refer to the second paragraph in Section 7 of KU's application.

- a. Of the transmission system damage to lines, line segments, and towers and poles that are listed on a combined basis for KU and its sister company, Louisville Gas and Electric Company ("LG&E"), provide the KU-specific levels.
- b. The paragraph's last two sentences state that nearly 95 percent of the cost to repair the combined transmission systems of KU and LG&E was related to capital investment in transmission facilities and that KU's capital cost is not included as part of its application. In order to have a complete picture of the total cost incurred as a result of the ice storm, provide, by account, the capital costs recorded by KU for repair of its transmission system.
- c. To the extent that there were any capitalized costs recorded for the repair of KU's distribution system, provide, by account, the amounts so recorded.

A-1. a. KU Transmission:

Wood Poles	179
Steel Lattice Towers	3
Steel Poles	1
Line Segments	90
Spans of Wire	340

- b. Capitalized costs to repair KU's transmission system include both capital investment (Account 107001) and capital removal (Account 108901). Costs in the below table are estimated as of May 31, 2009.

Account Number	Actual Costs	Estimated Costs	Total Costs
107001	\$9,267,762 ¹	\$1,635,798	\$10,903,560
108901	\$4,073,760	\$ 539,549	\$ 4,613,309
Total	\$13,341,522	\$2,175,347	\$15,516,869

¹ \$100,258 currently included in KU capital investment (107001) but will be reclassified to O&M during June 2009. See response to Question Numbers 3(a) and 6.

- c. Capitalized costs to repair KU's distribution system include both capital investment (Account 107001) and capital removal (Account 108901). Costs in the below table are estimated as of May 31, 2009.

Account Number	Actual Costs	Estimated Costs	Total Costs
107001	\$12,298,657	\$1,448,738	\$13,747,395
108901	\$ 2,303,823	\$ 362,185	\$ 2,666,008
Total	\$14,602,480	\$1,810,923	\$16,413,403

KENTUCKY UTILITIES COMPANY

Response to Initial Data Request of Commission Staff

Dated June 2, 2009

Case No. 2009-00174

Question No. 2

Witness: Chris Hermann

- Q-2. Refer to the last paragraph in Section 8 of KU's application.
- a. Of the total 6,016 workers involved in restoring service, provide the number that were not employees of KU, LG&E or SERVCO.
 - b. Provide a comparison of the number of restoration workers involved in this event to the numbers of workers used for the Hurricane Ike-related outages and any other major outages experienced by KU or LG&E in the past 20 years.
 - c. Provide the names of the contractors, mutual assistance crews and the 59 utilities that supplied non-employee restoration workers.
 - d. Was KU able to employ as many restoration workers as it believed were necessary for this outage event or was the number of workers limited in any way? If limited, explain the response.
 - e. To what extent does KU believe that having access to a greater number of restoration workers would have reduced the overall level of outage hours?
- A-2.
- a. Of the total 6,016 restoration workers, 5,595 were not employees of KU, LG&E, or SERVCO.
 - b. In the past twenty years, there were three major outages for which the Companies sought regulatory asset treatment of the restoration costs:
 - i. 2009 Winter Storm: 6016 restoration workers.
 - ii. September 2008 Hurricane Ike: 2412 restoration workers
 - iii. 2003 Ice Storm: 2334 restoration workers
 - c. See attached. There were 59 line and tree trimming contractors (including mutual assistance crews from various utilities) and an additional eight contractors for Public Safety Response Teams ("PSRTs").

- d. KU acquired resources needed throughout the restoration process to respond effectively to this outage event. The Companies were able to ramp up restoration workers quickly in a mutual assistance environment challenged by the regional storm impact.
- e. KU believes that access to workers was commensurate with managing a safe and efficient restoration.

