KU
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Mr. Jeff DeRouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED
APR 08 2010
PUBLIC SERVICE
COMMISSION

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

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

April 8, 2010

RE: ***Application of Kentucky Utilities Company for an Adjustment of Its Base Rates* – Case No. 2009-00548**

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 Third Data Request of the Commission Staff dated March 26, 2010, in the above-referenced matter.

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES	)	CASE NO.
COMPANY FOR AN ADJUSTMENT OF	)	2009-00548
ITS BASE RATES	)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO THE
THIRD DATA REQUEST OF COMMISSION STAFF
DATED MARCH 26, 2010

FILED: April 8, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is Senior Vice President, Energy Services for Kentucky Utilities Company and an employee of 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.

Paul W. Thompson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7st day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY	)	
	)	**SS:**
COUNTY OF JEFFERSON	)	

The undersigned, **Chris Hermann**, being duly sworn, deposes and says that he is Senior Vice President, Energy Delivery for Kentucky Utilities Company and an employee of 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.

C Hermann

Chris Hermann

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and an employee of 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.

Lonnie E. Bellar

Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is Controller for Kentucky Utilities Company and an employee of E.ON U.S. Services, Inc., and 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.

Valerie L. Scott
Valerie L. Scott

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 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 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Butch Cockerill**, being duly sworn, deposes and says that he is Director – Revenue Collection 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.

Butch Cockerill
Butch Cockerill

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH 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., and 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 5th day of April 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, 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.

William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31st day of March 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 1

Responding Witness: William Steven Seelye

Q-1. Refer to Seelye Exhibit 7. Except for the Residential Class ("RS") class, for those classes that have a temperature normalization adjustment, the amount of the adjustment is the same under present and proposed rates. Explain why the amount changes from present to proposed rates for the RS class but not for the other classes that have a temperature normalization adjustment.

A-1. The amount of the adjustment for the temperature normalization adjustment should have been different for all rate classes for which a temperature adjustment was made. It has also come to Mr. Seelye's attention that the temperature normalization adjustment for RS was calculated incorrectly. Specifically, the temperature adjustment should have changed relative to the change in the current to proposed energy charges rather than the change in the current to proposed energy *and* customer charges. An electronic version of the corrected spreadsheet is provided in the attached CD in the folder titled Question No. 1. The revised exhibit is included in the spreadsheet tab labeled "Proposed Revenue Detail".

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 2

Responding Witness: William Steven Seelye

Q-2. Refer to Seelye Exhibit 8. Provide the calculations and supporting workpapers for the currently approved cable TV attachment ("CATV) rates.

A-2. The current CATV rate for KU has been in place since the early 1980s. The Company has been unable to locate the calculation and supporting workpapers in its files.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 3

Responding Witness: William Steven Seelye

Q-3. Refer to Seelye Exhibit 8, the response to Item 96 of Commission Staffs Second Data Request ("Staffs Second Request") and KU's response to Item 27 of the Initial Data Request of the Kentucky Cable Telecommunications Association.

a. With regard to the response to Item 96, explain in detail the difference between a levelized and non-levelized charge.

b. Recalculate the cable TV attachment charges with the only change being the use of net plant investment costs and provide an updated Exhibit 8.

c. The response to Item 27 discusses the calculation of the operation and maintenance expenses used in the calculation of the CATV charges.

(1) Starting with the rates as calculated in the application, recalculate the CATV rates if tree trimming expenses related to services and overhead conductors is excluded from the calculation of the adder for operation and maintenance expenses. If the expenses related to services and overhead conductors cannot be excluded from account 593004, Tree Trimming of Electric Distribution, recalculate the CATV rates if the adder for operation and maintenance expenses is calculated by dividing the Expenses Assigned to Poles of $13,966,333 by the net book value of Accounts 364, 365, and 369. Include an updated Exhibit 8 in the response.

(2) Starting with the rates as calculated in response to Item b above, recalculate the CATV rates if tree trimming expenses related to services and overhead conductors is excluded from the calculation of the adder for operation and maintenance expenses. If the expenses related to services and overhead conductors cannot be excluded from account 593004, Tree Trimming of Electric Distribution, recalculate the CATV rates if the adder for operation and maintenance expenses is calculated- by dividing the Expenses Assigned to Poles of $13,966,333 by the net book value of Accounts 364, 365, and 369. Include an updated Exhibit 8 in the response.

A-3. a. A *levelized carrying* charge is a uniform series of payments calculated by applying a uniform series capital recovery factor to the gross original cost investment. A capital recovery factor is equal to the rate of return plus sinking fund depreciation. The calculation of a levelized carrying charge rate is identical to the calculation of a conventional mortgage payment on a home. In calculating a levelized carrying charge -- or a mortgage payment -- a capital recovery factor is applied to the original, un-depreciated investment ("gross investment"). Without considering income taxes, a levelized carrying charge (LCC) is therefore calculated by applying the return on investment (ROR) plus the sinking fund depreciation to the gross investment, as follows:

LCC = Gross Investment x [ROR + Sinking Fund Depreciation Rate]

Mathematically, it is not appropriate to apply a capital recovery factor (which is equal to rate of return plus sinking fund depreciation) to the depreciated investment ("net investment"). In the context of the proposed CATV attachment charge, applying a capital recovery factor – which reflects *sinking fund depreciation* as opposed to *straight line depreciation* – to net investment would result in a significant under-recovery of costs and would thus inappropriately shift these costs onto other customers.

A *non-levelized carrying charge* (NLCC) is a non-uniform series of payments calculated by applying the rate of return to net investment and then adding straight-line depreciation, as follows:

NLCC = Net Investment x ROR + Straight Line Depreciation

A non-levelized carrying charge calculation corresponds to the methodology used to determine revenue requirements in a rate case. Importantly, in a rate case *straight line depreciation* rather than *sinking fund depreciation* is used to calculate revenue requirements.

On a present value basis, levelized carrying charges are equivalent to non-levelized carrying charges over the life of the investment. This can be seen in the following attachment (Table I) which compares the present-value non-levelized carrying charges on a $1,000 investment to the present-value levelized carrying charges on the same $1,000 investment. Please note that for both calculations, the sum of present value revenue carrying charges is equal to the original $1,000 investment.

But if sinking fund depreciation rather than straight-line depreciation is applied to net investment then an incorrect result is obtained. As seen in Table II, calculating carrying charges by applying a *sinking fund depreciation* rate to the *net investment* results in significant under-recovery of carrying costs. When the levelized and non-levelized carrying charges are properly calculated, the sum of the present-value carrying charges for each series is equal to $1,000. But when sinking fund depreciation is applied to net investment, the sum of the present value carrying charges is only equal to $721.54. What this means is that if carrying charges are miscalculated in this manner, only 72.15% of cost will be recovered over the life of the investment.

