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OCT 09 2009

PUBLIC SERVICE COMMISSION

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

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

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

October 9, 2009

RE: AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF KENTUCKY UTILITIES COMPANY FOR THE TWO-YEAR BILLING PERIOD ENDING APRIL 30, 2009

CASE NO. 2009-00310

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 Commission Staff's Questions raised at the September 29, 2009 Informal Conference, in the above-referenced matter. With these responses, Kentucky Utilities Company requests the Commission take Case No. 2009-00310 under submission for decision and issue an order by October 30, 2009

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

#### In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	CASE NO.
UTILITIES COMPANY FOR THE TWO-YEAR	)	2009-00310
BILLING PERIOD ENDING APRIL 30, 2009	j	

# RESPONSE OF KENTUCKY UTILITIES COMPANY TO COMMISSION STAFF'S QUESTIONS RAISED AT THE SEPTEMBER 29, 2009 INFORMAL CONFERENCE

FILED: October 9, 2009

#### VERIFICATION

COMMONWEALTH OF KENTUCKY	)	
	)	SS:
COUNTY OF JEFFERSON	)	

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for E.ON U.S. Services, Inc., and 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

> Victoria B. Houper (SEAL) Notary Public

My Commission Expires:

Sept 20,2010

#### KENTUCKY UTILITIES COMPANY

## Response to Commission Staff's Questions Raised at the September 29, 2009 Informal Conference

Case No. 2009-00310

#### Question No. 1

Witness: Robert M. Conroy

- Q-1. Please provide the monthly detailed calculation of the over/under recovery positions using the current and proposed methodology as presented in the graphs in the testimony of Mr. Conroy and on Slide 20 of the September 29, 2009 presentation.
- A-1. The graphical representation of the over/(under) recovery positions presented in the testimony and on the September 29, 2009 Technical Conference presentation slide was developed as an indication of the difference in the two methodologies and was not designed to replicate the monthly calculation of the exact recovery position over the 2-year period. The calculations did not make any adjustment to the rate of return for the different review periods. In addition, it did not attempt to make adjustments for the calculation of the under recovery position determined with the current methodology in the prior review cases and collected through the monthly ECR billings during these periods. The calculation was performed to compare the base-current methodology calculation using a percentage method to a revenue method, all else being equal.

The attachment to this response shows the data used and the calculation of the recovery position under the two methodologies as presented graphically in the testimony and presentation slide. The table below summarizes the relative over/(under) recovery amounts using the current and proposed methodologies for the 2-year and 6-month period under review. The actual totals would not necessarily be the recovery position under the two methods as discussed above.

	Total for the	Total for the Last
	2-year Period	6-month Period
Recalculated Over/(Under) Collection	5,104,699	546,410
Current Method Over/(Under) Collection	(12,254,812)	(5,248,367)