**Distribution & Transmission -- External contractors/Mutual
Assistance/Other Utilities --- 2009 Winter Storm**

AEP
ALABAMA POWER COMPANY
ALLEGHENY POWER COMPANY
ASPLUNDH CONSTRUCTION
ASPLUNDH TREE EXPERTS
B AND B ELECTRIC CO INC
BALTIMORE ELECTRIC
BOWLIN ENERGY LLC
BRAY ELECTRIC SERVICES INC
C E POWER SOLUTIONS LLC
CITY LIGHTS ELECTRICAL CO INC
CLECO
COMED
CW WRIGHT CONSTRUCTION CO INC
DAVIS H ELLIOT COMPANY INC
DAYTON POWER & LIGHT
DELTA SERVICES LLC
DETROIT EDISON
DILLARD SMITH
DOMINION POWER
E AND R INC
EAST KENTUCKY POWER COOPERATIVE INC
ECI TREE
ERTEL CONSTRUCTION INC
FIRST ENERGY
FISHEL CO
GAYLOR INC
GEORGIA POWER
GREGORY ELECTRIC
HAMBY CONSTRUCTION INC
HENDRIX
HENKEL & MCCOY
IRBY CONSTRUCTION CO
JF ELECTRIC
JUST ENGINEERING AND INSPECTION SERVICES
JW DIDADO ELECTRIC INC
LE MYERS
LEE ELECTRIC
MASTEC NORTH AMERICA INC
MB HAYNES CORP
MEADE ELECTRIC CO INC
MICHELS POWER
MJ ELECTRIC
NELSON TREE SERVICE INC
NORTHEAST UTILITIES
OPS PLUS INC
PHILLIPS TREE EXPERTS INC
PIKE ELECTRIC INC
PROGRESS ENERGY
QUALITY LINES INC
SERCO INC
SPE UTILITY CONTRACTORS LLC
SUMTER
SYNERGETIC DESIGN
THOMPSON ELECTRIC INC
TOWNSEND
TRU CHECK INC
UNITED ELECTRIC CO INC

**Distribution & Transmission -- External contractors/Mutual
Assistance/Other Utilities --- 2009 Winter Storm**

UTEC CONSTRUCTION INC
UTILITY LINES/UTILCO
WESTAR
WILLIAM E GROVES CONSTRUCTION INC
WILLIAMS ELECTRIC COMPANY
WILLIS LANE CONSTRUCTION CO INC
WOLF TREE
WRIGHT TREE SERVICE INC
XTREME POWERLINE CONSTRUCTION INC

KENTUCKY UTILITIES COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00174

Question No. 3

Witness: Chris Hermann / Valerie L. Scott

- Q-3. Refer to Section 10 of KU's application.
- a. KU's estimate of 2009 Winter Storm restoration costs contains actual and estimated costs as of April, 20, 2009 and an estimate of contingencies. Provide an update of the cost estimate based on the most recent information available and, using the same classifications as in Exhibit 1, provide the amounts of KU's actual known (not estimated) storm-related costs. Show the date on which the updated costs are based.
 - b. Provide a detailed description, with supporting calculations as necessary, which identifies the amounts identified as estimates of contingencies and which shows their derivations.
 - c. What is KU's expectation of when the final actual costs related to restoring service in the aftermath of the 2009 Winter Storm will be known?
- A-3.
- a. See attached. The updated actual costs, revised estimates, and remaining contingencies are provided as of May 31, 2009.
 - b. A financial model was utilized to estimate storm costs. The estimate initially provided for a 10% distribution contingency and an 8% transmission contingency, which has proven reasonable in order to allow for differences between actual and estimated costs. As invoices are received the contingency is used to offset those differences. Thus, the contingency amount will vary over time until a substantial amount of invoices has been received and the overall estimate can be refined. The Company will seek recovery only for actual costs incurred, not for any estimates or contingencies.
 - c. KU expects the final actual operations and maintenance costs related to the 2009 Winter Storm to be known by September 30, 2009.