The conclusion reached is that either methodology – either a levelized fixed charge calculation or non-levelized fixed charge calculation – is reasonable assuming that the methodologies are properly applied *and* assuming that the same methodology is consistently applied over time. While on a present value basis both methodologies will yield the same result over the life of the investment, during any particular year the carrying charges will likely be different. For this reason, generally it is not appropriate to switch back and forth between the two methodologies. While LG&E does not have a fundamental objection with using a non-levelized carrying charge calculation to determine the CATV attachment charges *as long as straight-line depreciation is used in the calculation*, the Company does not believe that it is appropriate to switch back and forth between the two methodologies.

The use of levelized versus non-levelized carrying charge rates has been considered extensively by the Federal Energy Regulatory Commission ("FERC"). The FERC will allow the application of a levelized carrying charge rate (with sinking fund depreciation) to gross plant – which it calls the "levelized gross plant method" -- or the application of a non-levelized carrying charge rate (with straight-line depreciation) to net plant – which it calls "nonlevelized net plant method". The FERC, however, is reluctant to allow a utility to switch back and forth between the two methodologies. In a series of cases involving levelized carrying charges, the FERC rejected attempts to switch from a "net plant" approach to a "levelized" approach in midstream, finding that "allowing Consumers to switch pricing methodologies from the nonlevelized approach … to the levelized approach … is inappropriate." *Consumers Energy Co., Opinion No. 429*, 85 FERC ¶ 61,100 at 61,366 (1998), *reh'g granted, Opinion No. 429-A,* 89 FERC ¶ 61,138 (1999), *reh'g denied, Opinion No. 429-B*, 95 FERC ¶ 61,084 (2001); *accord Ky. Utils. Co., Opinion No. 432*, 85 FERC ¶ 61,274 at 62,105 (1998). In the *Opinion 432*, the FERC did not allow Kentucky Utilities Company ("KU") to change methodologies, stating as follows:

> In conclusion, we believe that either a levelized gross plant or a non-levelized rate design can produce comparable, reasonable results if they are used consistently. Here, however, KU proposes

> to switch methods. In supporting such a switch, a utility must prove that its proposed method is reasonable in light of its past recovery of capital costs using a different method. Here, KU has not persuaded us that the switch is appropriate in the circumstances of this case.

Regarding CATV attachment charges, considering the historical practice of calculating the charges using the levelized gross plant methodology, the Company maintains that the historical practice should be continued in the current proceeding.

b. As indicated in response to LG&E KCTA-1 Question 8, the Company does not have information concerning the net plant costs related to the types of poles (35 foot, 40 foot, and 45 foot poles) used to calculate the proposed CATV attachment charge. A *rough estimate* can be developed by applying the ratio of net plant to gross plant for Account 364 – Poles, Towers and Fixtures to the applicable gross plant unit costs for 35, 40, and 45 foot poles. As explained above, using net plant necessitates the application of straight line depreciation rather than sinking fund depreciation. A non-levelized carrying charge calculation using *roughly estimated* net plant data is attached.

c. (1) Expenses related to services and overhead conductors cannot be excluded from account 593004. Attached is a recalculation of Seelye Exhibit 11 with the operation and maintenance expense adder calculated by dividing the Expenses Assigned to Poles by the *net* book value of Accounts 364, 365, and 369. Because the operation and maintenance expense adder is applied to *gross* plant costs in Seelye Exhibit 11, a recalculation of Seelye Exhibit 11 is also attached, with the operation and maintenance expense adder calculated by dividing the Expenses Assigned to Poles by the *gross* book value of Accounts 364, 365, and 369.

   (2) Attached is a recalculation of the attachment to the response to sub-part b of this Question, with the operation and maintenance expense adder calculated by dividing the Expenses Assigned to Poles by the *net* book value of Accounts 364, 365, and 369.

Table I

(a)	Book Life	35	Years
(b)	Straight Line Depreciation (1/(a))	2.86%	
(c)	Sinking-Fund Depreciation (see formula)	0.54%	
(d)	Rate of Return	8.32%	
(e)	Capital Recovery Factor (CFR) [(c) + (d)]	8.86%	

	Non-Levelized Carrying Charges					Levelized Carrying Charges		
Year (1)	Net Investment (2)	Return (3)	Straight Line Depreciation (4)	Non-Levelized Carrying Charges (5)	Present Value at 8.32% ROR (6)	Gross Investment (7)	Non-Levelized Carrying Charges (8) [(e) x (7)]	Present Value at 8.32% ROR (6)
1	$1,000.00	$83.20	$28.57	$111.77	$103.19	$1,000.00	$88.60	$81.80
2	971.43	80.82	28.57	109.39	93.23	1,000.00	88.60	75.51
3	942.86	78.45	28.57	107.02	84.20	1,000.00	88.60	69.71
4	914.29	76.07	28.57	104.64	76.01	1,000.00	88.60	64.36
5	885.71	73.69	28.57	102.26	68.58	1,000.00	88.60	59.42
6	857.14	71.31	28.57	99.89	61.84	1,000.00	88.60	54.85
7	828.57	68.94	28.57	97.51	55.73	1,000.00	88.60	50.64
8	800.00	66.56	28.57	95.13	50.19	1,000.00	88.60	46.75
9	771.43	64.18	28.57	92.75	45.18	1,000.00	88.60	43.16
10	742.86	61.81	28.57	90.38	40.64	1,000.00	88.60	39.84
11	714.29	59.43	28.57	88.00	36.53	1,000.00	88.60	36.78
12	685.71	57.05	28.57	85.62	32.82	1,000.00	88.60	33.96
13	657.14	54.67	28.57	83.25	29.45	1,000.00	88.60	31.35
14	628.57	52.30	28.57	80.87	26.42	1,000.00	88.60	28.94
15	600.00	49.92	28.57	78.49	23.67	1,000.00	88.60	26.72
16	571.43	47.54	28.57	76.11	21.19	1,000.00	88.60	24.67
17	542.86	45.17	28.57	73.74	18.95	1,000.00	88.60	22.77
18	514.29	42.79	28.57	71.36	16.93	1,000.00	88.60	21.02
19	485.71	40.41	28.57	68.98	15.11	1,000.00	88.60	19.41
20	457.14	38.03	28.57	66.61	13.47	1,000.00	88.60	17.92
21	428.57	35.66	28.57	64.23	11.99	1,000.00	88.60	16.54
22	400.00	33.28	28.57	61.85	10.66	1,000.00	88.60	15.27
23	371.43	30.90	28.57	59.47	9.46	1,000.00	88.60	14.10
24	342.86	28.53	28.57	57.10	8.39	1,000.00	88.60	13.01
25	314.29	26.15	28.57	54.72	7.42	1,000.00	88.60	12.02
26	285.71	23.77	28.57	52.34	6.55	1,000.00	88.60	11.09
27	257.14	21.39	28.57	49.97	5.77	1,000.00	88.60	10.24
28	228.57	19.02	28.57	47.59	5.08	1,000.00	88.60	9.45
29	200.00	16.64	28.57	45.21	4.45	1,000.00	88.60	8.73
30	171.43	14.26	28.57	42.83	3.90	1,000.00	88.60	8.06
31	142.86	11.89	28.57	40.46	3.40	1,000.00	88.60	7.44
32	114.29	9.51	28.57	38.08	2.95	1,000.00	88.60	6.87
33	85.71	7.13	28.57	35.70	2.55	1,000.00	88.60	6.34
34	57.14	4.75	28.57	33.33	2.20	1,000.00	88.60	5.85
35	28.57	2.38	28.57	30.95	1.89	1,000.00	88.60	5.40
Sum of Present Value Carrying Charges					$1,000.00			$1,000.00

