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SEP 22 2009

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

**PUBLIC SERVICE
COMMISSION**

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

September 22, 2009

Robert M. Conroy
Director - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@eon-us.com

**RE: *THE APPLICATION OF KENTUCKY UTILITIES COMPANY FOR
CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY
AND APPROVAL OF ITS 2009 COMPLIANCE PLAN FOR
RECOVERY BY ENVIRONMENTAL SURCHARGE
CASE NO. 2009-00197***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and eight (8) copies of the Response of Kentucky Utilities Company to the Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. dated September 11, 2009, in the above-referenced matter.

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 22 2009

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY AND) CASE NO.
APPROVAL OF ITS 2009 COMPLIANCE PLAN) 2009-00197
FOR RECOVERY BY ENVIRONMENTAL)
SURCHARGE)

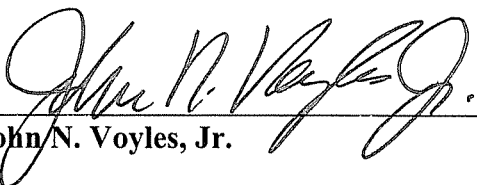
RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
KIUC SECOND SET OF DATA REQUESTS
DATED SEPTEMBER 11, 2009

FILED: September 22, 2009

VERIFICATION

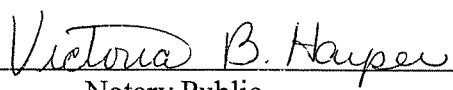
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **John N. Voyles, Jr.**, being duly sworn, deposes and says that he is the Vice President, Transmission and Generation Services, for Kentucky Utilities Company and an employee of E.ON U.S. Services, Inc., 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.



John N. Voyles, Jr.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of September, 2009.

 (SEAL)

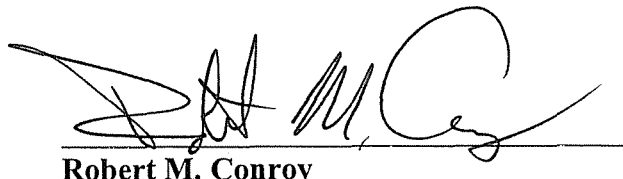
Notary Public

My Commission Expires:
Sept 20, 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 E.ON U.S. Services, Inc., 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 22nd day of September, 2009.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director, Utility Accounting and Reporting for E.ON U.S. Services Inc., 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 22nd day of September, 2009.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

KENTUCKY UTILITIES COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00197

Question No. 2-1

Witness: Shannon L. Charnas / Robert M. Conroy

Q-2-1. Refer to the Company's response to KIUC 1-4(c).

- a. Please describe the basis for the Company's quantification of the actual O&M expense for the sluicing and impoundment at Ghent. If the Company tracks these costs in separate accounts/subaccounts, please provide a description of and the amounts included in each account/subaccount that sum to the Company's quantification.
- b. Please provide a quantification of the amount of O&M expense for the sluicing and impoundment included in KU's base rates, including all assumptions, data and computations and a copy of all source documents relied upon for this quantification. Please provide this information by account/subaccount if it is available at that level of detail.
- c. Please describe the Company's proposed methodology for tracking and quantifying the reduction to the incremental O&M for the amount already included in base rates to ensure that the Commission can verify the Company's quantifications.

A-2-1. a. KU clarifies that the response provided to KIUC Question No. 1-4(c) inadvertently included expenses associated with gypsum handling. These expenses (recorded in general ledger account 512005) are *not* related to the operation and maintenance of the Ghent landfill and should *not* have been included in the response provided. The only account related to operation and maintenance of the ash impoundment is account 512017 and expenses for the twelve month period ending July 31, 2009 were \$1,966,393.

The Company quantified the actual O&M expense for the sluicing and impoundment at Ghent for the twelve month period ended July 31, 2009 using the project tracking function in the Oracle Financial Management System,

which allows the Company to track costs by accounts and by particular project.

- b. The annual O&M expense for sluicing and impoundment at Ghent for the 12 month period ending April 30, 2008 totaled \$1,647,418 charged to general ledger account 512017. See the Excel file on the compact disc included with this response for the details of the requested information.
- c. Consistent with past Commission orders, KU will establish a base line of ash disposal expense incurred at Ghent during the test year used in the most recent base rate case. Currently, the O&M expense for ash disposal at Ghent identified in part b above was incurred by KU during the period from May 1, 2007 through April 30, 2008. This amount will change if the Commission approves changes in base rates based on a different test period prior to the in-service date of the Ghent landfill included in Project 30. Once Project 30 is placed in-service, KU will net the total ash disposal expense incurred at Ghent with the monthly expense amount included in base rates. This net amount will be included on ES Form 2.50 and recovered/refunded through the ECR mechanism.