Expense Month Revenue Month	Total for 2-year Penod	Total for Last 6-month Period	Feb-09 Apr-09	Jan-09 Mar-09	Dec-08 Feb-09	Nov-08 Jan-09	Oct-08 Dec-08	Sep-08 Nov-08	Aug-08 Oct-08	Jul-08 Sep-08	Jun-08 Aug-08	May-08 Jul-08	Apr-08 Jun-08
Revenue Requirement E(m) Adjustment for OMU & other recovery			11,869,042	12,091,242 83,333	11,527,021	10,308,778 83,333	10,169,365	11,337,387	11,529,634 105,896	10,460,233	10,014,605 508,271	9,089,691	8,806,812 508,272
Revenue Billed via ECR Factor Revenue Collected through base rates (billing month) Over/(Under) Recovery unadjusted for ROR revisions			5,801,057 3,779,846 (2,288,138)	5,529,205 3,915,930 (2,729,440)	6,688,271 4,582,206 (339,877)	7,615,494 4,597,245 1,820,628	6,771,154 4,400,119 918,575	5,235,307 3,555,299 (2,630,114)	5,175,991 3,598,715 (2,860,824)	5,832,354 4,177,504 (488,607)	7,422,675 4,215,753 1,115,552	6,243,205 4,216,621 861,862	4,470,912 3,767,850 (1,076,322)
Proposed Method – Expense Month Base Revenues Revenue Requirement E(m) Adjustment for OMU & other recovery			11,869,042	12,091,242	11,527,021	10,308,778	\$0,169,365 83,333	11,337,387	11,529,634	10,460,233	10,014,605 508,271	9,089,691 272,802	8,806,812
Total Revenue Requirement Revenue Collected through base rates (expense month)			11,869,042	12,174,575 4,597,245	11,610,354 4,400,119	10,392,111	10,252,698 3,598,715	11,420,720	11,635,530	10,498,465 4,216,621	10,522,876 3,767,850	9,597,963	9,315,084 2,070,551
Jurisdictional R(m)  Total Revenue Requirement  Lass: Expense Month Revenue Collected through base rates  Revenue Requirement through billing factor  Proposed ECR Billing Factor			92,077,262 11,869,042 4,582,206 7,286,836 7,91%	91,665,017 12,174,575 4,597,245 7,577,330 8,27%	92,504,395 11,610,354 4,400,119 7,210,235 7,79%	91,896,168 10,392,111 3,555,299 6,836,812 7,44%	91,451,709 10,252,698 3,598,715 6,653,983	91,451,709 11,420,720 4,177,504 7,243,216 7,92%	91,159,943 11,635,530 4,215,753 7,419,777 8.14%	89,962,316 10,498,465 4,216,621 6,281,844 6,98%	89,828,391 10,522,876 3,767,850 6,755,026	90,282,241 9,597,963 3,406,885 6,191,078 6.86%	90,279,515 9,315,084 2,070,551 7,244,533 8.02%
Revused Billing Factor (Proposed Method) Recalculated ECR Revenue: (billing month) ECR revenue through base rates (expense month) Recalculated ECR Revenue + Base Rates Total E(m) (expense month)		I	7,021,693 4,582,206 11,603,899 11,869,042	6,991,980 4,597,245 11,589,225 12,174,575	8,025,726 4,400,119 12,425,845 11,610,354	7,678,784 3,555,299 11,234,083	7,065,199 3,598,715 10,663,914 10,252,698	6,571,440 4,177,504 10,748,944 11,420,720	6,952,360 4,215,753 11,168,113 11,635,530	6,971,428 4,216,621 11,188,048 10,498,465	7,839,920 3,767,850 11,607,770 10,522,876	6,395,027 3,406,885 9,801,912 9,597,963	6,732,919 2,070,551 8,803,469 9,315,084
Recalculated Over/(Under) Collection Current Method Over/(Under) Collection	5,104,699	546,410 (5,248,367)	(2,288,138)	(585,350)	815,491	841,972	411,216	(671,776)	(467,417)	(488,607)	1,084,894	203,949	(511,615)
Base Revenues Subject to ECR Factor. (per ECR Form 3.10) Customer Charge Brengy Charge Pornand Charge FAC SNO			Feb-09 3,579,941 77,749,100 13,401,197 6,517,796 1,770,588	Jan-09 3,511,368 81,634,845 12,042,336 4,081,788 1,915,396	Dcc-08 3,550,185 76,280,666 13,049,559 2,645,683 1,498,515	Nov-08 3,533,961 58,101,484 13,177,935 7,161,803 974,653	Oct-08 3,542,644 59,665,749 13,731,745 7,495,420 948,728	Sep-08 3,543,027 72,900,092 14,077,905 8,053,359 1,273,590	Aug-08 3,541,717 73,288,291 14,038,132 12,057,987 12,059,976	Jul-08 3,552,929 73,752,407 14,192,054 403,284 1,292,295	Jun-08 3,545,358 64,334,767 13,696,938 1,384,590 1,063,124	May-08 3,549,146 56,829,577 13,344,077 829,312 874,254	Apr-08 3,548,565 63,284,458 12,382,498 6,908,898
Total		i	103,026,013	103,209,469	97,049,432	82,972,729	85,409,832	99,877,185	104,254,253	93,221,969	83,951,605	75,451,022	86,491,867
Base Revenues Subject to ECR Factor. (per ECR Form 3.10) Customer Charge Peregr Charge Demand Charge PAC PAC DSM STOD		1	Apr-09 3,503,714 62,816,669 13,434,911 8,174,078 840,441	Mar-09 3,534,296 62,452,553 13,086,436 4,236,244 1,236,800 (18)	Feb-09 3,579,941 77,749,160 13,401,197 6,517,796 1,770,598 1,770,598	Jan-09 3,511,368 81,634,845 12,042,536 4,081,788 1,915,396 1,915,396 1,915,396 1,015,309,469	Dec-08 3,550,185 76,280,666 13,049,559 2,645,683 1,498,515 24,824 97,049,432	Nov-08 3,533,961 58,101,484 13,177,935 7,161,803 974,653 22,894 82,972,729	Oct-08 3,542,644 59,665,749 13,731,745 7,495,420 28,728 25,547 85,409,832	Sep-08 3,543,027 72,900,092 14,077,905 8,033,359 1,273,590 29,211	Aug-08 3,541,717 73,288,291 14,038,132 12,057,987 1,299,376 28,150	Jul-08 3,552,929 73,752,407 14,192,054 403,284 1,292,295 29,001	Jun-08 3,545,558 64,334,767 13,696,938 1,284,590 1,063,124 26,828 83,951,605