Table II

(a)	Book Life	35 Years
(b)	Straight Line Depreciation (1/(a))	2.86%
(c)	Sinking-Fund Depreciation (see formula)	0.54%
(d)	Rate of Return	8.32%
(e)	Capital Recovery Factor (CFR) [(c) + (d)]	8.86%

	Non-Levelized Carrying Charges					*Misapplied* Levelized Carrying Charges		
Year (1)	Net Investment (2)	Return (3)	Straight Line Depreciation (4)	Non-Levelized Carrying Charges (5)	Present Value at 8.32% ROR (6)	Net Investment (7)	Non-Levelized Carrying Charges (8) [(e) x (7)]	Present Value at 8.32% ROR (6)
1	$1,000.00	$83.20	$28.57	$111.77	$103.19	$1,000.00	$88.60	$81.80
2	971.43	80.82	28.57	109.39	93.23	971.43	86.07	73.36
3	942.86	78.45	28.57	107.02	84.20	942.86	83.54	65.73
4	914.29	76.07	28.57	104.64	76.01	914.29	81.01	58.84
5	885.71	73.69	28.57	102.26	68.58	885.71	78.48	52.63
6	857.14	71.31	28.57	99.89	61.84	857.14	75.95	47.02
7	828.57	68.94	28.57	97.51	55.73	828.57	73.41	41.96
8	800.00	66.56	28.57	95.13	50.19	800.00	70.88	37.40
9	771.43	64.18	28.57	92.75	45.18	771.43	68.35	33.29
10	742.86	61.81	28.57	90.38	40.64	742.86	65.82	29.60
11	714.29	59.43	28.57	88.00	36.53	714.29	63.29	26.27
12	685.71	57.05	28.57	85.62	32.82	685.71	60.76	23.29
13	657.14	54.67	28.57	83.25	29.45	657.14	58.22	20.60
14	628.57	52.30	28.57	80.87	26.42	628.57	55.69	18.19
15	600.00	49.92	28.57	78.49	23.67	600.00	53.16	16.03
16	571.43	47.54	28.57	76.11	21.19	571.43	50.63	14.10
17	542.86	45.17	28.57	73.74	18.95	542.86	48.10	12.36
18	514.29	42.79	28.57	71.36	16.93	514.29	45.57	10.81
19	485.71	40.41	28.57	68.98	15.11	485.71	43.04	9.43
20	457.14	38.03	28.57	66.61	13.47	457.14	40.50	8.19
21	428.57	35.66	28.57	64.23	11.99	428.57	37.97	7.09
22	400.00	33.28	28.57	61.85	10.66	400.00	35.44	6.11
23	371.43	30.90	28.57	59.47	9.46	371.43	32.91	5.24
24	342.86	28.53	28.57	57.10	8.39	342.86	30.38	4.46
25	314.29	26.15	28.57	54.72	7.42	314.29	27.85	3.78
26	285.71	23.77	28.57	52.34	6.55	285.71	25.32	3.17
27	257.14	21.39	28.57	49.97	5.77	257.14	22.78	2.63
28	228.57	19.02	28.57	47.59	5.08	228.57	20.25	2.16
29	200.00	16.64	28.57	45.21	4.45	200.00	17.72	1.75
30	171.43	14.26	28.57	42.83	3.90	171.43	15.19	1.38
31	142.86	11.89	28.57	40.46	3.40	142.86	12.66	1.06
32	114.29	9.51	28.57	38.08	2.95	114.29	10.13	0.78
33	85.71	7.13	28.57	35.70	2.55	85.71	7.59	0.54
34	57.14	4.75	28.57	33.33	2.20	57.14	5.06	0.33
35	28.57	2.38	28.57	30.95	1.89	28.57	2.53	0.15
Sum of Present Value Carrying Charges					$1,000.00			$721.54

KENTUCKY UTILITIES COMPANY

Calculation Of Attachment Charges for CATV

Pole Size	Quantity	Gross Installed Cost	Gross Average Installed Cost	Net / Gross Factor for Account 364	Estimate of Net Installed Cost
Weighted Average Bare Pole Cost as of 10/31/2009					
35'	93,558	$ 17,458,914	$ 186.61	0.44445787	$ 82.94
40'	142,251	78,741,981	553.54	0.44445787	246.03
	235,809	96,200,895	407.96		181.32
Three-User Poles					
40'	142,251	$ 78,741,981	$ 553.54	0.44445787	$ 335.30
45'	63,914	48,216,502	754.40	0.44445787	273.70
	206,165	126,958,484	615.81		316.20

	Estimated Number of Attachments	Weighted Cost
Two-User Pole Cost		
$181.32 x .1224 Usage Space Factor = $ 22.19		
$ 22.19 x .2115 Annual Carrying Charge = $ 4.69	30,517	$ 143,269
Three-User Pole Cost		
$316.20 x .0759 Usage Space Factor = $24.00		
$ 24.00 x .2115 Annual Carrying Charge = $5.08	118,345	600,817
Weighted Total	148,862	$ 744,087
Weighted Average Monthly Cost		5.00

KENTUCKY UTILITIES COMPANY

Calculation Of Annual Carrying Charge

Proposed Rate of Return	8.32%
Depreciation - Straight Line	2.86%
Income Tax (1)	3.63%
Property Tax and Insurance	0.22%
Operation and Maintenance (Page 3)	6.13%
Total	21.15%