2009 Winter Storm Restoration Cost Detail - Combined Distribution & Transmission

KU 2009 Winter Storm Restoration Estimate Detail Summary					
	May 31st Year-to-Date		Totals	Estimated Costs	Total KU Operating Expenses
	Actuals	Incurred			
Internal Labor LGE	496,342	-	496,342	-	496,342
Internal Labor KU	5,741,843	-	5,741,843	-	5,741,843
Internal Labor SERVCO	671,443	-	671,443	-	671,443
Subtotal Employee Labor	6,909,629	-	6,909,629	-	6,909,629
Lineman Contractors	22,305,976	7,243,692	29,549,668	-	29,549,668
Tree Trimming Contractors	7,875,110	24,228	7,899,338	-	7,899,338
PSRT Contractors	908,210	20,000	928,210	-	928,210
Call Center Contractors	213,369	31,626	244,995	-	244,995
Staging Area Contractors	4,255,733	5,780,118	10,035,851	-	10,035,851
Oil Spill Contractors	761,227	380,954	1,142,181	-	1,142,181
All Other Contractors ¹	245,510	14,167	259,677	-	259,677
Subtotal Contractors	36,565,135	13,494,785	50,059,920	-	50,059,920
Materials	424,007	-	424,007	-	424,007
Miscellaneous	3,172,532	-	3,172,532	-	3,172,532
Contingency	-	134,155	134,155	3,490,513	3,624,668
Total Storm Cost total	47,071,304	13,628,940	60,700,244	3,490,513	64,190,757

Estimated Amount considered Normal Operations:

Contractor Resource Costs - PSRT	(150,774)
Contractor Resource Costs - Operations	(25,326)
Contractor Resource Costs - Call Center	(37,000)
Internal Employee Resource Costs - KU Labor/Transportation charged to LG&E	(14,916)
Internal Employee Resource Costs - Servco Labor/Transportation charged to LG&E	(236,640)
Internal Employee Resource Costs - KU Labor/Transportation charged to KU	(1,467,032)
Internal Employee Resource Costs - Servco Labor/Transportation charged to KU	(345,718)
Total Estimated Amount considered Normal Operation:	(2,277,407)

Total Regulatory Asset Reclass for PSC

	61,913,350
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* This amount is \$4,506 greater than the amount for KU's normal operations contained in Exhibit 1 to KU's Application in this proceeding due to the inclusion of Transportation Management System costs for transmission, which were inadvertently omitted from the normal operations amount contained in Application Exhibit 1.

¹\$100,258 currently included in Investment Capital but will be reclassified to O&M during June 2009. See also Questions 1(b) and 6.

KENTUCKY UTILITIES COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00174

Question No. 4

Witness: Valerie L. Scott

- Q-4. Refer to Section 11 of KU's application.
- a. The text states that property and casualty insurance for distribution and transmission storm damage is prohibitively expensive. Provide the most recent estimate of the premium and deductible that KU would expect to incur for storm damage coverage and indicate the date of that estimate.
 - b. Explain whether KU, given its experience related to Hurricane Ike, had revisited the issue of carrying storm insurance prior to incurring the additional costs related to the ice storm. Were any quotes sought from providers of such insurance, and if so, provide the annual premiums and deductibles that were submitted.
- A-4.
- a. The most recent estimate for property and casualty insurance was received in 2004 when KU received a quote for coverage with the following terms and conditions: \$15 million per occurrence insurance limit with a \$15 million annual aggregate limit. The policy had a \$2 million per occurrence deductible and the annual premium was \$3 million. To KU's knowledge, there is no insurance for distribution and transmission storm damage available in the commercial insurance market today. This is primarily due to the catastrophic losses from hurricane damage over the last several years.
 - b. There is a new electric utility industry program designed to provide catastrophic coverage. The program currently provides coverage for wind storm damage only; no other perils are covered at this time. The premium and deductible structure are determined by modeling each company's exposure profile, asset values and historical loss experience. The model structures the insurance based on the 75 year high loss level. There is currently only one utility participating in this program and it has a deductible of \$100 million. KU is exploring the process for performing the underwriting modeling to get an indication of the premium cost and deductible structure under this program for KU.

KENTUCKY UTILITIES COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00174

Question No. 5

Witness: Valerie L. Scott

- Q-5. Refer to the last paragraph in Section 13 of KU's application. Information provided by electric cooperatives during the Commission's disaster preparedness and restoration efforts review indicates that they will be reimbursed for some of their storm related costs by the Federal Emergency Management Agency ("FEMA"). However, no investor-owned electric utility has indicated that it expects to receive any reimbursement from FEMA. What is KU's understanding of the conditions or rules governing whether an electric utility is eligible to receive such funds from FEMA?
- A-5. In 1988, the Robert T. Stafford Disaster Relief and Emergency Assistance Act was enacted to support local governments when disasters strike. The support is delivered through FEMA. The Act provides funds for repair, restoration, reconstruction, or replacement of facilities damaged or destroyed by a major disaster. Eligible recipients for assistance include state and local governments and certain private nonprofit facilities. The Company's understanding of the Act is that the nonprofit status of the cooperatives allows them to qualify for aid whereas the investor-owned utilities do not.

