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PUBLIC SERVICE
COMMISSION

Jeff DeRouen
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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)**

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

FILED: October 9, 2009

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 2-year Period	Total for the Last 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 Last 6-month Period	Total for 2-year Period	Current Method																			
			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)	11,869,042	12,091,242	83,333	11,527,021	83,333	10,308,778	83,333	10,169,365	83,333	11,372,387	83,333	11,529,634	10,460,233	38,232	10,914,605	508,271	9,089,691	508,272	8,806,812	508,272		
Adjustment for O&M & other recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Revenue Billed via ECR Factor	5,801,057	5,529,205	6,688,271	6,688,271	6,688,271	7,615,494	6,771,154	5,175,991	5,832,354	5,235,307	5,832,354	5,175,991	5,832,354	5,832,354	7,422,675	6,343,205	6,343,205	4,270,912	4,270,912	4,270,912		
Revenue Collected through base rates (billing month)	3,779,846	3,715,950	4,582,206	4,582,206	4,582,206	4,597,245	4,400,119	3,555,299	3,555,299	3,555,299	3,555,299	3,598,715	4,215,753	4,215,753	4,215,753	4,215,753	4,215,753	4,215,753	4,215,753	4,215,753	3,767,850	
Over/(Under) Recovery unadjusted for ROR-revisions	(2,388,138)	(2,729,440)	(339,877)	(339,877)	(339,877)	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628
Proposed Method - Expense Month Base Revenues																						
Revenue Requirement E(m)	11,869,042	12,091,242	83,333	11,527,021	83,333	10,308,778	83,333	10,169,365	83,333	11,372,387	83,333	11,529,634	10,460,233	38,232	10,914,605	508,271	9,089,691	508,272	8,806,812	508,272		
Adjustment for O&M & other recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Revenue Requirement	11,869,042	12,091,242	83,333	11,527,021	83,333	10,308,778	83,333	10,169,365	83,333	11,372,387	83,333	11,529,634	10,460,233	38,232	10,914,605	508,271	9,089,691	508,272	8,806,812	508,272		
Revenue Collected through base rates (expense month)	4,582,206	4,597,245	4,400,119	4,400,119	4,400,119	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	4,597,245	
Jurisdictional R(m)	92,077,262	91,665,017	96,204,395	96,204,395	96,204,395	91,896,168	91,451,709	91,451,709	91,451,709	91,451,709	91,451,709	91,451,709	91,451,709	91,451,709	89,962,316	89,962,316	90,382,341	90,382,341	90,382,341	90,382,341		
Total Revenue Requirement	11,869,042	12,174,575	11,610,354	11,610,354	11,610,354	10,392,111	10,392,111	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698		
Less: Expense Month Revenue Collected through base rates	4,582,206	4,597,245	4,400,119	4,400,119	4,400,119	3,555,299	3,555,299	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715		
Revenue Requirement through billing factor	7,286,836	7,577,330	7,210,235	7,210,235	7,210,235	6,836,812	6,836,812	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983	6,653,983		
Proposed ECR Billing Factor	7.91%	8.27%	7.79%	7.79%	7.79%	7.44%	7.44%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%		
Revised Billing Factor (Proposed Method)	7.021,693	6,991,980	8,025,726	8,025,726	8,025,726	7,678,784	7,678,784	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199	7,065,199		
Recalculated ECR Revenue: (billing month)	4,582,206	4,597,245	4,400,119	4,400,119	4,400,119	3,555,299	3,555,299	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715	3,598,715		
ECR revenue through base rates (expense month)	11,603,899	11,589,225	12,425,845	12,425,845	12,425,845	11,234,083	11,234,083	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914	10,665,914		
Recalculated ECR Revenue + Base Rates	11,869,042	12,174,575	11,610,354	11,610,354	11,610,354	10,392,111	10,392,111	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698	10,252,698		
Total E(m) (expense month)	(2,288,138)	(2,729,440)	(339,877)	(339,877)	(339,877)	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628	1,820,628		
Recalculated Over/(Under) Collection	510,469	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410	546,410		
Current Method Over/(Under) Collection	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)	(12,254,812)		

Base Revenues Subject to ECR Factor: (per ECR Form 3.10)

Customer Charge	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08	Apr-08
Energy Charge	77,749,100	81,634,845	76,280,666	58,101,484	59,665,749	73,900,092	73,298,291	73,752,407	64,334,767	56,829,577	63,284,458
Demand Charge	13,401,197	12,042,536	13,049,559	13,177,935	13,731,745	14,077,905	14,038,132	14,192,084	13,696,938	13,344,077	12,382,498
FAC	6,517,796	4,081,788	2,645,683	7,161,803	7,495,420	8,053,359	12,057,987	403,284	1,384,590	829,312	6,988,898
DSM	1,770,598	1,915,396	1,498,515	974,653	948,728	1,273,590	1,299,976	1,292,295	1,063,124	874,254	343,104
STOD	7,381	23,526	24,824	23,894	25,547	29,211	28,150	29,001	26,828	24,656	24,345
Total	103,026,013	103,309,469	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	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08
Energy Charge	62,816,669	62,452,553	77,749,100	81,634,845	76,280,666	58,101,484	59,665,749	73,900,092	73,298,291	73,752,407	64,334,767
Demand Charge	13,434,911	13,086,436	13,401,197	12,042,536	13,049,559	13,177,935	13,731,745	14,077,905	14,038,132	14,192,084	13,696,938
FAC	8,174,078	4,236,244	6,517,796	4,081,788	2,645,683	7,161,803	7,495,420	8,053,359	12,057,987	403,284	1,384,590
DSM	840,441	1,236,800	1,770,598	1,915,396	1,498,515	974,653	948,728	1,273,590	1,299,976	1,292,295	1,063,124
STOD	3	23,526	24,824	23,894	25,547	29,211	28,150	29,001	26,828	24,656	24,345
Total	88,769,817	84,546,310	103,026,013	103,309,469	97,049,432	82,972,729	85,409,832	99,877,185	104,254,253	93,221,969	83,951,605

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.