(1) Derived from rates of equity capital

	Capitalization Ratio	Annual Rate	Composite Rate
Common	53.85%	11.50%	6.19%
Preferred	0.00%	0.00%	0.00%
Total Equity	53.85%		6.19%
Debt	46.15%	4.61%	2.13%
Total Capitalization	100.00%		8.32%

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

KENTUCKY UTILITIES COMPANY

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

(1) Labor Charged to 593001- Maint of Poles, Towers and Fixtures Subaccount	$225,691	
- Tree Trimming	635,116	
		$860,808
Total Labor		$71,018,516
Total Administrative and General Expenses		$77,056,654

Assignment of a Portion of A & G Expenses to Poles

($860,808/$71,018,516) x $77,056,654 = $933,995

Expenses Assigned to Poles

Maintenance of Poles, Towers, and Fixtures Subaccount 593001	$ 342,914
Tree Trimming of Electric Distribution Routes 593004	12,689,424
A & G Expenses Assigned to Poles	$933,995
Total	$ 13,966,333

Adder to Annual Carrying Charges for O & M Expenses

$ 13,966,333	Expenses Assigned to Poles	=	6.13%
227,809,902	Plant in Service - Account 364		

Net Plant to Gross Plant Ratio for Account 364

Gross Plant	Depreciation	Net Plant	Net to Gross Ratio
$ 227,809,902	$ 126,557,999	$ 101,251,903	44.446%

KENTUCKY UTILITIES COMPANY

Calculation Of Attachment Charges for CATV

Pole Size	Quantity	Installed Cost	Average Installed Cost
Weighted Average Bare Pole Cost as of 10/31/2009			
35'	93,558	$ 17,458,914	$ 186.61
40'	142,251	78,741,981	553.54
	235,809	96,200,895	407.96
Three-User Poles			
40'	142,251	$ 78,741,981	$ 553.54
45'	63,914	48,216,502	754.40
	206,165	126,958,484	615.81

	Estimated Number of Attachments	Weighted Cost
Two-User Pole Cost		
$407.96 x .1224 Usage Space Factor = $ 49.93		
$ 49.93 x .1517 Annual Carrying Charge = $ 7.58	30,517	$ 231,192
Three-User Pole Cost		
$615.81 x .0759 Usage Space Factor = $46.74		
$ 46.74 x .1517 Annual Carrying Charge = $7.09	118,345	839,219
Weighted Total	148,862	$ 1,070,411
Weighted Average Monthly Cost		7.19

KENTUCKY UTILITIES COMPANY

Calculation Of Annual Carrying Charge

Proposed Rate of Return	8.32%
Depreciation - Sinking Fund	0.54%
Income Tax (1)	3.63%
Property Tax and Insurance	0.22%
Operation and Maintenance (Page 3)	2.47%
Total	15.17%

(1) Derived from rates of equity capital

	Capitalization Ratio	Annual Rate	Composite Rate
Common	53.85%	11.50%	6.19%
Preferred	0.00%	0.00%	0.00%
Total Equity	53.85%		6.19%
Debt	46.15%	4.61%	2.13%
Total Capitalization	100.00%		8.32%

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

KENTUCKY UTILITIES COMPANY

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

(1) Labor Charged to 593001- Maint of Poles, Towers and Fixtures Subaccount	$225,691	
- Tree Trimming	635,116	
		$860,808
Total Labor		$71,018,516
Total Administrative and General Expenses		$77,056,654

Assignment of a Portion of A & G Expenses to Poles

($860,808/$71,018,516) x $77,056,654 = $933,995

Expenses Assigned to Poles

Maintenance of Poles, Towers, and Fixtures Subaccount 593001	$ 342,914
Tree Trimming of Electric Distribution Routes 593004	12,689,424
A & G Expenses Assigned to Poles	$933,995
Total	$ 13,966,333

Adder to Annual Carrying Charges for O & M Expenses

$ 13,966,333	Expenses Assigned to Poles	=	2.47%
566,433,038	Plant in Service - 364 , 365, and 369		

Net Plant to Gross Plant Ratio for Accounts 364,365 and 369

Gross Plant	Depreciation	Net Plant	Net to Gross Ratio
$ 566,433,038	$ 173,586,068	$ 392,846,970	69.355%

KENTUCKY UTILITIES COMPANY

Calculation Of Attachment Charges for CATV

Pole Size	Quantity	Installed Cost	Average Installed Cost
Weighted Average Bare Pole Cost as of 10/31/2009			
35'	93,558	$ 17,458,914	$ 186.61
40'	142,251	78,741,981	553.54
	235,809	96,200,895	407.96
Three-User Poles			
40'	142,251	$ 78,741,981	$ 553.54
45'	63,914	48,216,502	754.40
	206,165	126,958,484	615.81

	Estimated Number of Attachments	Weighted Cost
Two-User Pole Cost		
$407.96 x .1224 Usage Space Factor = $ 49.93		
$ 49.93 x .1800 Annual Carrying Charge = $ 8.99	30,517	$ 274,235
Three-User Pole Cost		
$615.81 x .0759 Usage Space Factor = $46.74		
$ 46.74 x .1800 Annual Carrying Charge = $8.41	118,345	995,461
Weighted Total	148,862	$ 1,269,695
Weighted Average Monthly Cost		8.53

KENTUCKY UTILITIES COMPANY

Calculation Of Annual Carrying Charge

Proposed Rate of Return	8.32%
Depreciation - Sinking Fund	0.54%
Income Tax (1)	3.63%
Property Tax and Insurance	0.22%
Operation and Maintenance (Page 3)	5.29%
Total	18.00%

(1) Derived from rates of equity capital

	Capitalization Ratio	Annual Rate	Composite Rate
Common	53.85%	11.50%	6.19%
Preferred	0.00%	0.00%	0.00%
Total Equity	53.85%		6.19%
Debt	46.15%	4.61%	2.13%
Total Capitalization	100.00%		8.32%

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

KENTUCKY UTILITIES COMPANY

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

(1) Labor Charged to 593001- Maint of Poles, Towers and Fixtures Subaccount	$225,691	
- Tree Trimming	635,116	
		$860,808
Total Labor		$71,018,516
Total Administrative and General Expenses		$77,056,654

Assignment of a Portion of A & G Expenses to Poles

($860,808/$71,018,516) x $77,056,654 = $933,995

Expenses Assigned to Poles

Maintenance of Poles, Towers, and Fixtures *Subaccount 593001*	$ 342,914
Tree Trimming of Electric Distribution Routes 593004	12,689,424
A & G Expenses Assigned to Poles	$933,995
Total	$ 13,966,333