The Company has been adjusting various components of environmental costs to avoid possible double-recovery for several years, beginning in 1994 when O&M costs in base rates were excluded from total O&M costs incurred in association with KU's 1994 Compliance Plan. KU has consistently provided for the removal of costs included in base rates on the various ES forms filed on a monthly basis. The O&M baseline associated with the 1994 Plan was an adjustment presented on ES Form 2.40. Each month, adjustments for assets in base rates that were retired as a result of investment in new environmental facilities are adjusted on ES Form 2.10. ES Form 2.00 includes adjustments for limestone and emission allowance inventory balances in base rates as well as an adjustment for emission allowance expense included in base rates. Further, KU adjusts its proceeds from the annual allowance auction to properly account for proceeds in base rates, as appropriate.

KU has consistently adjusted its current environmental costs for amounts included in base rates, and will continue to do so, by netting the base rate amounts in the monthly ECR filings, on the appropriate ES Forms. See also the response to Question No. 2-2.

KENTUCKY UTILITIES COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00197

Question No. 2-2

Witness: Shannon L. Charnas / Robert M. Conroy

Q-2-2. Refer to the Company's response to Staff 1-14 wherein the Company states that it will make ongoing comparisons to "ensure that there is no double recovery of O&M costs through the ECR mechanism and base rates." Please explain with specificity how the Company plans to make these ongoing comparisons and how it plans to demonstrate to the Commission that there is no double recovery.

A-2-2. The use of the phrase "ongoing comparisons" means that to the extent there are O&M costs currently included in base rates, KU will report those amounts in its monthly ECR filings to demonstrate to the Commission that the O&M costs recovered through the ECR are net O&M cost amounts.

Consistent with how KU provides the baseline amounts for limestone and emission allowance inventories and emission allowance expense on ES Form 2.00 in its monthly filings, KU will also provide the amounts currently in base rates for the O&M costs and provide those as baseline amounts in the monthly filings. Once base rates have been established, the amount of O&M costs included for the project will be known and fixed for purposes of making the monthly comparison for the ECR monthly filings.

KU proposes that the O&M baseline amount for each facility (for which O&M costs are proposed for ECR recovery) will be included as a line item on ES Form 2.50, and recoverable O&M included in the determination of the monthly jurisdictional E(m) will be net of the baseline amounts. Please see a proposed revised ES Form 2.50 attached to this response for the revision KU is proposing.

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Pollution Control - Operations & Maintenance Expenses
 For the Month Ended:

O&M Expense Account	E W Brown	Ghent	Green River	Tyrone	Trimble County	Total
2001 Plan						
506104 - NOx Operation -- Consumables						
506105 - NOx Operation -- Labor and Other						
512101 - NOx Maintenance						
Total 2001 Plan O&M Expenses						
2005 Plan						
502006 - Scrubber Operations						
512005 - Scrubber Maintenance						
Total 2005 Plan O&M Expenses						
2006 Plan						
506109 - Sorbent Injection Operation						
512102 - Sorbent Injection Maintenance						
506110 - Mercury Monitors Operation						
512103 - Mercury Monitors Maintenance						
506104 - NOx Operation -- Consumables						
506105 - NOx Operation -- Labor and Other						
512101 - NOx Maintenance						
502006 - Scrubber Operations						
512005 - Scrubber Maintenance						
506001 - Precipitator Operation						
512011 - Precipitator Maintenance						
Total 2006 Plan O&M Expenses						
2009 Plan						
506104 - NOx Operation -- Consumables						
506105 - NOx Operation -- Labor and Other						
512101 - NOx Maintenance						
506109 - Sorbent Injection Operation						
512102 - Sorbent Injection Maintenance						
512017 - Ash Handling Maintenance						
501251 - Ash Handling Operation						
502001 - Other Waste Disposal						
501201 - Bottom Ash Disposal						
O&M included in current Base Rates for Ash Disposal						
Net 2009 Plan O&M Expenses						
Current Month O&M Expense for All Plans						

Note 1: Trimble County projects for the 2009 Plan are proportionately shared by KU at 48% and LG&E at 52%

KENTUCKY UTILITIES COMPANY

**Response to KIUC Second Set of Data Requests
Dated September 11, 2009**

Case No. 2009-00197

Question No. 2-3

Witness: John N. Voyles, Jr.

Q-2-3. Does the Company generate any sulfur combustion byproducts that can be used for soil fertilization in farming operations? If so, please describe these byproducts, the Company's disposal requirements and the Company's beneficial reuse opportunities and efforts. Provide a history of the Company's efforts and a schedule showing by account/subaccount the revenues and expenses/costs incurred to treat and/or dispose of and/or market such byproducts.

A-2-3. While coal combustion does generate by-products that can be used for soil fertilization in other regions, KU historically has not been actively engaged in such markets. However, KU is discussing the use of synthetic gypsum as a soil enhancer with a company that specializes in such marketing efforts.

KU generates gypsum as a by-product of coal combustion and historically has been successful in marketing under appropriate market conditions the synthetic gypsum as a raw material in the wallboard manufacturing industry.