Mar-07 May-07	4,367,422 642,987	2,339,019 2,016,822 (654,568)	4,367,422	5,010,409	79,931,362 5,010,409 2,342,265 2,668,144 3,34%	2,518,972 2,342,265 4,861,237 5,010,409 (149,172) (654,568)	Mar-07 76,000,748 6,280,781 363,028 25,645	82,670,202 May-07 66,404,803 8,717,582 269,558	75,418,312
Apr-07 Jun-07	5,199,786 449,707	3,973,879 2,214,070 538,456	5,199,786	5,649,493 2,073,038	80,637,289 5,649,493 2,073,038 3,576,455 4,44%	4,010,189 2,073,038 6,083,227 5,649,493 433,734 538,456	Apr-07 68,099,973 8,795,997 295,889 34,955	77,226,813 Jun-07 72,913,608 17,051,601 325,429 28,937	50,319,575
May-07 Jul-07	5,511,141 83,333	4,095,263 2,340,993 841,782	5,511,141	5,594,474	81,235,959 5,594,474 2,016,822 3,577,652	4,031,054 2,016,822 6,047,876 5,594,474 453,402 841,782	May-07 66,404,803 8,717,582 269,558 26,368	75,418,312 Jul-07 77,109,821 14,103,870 371,491 29,689	91,614,871
Jun-07 Aug-07	6,688,054	4,367,489 2,479,181 75,283	6,688,054 83,333	6,771,387 2,214,070	82,545,385 6,771,387 2,214,070 4,557,317 5,52%	4,961,527 2,214,070 7,175,597 6,771,387 404,210	72.913,608 72.913,608 17,051,601 725,429 75,837	90,319,575 Aug-07 81,006,470 8,438,606 407,227 30,426	89,882,729
Jul-07 Sep-07	7,227,565	5,094,711 2,534,872 318,684	7,227,565	7,310,898	83,244,775 7,310,898 2,340,993 4,969,905 5.97%	5,753,647 2,340,993 8,094,640 7,310,898 783,742	Jul-07 77,109,821 14,103,870 371,491 29,689	91,614,871 Sep-07 Sp-07 12,855,756 418,933 32,008	96,375,994
Aug-07 Oct-07	7,413,862 (113,392)	4,696,399 2,132,319 (471,752)	7,413,862 (113,392)	7,300,470	83,131,325 7,300,470 2,479,181 4,821,289 5.80%	5,067,618 2,479,181 7,546,799 7,300,470 246,329 (471,752)	Aug-07 81,006,470 8,438,606 407,227 30,426	89,882,729 Oct-07 3,661,395 51,663,029 13,352,919 18,469,899 297,323	87,272,723
Sep-07 Nov-07	7,161,733	3,486,782 2,000,449 (1,757,835)	7,161,733	7,245,066 2,534,872	84,095,039 7,245,066 2,534,872 4,710,194 5.60%	4,181,875 2.534,872 6,716,747 7.245,066 (528,319)	Sep-07 83,069,297 12,855,756 418,933	96,375,994 Nov-07 3,555,020 48,341,082 12,730,919 274,363 24,889	74,676,334
Oct-07 Dec-07	7,611,677	5,482,500 2,258,900 46,390	7,611,677	7,695,010	84,881,902 7,695,010 2,132,319 5,562,691 6,55%	5,878,671 21,51,51 90,900 8,010,900 7,695,010 115,900 10,1	Oct-07 3,561,395 51,663,029 13,352,919 18,469,899 297,323	87,372,723 Dec-07 3,556,985 69,481,918 12,428,784 3,886,202 371,852 24,959	89,750,700
Nov-07 Jan-08	7,608,594	8,085,888 2,598,897 2,992,858	7,608,594	7,691,927 2,000,449	85,220,895 7,691,927 2,000,449 5,691,478 6.68%	7,567,238 2,000,449 9,567,688 7,691,927 1,875,761 2,992,858	Nov-07 3,555,020 48,341,082 12,730,041 9,750,939 274,363	74,676,334 Jan-08 3,571,379 8,252,367 12,652,446 14,048,338 479,660	113,282,011
Dec-07 Feb-08	7,809,148 (319,576)	5,168,528 2,527,869 206,825	7,809,148	7,489,572	85,684,224 7,489,572 2,258,900 5,230,672 6.10%	5,982,823 2,258,900 8,241,723 7,489,572 752,151 206,825	Dec.07 3,556,985 69,481,918 12,428,784 3,886,202 371,852	89,750,700 Feb-08 3,558,827 79,408,627 12,444,130 2,161,977 459,929 25,587	98,079,066