Adder to Annual Carrying Charges for O & M Expenses

$ 13,966,333	Expenses Assigned to Poles	=	5.29%
264,000,387	*Plant in Service - 364, 365, and 369*		

Net Plant to Gross Plant Ratio for Accounts 364,365 and 369

Gross Plant	Depreciation	Net Plant	Net to Gross Ratio
$ 566,433,038	$ 302,432,651	$ 264,000,387	46.608%

KENTUCKY UTILITIES COMPANY

Calculation Of Attachment Charges for CATV

Pole Size	Quantity	Installed Cost	Average Installed Cost	Net Gross Factor for Account 364	Estimate of Net Installed Cost
Weighted Average Bare Pole Cost as of 10/31/2009					
35'	93,558	$ 17,458,914	$ 186.61	0.46607519	$ 86.97
40'	142,251	78,741,981	553.54	0.46607519	257.99
	235,809	96,200,895	407.96		190.14
Three-User Poles					
40'	142,251	$ 78,741,981	$ 553.54	0.46607519	$ 257.99
45'	63,914	48,216,502	754.40	0.46607519	351.61
	206,165	126,958,484	615.81		431.59

	Estimated Number of Attachments	Weighted Cost
Two-User Pole Cost		
$190.14 x .1224 Usage Space Factor = $ 23.27		
$ 23.27 x .2031 Annual Carrying Charge = $ 4.73	30,517	$ 144,269
Three-User Pole Cost		
$431.59 x .0759 Usage Space Factor = $32.76		
$ 32.76 x .2031 Annual Carrying Charge = $6.65	118,345	787,480
Weighted Total	148,862	$ 931,749
Weighted Average Monthly Cost		6.26

KENTUCKY UTILITIES COMPANY

Calculation Of Annual Carrying Charge

Proposed Rate of Return	8.32%
Depreciation - Straight Line	2.86%
Income Tax (1)	3.63%
Property Tax and Insurance	0.22%
Operation and Maintenance (Page 3)	5.29%
Total	20.31%

(1) Derived from rates of equity capital

	Capitalization Ratio	Annual Rate	Composite Rate
Common	53.85%	11.50%	6.19%
Preferred	0.00%	0.00%	0.00%
Total Equity	53.85%		6.19%
Debt	46.15%	4.61%	2.13%
Total Capitalization	100.00%		8.32%

Composite Federal and State Income Taxes rate = 36.93%

Income Tax = (0.3693/(1-0.3693) x 0.0619 = 3.63%

KENTUCKY UTILITIES COMPANY

Operation and Maintenance Expenses for
the 12 Months Ended October 31, 2009

(1) Labor Charged to 593001- Maint of Poles, Towers and Fixtures Subaccount	$225,691	
- Tree Trimming	635,116	
		$860,808
Total Labor		$71,018,516
Total Administrative and General Expenses		$77,056,654

Assignment of a Portion of A & G Expenses to Poles

($860,808/$71,018,516) x $77,056,654 = $933,995

Expenses Assigned to Poles

Maintenance of Poles, Towers, and Fixtures Subaccount 593001	$ 342,914
Tree Trimming of Electric Distribution Routes 593004	12,689,424
A & G Expenses Assigned to Poles	$933,995
Total	$ 13,966,333

Adder to Annual Carrying Charges for O & M Expenses

$ 13,966,333	Expenses Assigned to Poles	=	5.29%
264,000,387	Plant in Service - 364 , 365, and 369		

Net Plant to Gross Plant Ratio for Accounts 364,365 and 369

Gross Plant	Depreciation	Net Plant	Net to Gross Ratio
$ 566,433,038	$ 302,432,651	$ 264,000,387	46.608%

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 4

Responding Witness: Robert M. Conroy/William Steven Seelye

Q-4. Refer to the response to Item 2 of Staffs Second Request. For each of the average example customers to be served under the proposed Power Service Rate, provide the assumptions used in calculating the Average Usage for pricing the Summer and Winter demand charges and why each Average Demand under proposed rates is, different from the Average Demand in Summer and Winter under the current rates. To the extent that the change in Average Usage is attributable to factors other than the addition of May as a summer month, explain fully.

A-4. The demands used for responding to KPSC 2-2, were calculated for an average customer under both the present and proposed rates in the same way.

Seelye Exhibit 7, Page 5 of 14, provides the billing for Power Service – Secondary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the year.

9,233,086 kW / 99,144 Cust/Mos Billed = 93 kW

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

Summer	3,948,228 kW / ((99,144 Cust/Mos Billed/12)*5) = 96 kW
Winter	5,284,858 kW / ((99,144 Cust/Mos Billed/12)*7) = 91 kW

No difference was made for the seasons under the present rate because the charge was the same throughout the year and the comparison was for an annual billing. Had 96 kW and 91 kW been used for the present rate billing the results would have been the same except for rounding.

Seelye Exhibit 7, Page 4 of 14, provides the billing for Power Service – Primary customers. Demands used for responding to billing under the present rates are a simple arithmetic average for the year.

3,843,533 kW / 5,121 Cust/Mos Billed = 751 kW

Demands used for responding to billing under the proposed rates are a simple arithmetic average for each season.

Summer	1,549,467 kW / ((5,121 Cust/Mos Billed/12)*5) = 726 kW
Winter	2,294,066 kW / ((5,121 Cust/Mos Billed/12)*7) = 768 kW

No difference was made for the seasons under the present rate because the charge was the same throughout the year and the comparison was for an annual billing. Had 726 kW and 768 kW been used for the present rate billing the results would have been the same except for rounding.

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 4 for an electronic version of the attachment to KPSC 2-2 with formulas intact.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 5

Responding Witness: Robert M. Conroy/William Steven Seelye

Q-5. Refer to the response to Item 3 of Staffs Second Request. For the average example customer to be served under the proposed Time-of-Day Secondary tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-5. The demands used for responding to KPSC 2-3, were calculated for an average customer under both the present and proposed rates in the same way. Seelye Exhibit 7, Page 6 of 14, provides the billing for Time-of-Day Service – Secondary customers.

Demands used for responding to billing under the proposed rates are a simple arithmetic average by each time period for the year.

Base	372,242 kW / 657 Cust/Mos Billed = 567 kW
Intermediate	364,568 kW / 657 Cust/Mos Billed = 555 kW
Peak	359,137 kW / 657 Cust/Mos Billed = 547 kW

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 5 for an electronic version of the attachment to KPSC 2-3 with formulas intact.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 6

Responding Witness: Robert M. Conroy/William Steven Seelye

Q-6. Refer to the response to Item 4 of Staffs Second Request. For the average example customer to be served under the proposed Time-of-Day Primary tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-6. The demands used for responding to KPSC 3-4, were calculated for an average customer under both the present and proposed rates in the same way. Seelye Exhibit 7, Page 7 of 14, provides the billing for Time-of-Day Service – Primary customers. These customers are comprised of two separate groups.