KENTUCKY UTILITIES COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00174

Question No. 6

Witness: Chris Hermann / Valerie L. Scott

- Q-6. Refer to page 11, Table 2 of KU's application. Provide the costs to be credited by each account referenced in Table 2, listing each primary and sub-account included in the journal entry.
- A-6. See attached. The updated actual costs and revised estimates are recorded in the Company's books as of May 31, 2009. The amounts by FERC account exclude the remaining contingencies which have not been accrued pending more accurate estimates or final invoices. The amounts by FERC account include normal operations costs which will be removed from the amount requested for recovery on a pro-rata basis once actual costs are known. The Company will request recovery only for actual non-recurring costs attributable to the storm.

2009 Winter Storm Restoration Cost Detail - Combined Distribution & Transmission

KU 2009 Winter Storm Restoration Estimate Detail Summary			
FERC Account	May 31st Year-to-Date		
	Actuals	Estimated Costs Incurred	Totals
571100 ¹	984,241	134,155	1,118,396
580100	2,820,603	51,626	2,872,229
583001	1,853,402	869,243	2,722,645
588100	228,225	-	228,225
590100	177,416	-	177,416
593001	395,719	217,311	613,030
593002	25,108,570	6,157,138	31,265,708
593003	1,219,394	-	1,219,394
593004	7,504,859	24,228	7,529,087
594002	9,813	-	9,813
595100	1,072,320	380,954	1,453,274
598100	5,652,306	5,794,285	11,446,591
834100	-	-	-
880900	-	-	-
925001	44,437	-	44,437
Total Storm Cost	47,071,304	13,628,940	60,700,244

Estimated Remaining Costs:

Estimated Amount considered Normal Operations:

Total Regulatory Asset

3,490,513
(2,277,407)

61,913,350

* This amount is \$4,506 greater than the amount for KU's normal operations contained in Exhibit 1 to KU's Application in this proceeding due to the inclusion of Transportation Management System costs for transmission, which were inadvertently omitted from the normal operations amount contained in Application Exhibit 1.

¹\$100,258 currently included in Investment Capital but will be reclassified to O&M during June 2009. See also questions 1(b) and 3(a)

KENTUCKY UTILITIES COMPANY

**Response to Initial Data Request of Commission Staff
Dated June 2, 2009**

Case No. 2009-00174

Question No. 7

Witness: Chris Hermann

- Q-7. Refer to Exhibit 1 of KU's application.
- a. Costs of \$3,439,757 are identified as "Miscellaneous". Provide a breakdown of these costs showing separately the actual known amounts and estimated amounts as of the same time used in responding to Item 3.a., above.
 - b. Explain why the \$198,326 of "Internal Employee Resource Costs - SERVCO Labor/Transportation charged to KU Storm" would be credited against LG&E's distribution costs.
- A-7. a. See table below showing the breakdown of KU's "Miscellaneous" costs. These costs are actual costs incurred and are lower than the amount originally estimated. See also the Company's response to 3(a).

Minor Contractors	\$ 327,721
Security	\$ 103,383
Office Supplies	\$ 21,417
Fuel	\$ 197,574
Safety	\$ 21,245
Vehicle expenses	\$ 19,342
Advertising	\$ 62,189
Telecommunications	\$ 87,515
Mileage reimbursement	\$ 17,970
Travel Expenses	\$ 1,393,125
Meals	\$ 864,365
Freight	\$ 1,408
Claims Reimbursement	\$ 41,269
All Others	\$ 14,009
Miscellaneous Total	\$ 3,172,532

- b. The Company determined that these costs represent SERVCO employees that were charging KU for storm related O&M work. These cost credits are recovered through the embedded base rates of Louisville Gas & Electric as these amounts would have been charged to LG&E O&M expense without the storm event.