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PUBLIC SERVICE
COMMISSION

Mr. 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
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Robert M. Conroy
Director - Rates
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February 25, 2010

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF
KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH
BILLING PERIOD ENDING OCTOBER 31, 2009
CASE NO. 2009-00501***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Kentucky Utilities Company to the Commission Staff's Questions raised at the February 17, 2010 Informal Conference and an Errata Sheet for Robert M. Conroy, in the above-referenced matter.

With these responses, Kentucky Utilities Company requests the Commission take Case No. 2009-00501 under submission for decision and issue an order by March 31, 2010.

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 SIX-MONTH)	2009-00501
BILLING PERIOD ENDING OCTOBER 31, 2009)	

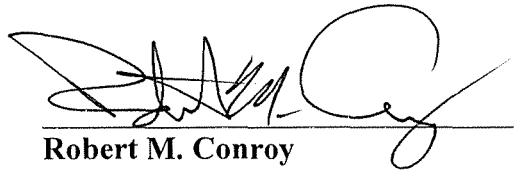
RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
COMMISSION STAFF'S QUESTIONS RAISED AT
THE FEBRUARY 17, 2010 INFORMAL CONFERENCE

FILED: February 25, 2010


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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of February 2010.


Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

KENTUCKY UTILITIES COMPANY

**Response to Commission Staff's Questions Raised at the
February 17, 2010 Informal Conference**

Case No. 2009-00501

Question No. 1

Witness: Robert M. Conroy

- Q-1. Refer to the Company's Response to Item 5.
- a. Explain the modifications to the Ghent gypsum stack referenced in the fourth paragraph of the response.
 - b. Provide the consumables included in Account 506109 referenced in the fifth paragraph of the response.
- A-1.
- a. The Ghent gypsum stack modifications included earthwork to build up gypsum berms and upgrades to the drainage system. KU retained the design engineer, STANTEC (formerly known as FMSM) to evaluate the gypsum stack including the performance of the existing drainage system and the overall operation of the stack. STANTEC determined the drainage system was not performing as designed and recommended modifications to include supplemental drainage. The drainage work will control the elevation of the water within the stacked gypsum which is expected to help maintain safety factors in accordance with regulatory and industry guidelines.
 - b. The consumables purchased and utilized for SO₃ Mitigation at the Ghent Station are Hydrated Lime and Trona. Both products were tested to see which one provides the optimal performance for the units. Ghent Units 3 and 4 use Trona and Ghent Unit 1 uses a blend of hydrated lime and Trona.

COMMONWEALTH OF KENTUCKY
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SURCHARGE MECHANISM OF KENTUCKY)	CASE NO.
UTILITIES COMPANY FOR THE SIX-MONTH)	2009-00501
BILLING PERIOD ENDING OCTOBER 31, 2009)	

ERRATA SHEET OF ROBERT M. CONROY

Kentucky Utilities Company (“KU”), by counsel, hereby gives notice of a correction to the direct testimony of Robert M. Conroy in this proceeding. At page 8, line 22, the testimony should read: “months and \$617,650 per month....” The corrected testimony page is attached.

Dated: February 24, 2010

Respectfully submitted,

By: 

Allyson K. Sturgeon
Senior Corporate Attorney
E.ON U.S. LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088

Counsel for Kentucky Utilities Company

1 consistent with the method of implementing previous over- or under- recovery
2 positions in prior ECR review cases.

3 **Q. What is the bill impact on a residential customer for the proposed collection of**
4 **the under-recovery?**

5 A. KU is proposing to collect the under-recovery of \$3,705,904 over a six month period.
6 The inclusion of \$617,651 per month in the determination of the ECR billing factor
7 will increase the billing factor by approximately 0.70%. For a residential customer
8 using 1,000 kWh the ECR billing factor will increase by approximately \$0.45 per
9 month for six months (using rates and adjustment clause factors in effect for the
10 January 2010 billing month).

11 **Q. What rate of return is KU proposing to use for all ECR Plans upon the**
12 **Commission's Order in this proceeding?**

13 A. KU is recommending an overall rate of return on capital of 11.12%, including the
14 currently approved 10.63% return on equity and adjusted capitalization, to be used to
15 calculate the environmental surcharge. This is based on capitalization as of August
16 31, 2009 and the Settlement Agreement approved by the Commission in its February
17 5, 2009 Order in Case No. 2008-00251.

18 **Q. What is your recommendation to the Commission in this case?**

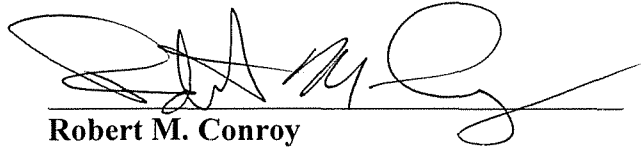
19 A. KU makes the following recommendations to the Commission in this case:

- 20 a) The Commission should approve the proposed increase to the Environmental
21 Surcharge Revenue Requirement of \$617,651 per month for the first four
22 months and \$617,650 per month for the following two months beginning in

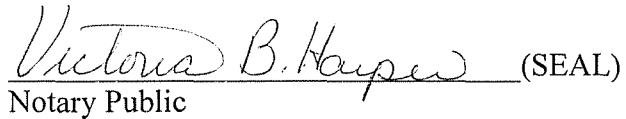
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Robert M. Conroy

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 (SEAL)
Notary Public

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Sept 20, 2010