The smaller customers are from the present TOD–Primary (including previously STOD Primary). Demands used for responding to billing under the proposed rates are a simple arithmetic average by each time period for the year.

Base	234,477 kVA / 187 Cust/Mos Billed = 1,254 kVA
Intermediate	229,643 kVA / 187 Cust/Mos Billed = 1,228 kVA
Peak	226,222 kVA / 187 Cust/Mos Billed = 1,210 kVA

The larger customers are from the present LTOD–Primary (including previously LCI-TOD Primary and LMP-TOD Primary). Demands used for responding to billing under the proposed rates are a simple arithmetic average by each time period for the year.

Base	5,503,481 kVA / 494 Cust/Mos Billed = 11,141 kVA
Intermediate	5,390,021 kVA / 494 Cust/Mos Billed = 10,911 kVA
Peak	5,309,731 kVA / 494 Cust/Mos Billed = 10,748 kVA

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 6 for an electronic version of the attachment to KPSC 2-4 with formulas intact.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 7

Responding Witness: Robert M. Conroy/William Steven Seelye

Q-7. Refer to the response to Item 5 of Staffs Second Request. For the average example customer served under Retail Transmission Service tariff, provide the assumptions used in calculating the Demand Charge Average Usage for Base, Intermediate, and Peak.

A-7. The demands used for responding to KPSC 2-5, were calculated for an average customer under both the present and proposed rates in the same way. Seelye Exhibit 7, Page 8 of 14, provides the billing for Retail Transmission Service customers.

Demands used for responding to billing under the proposed rates are a simple arithmetic average by each time period for the year.

Base	3,244,084 kVA / 364 Cust/Mos Billed = 8,912 kVA
Intermediate	3,177,204 kVA / 364 Cust/Mos Billed = 8,729 kVA
Peak	3,129,877 kVA / 364 Cust/Mos Billed = 8,599 kVA

To assist the Commission, please see the attachment provided on CD in the folder titled Question No. 7 for an electronic version of the attachment to KPSC 2-5 with formulas intact.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 8

Responding Witness: William Steven Seelye

Q-8. Explain why the Base Demand Period Demand Charge is lowest in some of the Time-of-Day tariffs, and why the Intermediate Demand Period Demand Charge is lowest in some others.

A-8. The rate design is structured in a manner such that (i) *production* and *transmission* demand costs are recovered through the Peak Demand Charge, Intermediate Demand Charge and Base Demand Charge, but (ii) *distribution* demand costs are recovered predominately through the base component of the rate. It is important to note that, consistent with both the current and proposed time-of-day rates, the Base Demand Charge is not an off-peak charge, but a charge applicable to the maximum monthly demand whenever the demand occurs. Because distribution facilities are installed to meet the customer's maximum demand, distribution demand-related costs are more properly recovered through the Base Demand Charge. The demand-related distribution unit costs of providing service to secondary voltage customers are higher than the demand-related unit costs of providing service to primary customers. One reason for this is that because primary voltage customers are responsible for any step-down transformation from primary to secondary voltage, utility-owned line transformers are not required to provide service to primary customers, resulting in lower unit costs.

The level of the Base Demand Charge therefore depends on the applicable service voltage. The Base Demand Charge for secondary voltage service will thus be higher than the Base Demand Charge for primary voltage service, which will in turn be higher than the Base Charge for transmission voltage service. The recovery of costs associated with the secondary distribution system causes the Base Demand Charge to exceed the Intermediate Demand Charge for TOD-Secondary.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 9

Responding Witness: Butch Cockerill

Q-9. Refer to the response to Item 10 of Staffs Second Request. KU states that "[t]he change in language is to clarify the existing practice of requiring the customer to pay for each pulse received." Attached to this data request is the Meter Pulse Cost Justification filed in KU's most recent rate case, Case No. 2008-00251.[1] The cost justification identifies the charge as per pulse per meter per month; however, the total cost of $531.13 was divided by 60 months resulting in $8.85. The charge was proposed and approved at $9.00.

a. Since the total cost was divided by 60 months, explain why the resultant charge is a per pulse charge rather than a per month charge.

b. The total was divided by 60 months as it appears that KU anticipated customers using this service would enter into five-year contracts. Does KU require customers using this service to enter into contracts? If yes, provide the length of the contract.

c. Provide the number of customers currently using the meter pulse service.

d. For customers using this service, provide the average number of meter pulses received per month.

A-9. a. The charge of $9.00 is per month per set of installed pulse-generating equipment, not per pulse. To clarify the tariff language, KU now proposes to change the current tariff language, "$9.00 per month," to "$9.00 per month per installed set of pulse-generating equipment," not "$9.00 per pulse per month."

b. KU does not currently require a contract for this service, though it is preparing a contract which will be required. That document will deal primarily with the technical aspects of providing and receiving service. There will be no term of contract but it is anticipated there will be a provision for a thirty-day notice of termination.

[1] Case No. 2008-00251, Application of Kentucky Utilities Company for an Adjustment of Electric Base Rates (Ky. PSC Feb. 5, 2009).

c. Currently 116 customers are using the meter pulse service.

d. Pulses are proportional to the energy consumed and will vary from customer to customer. A customer, with one set of pulse providing equipment, may typically receive 500 to 1,500 pulses every 15 minutes during a 30 day month for which the customer would be charged $9.00 for the set of pulse providing equipment.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 10

Responding Witness: William Steven Seelye

Q-10. Refer to the response to Item 11 of Staff's Second Request. This response shows that the proposed changes to the Excess Facilities tariff results in an increase in revenue of $33,117. State where in the application this increase in revenue is reflected in the revenue requirement.

A-10. This increase was inadvertently omitted from miscellaneous revenue items shown at the bottom of Seelye Exhibit 6.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 11

Responding Witness: Paul W. Thompson

Q-11. Refer to the response to Item 20 of Staffs Second Request. Based on its current long-range planning, and assuming no existing generating units are retired, in what year do KU and its affiliate, Louisville Gas and Electric ("LG&E") forecast the need for additional generating capacity?