Jan-08 Mar-08	7,985,696	2,964,623 2,360,997 (2,743,409)	7,985,696	8,069,029 2,598,897	88,725,137 8,069,029 2,598,897 5,470,132	5,553,720 2,598,897 8,152,617 8,069,029 83,588	Jan-08 3,571,379 82,523,507 12,632,446 14,048,338 479,600	Mar-08 3,554,345 73,933,462 12,042,938 (154,172) 410,340	90,011,674
Feb-08 Apr-08	8,368,268	4,587,476 2,070,551 (1,793,574)	8,368,268	8,451,601 2,527,869	88,972,444 8,451,601 2,527,869 5,923,732 6,66%	5,760,358 2,527,869 8,288,227 8,451,601 (163,374)	Feb-08 3,558,827 79,408,627 12,464,120 2,161,977 459,929	Apr-08 3,548,565 63,284,458 12,382,498 6,508,898 343,104	86,491,867
Mar-08 May-08	7,872,170 508,272	2,816,309 3,406,885 (2,157,248)	7,872,170 508,272	8,380,442 2,360,997	89,584,234 8,380,442 2,360,997 6,019,445 6,72%	\$,070,309 2,360,997 7,431,305 8,380,442 (949,137) (2,157,248)	Mar-08 3,554,345 73,933,462 12,242,928 (1154,172) 410,340	90,011,674 May-08 3,549,146 56,829,577 13,344,077 829,312 874,254	75,451,022
Expense Month Revenue Month Current Method	Revenue Requirement E(m) Adjustment for OMU & other recovery	Revenue Billed via ECR Factor Revenue Collected through base rates (billing month) Over/Under) Recovery unadjusted for ROR revisions	Proposed Method — Expense Month Base Revenues Revenue Requirement E(m) Adjustment for OMU & other recovery	Total Revenue Requirement Revenue Collected through base rates (expense month)	Jurisdictional R(m)  Total Revenue Requirement  Less: Expense Month Revenue Collected through base rates  Revenue Requirement through billing factor  Proposed ECR Billing Factor	Revosed Billing Factor (Proposed Method) Recalculated ECR Revenue (billing mouth) ECR revenue (brough tass rates (experts month) Recalculated ECR Revenue Base Rates Total EUR) (expense month) Recalculated ECR Revenue Base Rates Total EUR) (expense month) Learnest Method Coverfuldater Collection Current Method Overfuldater Collection	Base Revenues Subject to ECR Factor. (per ECR Form 3.10) Customer Charge Parengy Charge Demand Charge PAC DSM STOD	Total  Base Revenue's Subject to ECR Factor. (per ECR Form 3.10) Customer Charge Energy Charge Pormand Charge PAC DSM STOD	Total

#### KENTUCKY UTILITIES COMPANY

## Response to Commission Staff's Questions Raised at the September 29, 2009 Informal Conference

Case No. 2009-00310

#### Question No. 2

Witness: Robert M. Conroy

- Q-2. Please provide the bill impact, expressed in dollars, on a residential customer using 1,000 kWh per month for the under recovery and the roll-in amounts.
- A-2. The under recovery position of \$3,821,966 will be collected over a six month period (\$636,994 in the first month). The inclusion of \$636,994 per month in the determination of the ECR billing factor will increase the billing factor by approximately 0.71%. For a residential customer using 1,000 kWh the ECR billing factor will increase by approximately \$0.48 per month for six months (using rates and adjustment clause factors in effect for the October 2009 billing month).

The ECR roll-in is designed to be revenue neutral; therefore, the customer bill impact will be zero.