A-11. Based on its current long-range plan, existing environmental regulations, and assuming no existing generating units are retired, additional generating capacity will be needed in 2016 to maintain a 14% reserve margin.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 12

Responding Witness: Paul W. Thompson

Q-12. Refer to the response to Item 21 of Staffs Second Request, which states that it is difficult to calculate the full demand reduction due to KU's and LG&E's demand-side management ("DSM") programs, but indicates that 103 Megawatts ("MW") was the estimate associated with the companies' Direct Load Control program. Reconcile the difficulty described in the response with the response to Item 20 of Staffs Second Request, which shows 225 MW as the estimated reduction in peak demand in 2010 associated with DSM programs.

A-12. The estimate for the 225 MW reduction in 2010 is comprised of 177 MW from Direct Load Control (DLC), and 48 MW from non-DLC programs. The estimate achieved in 2009 was 103 MW from DLC and 32 MW from non-DLC programs, for a total of 135 MW. Therefore the total DSM variance is 90 MW, 135 MW achieved in 2009 compared to 225 MW estimated for 2010. The total variance of 90 MW consists of an estimated 35 MW difference due to temperature normalization (89 degrees in 2009 vs. the "optimal" 97 degrees), and 55 MW that is targeted to be achieved through additional program efforts in 2010.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 13

Responding Witness: Paul W. Thompson

Q-13. Refer to the response to Item 28 of Staffs Second Request, which shows that KU/LG&E's Contingency Reserve Requirement (TRR) under the reserve sharing agreement with East Kentucky Power Cooperative, Inc. and the Tennessee Valley Authority was 201 MW on January I, 2010 and went to 233 MW on January 29, 2010. Under the terms of this sharing agreement, how often is the CRR subject to change?

A-13. Typically the Contingency Reserve Requirement (CRR) of the Parties is adjusted once a year based on the previous year's load of each Balancing Authority (BA). However, the CRR may be adjusted more frequently when the Contingency Reserve Group's parameters change.

Parameters that can change are 1) the Most Severe Single Contingency of the group (a change in the rating of the largest contingency of the group – a generating unit or transmission facility), 2) a notable change in the load of a BA in the group (such as a new Load Serving Entity (LSE) joining or leaving a BA), or, 3) a change in deliverability of the transmission systems.

The reason for the change from 201 MW to 233 MW was due to a discussion among the parties involved as to whether "gross" or "net" should be used for the largest contingency. Whereas "net" was being used in the calculation of the 201 MW, it was agreed by the parties to include the auxiliary load for each party's share of the largest contingency, thus shifting to "gross". With Trimble County Unit 1 having 32 MW of auxiliary load, the CRR went from 201 MW to 233 MW (201 MW + 32 MW).

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 14

Responding Witness: Robert M. Conroy

Q-14. Refer to the response to Item 29.c. of Staffs Second Request. Explain whether KU agrees that the calculation included in the response provides greater accuracy than the calculation in Rives Reference Schedule 1.07.

A-14. KU has consistently used the methodology initially accepted by the Commission. While either method is generally reasonable, KU agrees that the calculation provided in response to Item 29-c is a mathematically more accurate result. Whichever methodology is determined appropriate, it should be consistently applied in future proceedings and not be subject to change depending on the end result.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 15

Responding Witness: Lonnie E. Bellar/Robert M. Conroy

Q-15. Refer to the response to Item 32 of Staffs Second Request and Rives Reference Schedule 1.10. KU's proposed adjustment to eliminate DSM revenues and expenses from the test year for ratemaking purposes has the effect of increasing its revenue requirements. Provide a detailed explanation for why the test-year electric DSM revenues, at $12.9 million, so greatly exceed the test-year electric DSM expenses of $7.5 million.

A-15. The purpose of the adjustment contained in Reference Schedule 1.10 of Rives Exhibit 1 is to remove the revenues and expenses associated with separate full-recovery cost trackers (Demand-Side Management Cost Recovery Mechanism) from the revenues and expenses recorded on the books during the test year. Therefore, the adjustment removes the impact of the DSM mechanism and neither increases nor decreases the revenue requirement for determining base rates.

Notwithstanding, the difference between the DSM revenues and DSM expenses is primarily the result of the timing difference between when the revenues are collected and when the expenditures are incurred. Any differences are reconciled and adjusted during the Annual DSM Mechanism Balancing Adjustment filed with the Commission. As it relates to the timing of expenditures within the test year ended October 31, 2009, the implementation of programs from KPSC Case No. 2007-00319 approved on March 31, 2008 extended through the first quarter of 2009 due to procurement and contractual issues with the various third-party service contractors and the hiring of Company personnel. This delay resulted in revenue collections out pacing expenditures. As previously stated, this has been resolved through both the 2008 and 2009 Annual DSM Mechanism Balancing Adjustment.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 16

Responding Witness: Valerie L. Scott

Q-16. Refer to the response to Item 40.a. of Staffs Second Request. Carrying the calculations provided in the attachment to the response through in the manner done in Rives Reference Schedule 1.17 results in $22,371,024 in total annualized pension, post-retirement and post-employment expense per the 2010 Mercer Study, $721,598 less than the test-year expense. Confirm that the amount of this expense decrease will replace the total adjustment shown on line 3 of the reference schedule.

A-16. See attached revised schedule. The amount of the adjustment should be $741,598, times the jurisdictional factor, resulting in a net adjustment of $661,483.

KENTUCKY UTILITIES

To Adjust for Pension, Post Retirement, and Post Employment
For the Twelve Months Ended October 31, 2009

		Pension	Post Retirement	Post Employment	Total
1	Pension, Post Retirement and Post Employment expenses in test year	$ 17,472,538	$ 5,189,047	$ 451,037	$ 23,112,622
2	Pension, Post Retirement, and Post Employment expenses annualized for 2010 Mercer Study	17,141,212	4,965,861	263,951	22,371,024
3	Total adjustment (Line 2 - Line 1)	$ (331,326)	$ (223,186)	$ (187,086)	$ (741,598)
4	Kentucky Jurisdiction				89.197%
5	Kentucky Jurisdictional adjustment				$ (661,483)

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 17

Responding Witness: Valerie L. Scott

Q-17. Refer to the response to Item 48 of Staff's Second Request.

a. It appears the bad debt factor has been somewhat volatile, with it changing more than 20 percent from 2006 to 2007 and from 2007 to 2008. Describe, generally, the factors that contribute to these changes.

b. Per parts c. and d. of the response - provide, for the test year and the 12 months immediately preceding the test year, an end-of-period comparison of the level of customer accounts receivable that were 30, 60 and 90 days old.

A-17. a. The Company does not agree that the bad debt factor is volatile and considers the amount in the test period to be representative. The bad debt factor is computed by dividing net charge offs (charge offs less recoveries) by annual revenue. Consequently, this factor changes based on the variability of annual revenue and customers' payment practices. The underlying drivers behind these amounts include, but are not limited to, economic conditions, weather and fuel prices.

b. Refer to table below.

KU Customer Accounts Receivable by Days Outstanding:

Period Ending	0 - 30 Days	31 - 60 Days	61 - 90 Days	> 90 Days	Total Open A/R
Oct-09	$66,102,262	$3,675,558	$1,215,742	$2,968,563	$73,962,125
Oct-08	$61,093,376	$3,641,353	$1,090,869	$416,442	$66,242,040

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 18

Responding Witness: Butch Cockerill

Q-18. Refer to KU's response to Item 74 of Staffs Second Request and Item 1 of the Attorney General's Initial Request for Information ("AG's First Request"). The response to Item 74 states that an installment plan policy having greater specificity than that which is contained in the Customer Bill of Rights could limit KU's ability to work out installment plan arrangements with customers. However, the response to Item 1 of the AG's First Request, Attachment 1, page 1 of 1, indicates that KU has a policy for installment plans. Provide a copy of this plan.

A-18. Please see attached.

Policy for Installment Plans *Revised 10-2007, 11-2009

A. Overview

The Company is obligated, per PSC regulations, to work with customers experiencing problems in payment of their utility bill, and to arrive at a mutually agreeable credit arrangement. The guiding philosophy in negotiating an installment plan is to collect as much as possible up front and amortize the balance over as short a time period as possible. HEA commitments should be handled similar to confirmed assistance vouchers in that payment arrangement should be made on the balance less the HEA commitment amount.

Installment plans may be negotiated with any responsible party listed on the account. We assume we are dealing with a responsible party if the contact can provide the account number, and /or the account name, and /or the social security number of the customer of record as referenced in the Customer Identification policy.

B. Definitions

N/A

C. Applicability

See Kentucky Public Service Commission Regulation 807 KAR 5:006. General Rules, Section 13, Subsection (2)

D. SERVICE MEMBERS CIVIL RELIEF ACT

Service Members Civil Relief Act covers installment contracts for personal property. If a service member makes a payment under the installment contract before starting active duty, the contract cannot be terminated for nonpayment once the service member starts active duty. Service should not be discontinued for failure to make payments on the payment plan. This could also apply to budget billing depending on timing.

E. Terms of the Installment Plan Policy

The following guidelines should be used when negotiating an installment plan. Installment plans for residential customers should be established by determining the largest amount of the delinquent balance the customer can pay at the time the installment plan is established.

- Customers should be strongly encouraged to make some "good faith" payment towards their arrears when negotiating arrangements.
- Only in extreme circumstances should a new installment plan be negotiated if the prior installment plan is in default.
- Customers should be limited to no more than three to six billing periods for collecting the balance.
- The roll in of budget arrears should be carefully examined, prior to agreeing to including this in the installment plan..

These terms are subject to limitations during winter months as ordered by the Public Service Commission which are discussed in detail in Section 7, "Special Circumstances."

<u>Thirty (30) Day Partial Payments</u>

The Kentucky PSC states that any partial payment plan extending beyond 30 days must be documented in writing, with the customer's signature.

Partial Payment Plans for KU, ODP and LG&E made in the Business Offices:

- Customer Reps will complete PPP and have the customer sign while present. Customer should be provided with a copy of the signed agreement.

Partial Payment Plans for KU, and ODP made through the Call Center:

- Customer Reps will complete the PPP, mail it to the customer for their signature, along with a return envelope.

Partial Payment Plans for LG&E made through the Call Center:

- Customer Reps will complete the PPP. Each Monday an Adhoc report will run sending out the agreement with a return envelope for the customer's signature.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 19

Responding Witness: Chris Hermann/William Steven Seelye

Q-19. Refer to the response to Item 82 of Staffs Second Request, which discusses the effect of the proposal to bill primary voltage customers on a kVA basis rather than a kW basis. The response states that, with everything else being equal, a customer with a lower than average power factor would experience a relatively larger increase as a result of the proposal.

a. For an average primary service customer served under each applicable rate class, with all billing factors other than power factor constant, provide the billing calculations (two calculations for each rate class) showing power factors at the extreme high and extreme low that KU has observed, or believes attainable under the rates. Include the percentage increases for both rate classes for each calculation.

b. KU states that customers with low load factors will likely determine it is less costly to install capacitor banks than continue to pay higher demand charges as a result of maintaining low power factors. Explain whether KU believes this conclusion should be intuitive to the customer, or if it would expect to notify the customer of the alternative.

A-19. a. See attached.

b. KU believes that for most if not all customers served under TOD-P it will be obvious to these customers that their power factors can be improved by installing capacitor banks. Customers eligible for this rate are already served on a power factor correction rate, and therefore are already familiar with the power factor correction concept. This rate is applicable to customers with demands of at least 250 KVA, and many customers served under this rate have demands far in excess of this level. Therefore, these are not small customers, but are among the largest customers on KU's system. Many of these customers have electrical engineers on their staff with responsibilities for managing their energy facilities and energy costs. Furthermore, customers under these rates are assigned account executives who regularly communicate with most of the customers served under TOD-P. All of the account executives at KU are aware of this change and many have already had discussions with a number of primary voltage customers who would be affected by the change. The Company's account executives will provide notice to customers on their options for improving power factor.

KENTUCKY UTILITIES COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

Typical Power Factor

Power Factor = 0.93

Time-of-Day Primary Service (from LTOD)

	Average Usage		Current Rate	Annual Billing
Customer Charge			$120.00	$1,440.00
Energy Charge	4,996,076	kWh	$0.03386	$2,030,006.00
Demand Charge				
Off-Peak	10,337	kW	$2.22	$275,378.00
On-peak	10,398	kW	$6.07	$757,390.00
Subtotal Demand				$1,032,768.00
Total				$3,064,214.00

	Average Usage		Proposed Rate	Annual	Increase Dollars	Increase Per Cent
Customer Charge			$300.00	$3,600.00	$2,160.00	150.00%
Energy Charge	4,996,076	kWh	$0.03553	$2,130,126.96	$100,120.96	4.93%
Demand Charge						
Base	11,141	kVA	$1.97	$263,373.24		
Intermediate	10,911	kVA	$3.16	$413,745.12		
Peak	10,748	kVA	$4.74	$611,346.24		
Subtotal Demand				$1,288,464.60	$255,696.60	24.76%
Total				$3,422,191.56	$357,977.56	11.68%

KENTUCKY UTILITIES COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

High Power Factor

Power Factor = 1.00

Time-of-Day Primary Service (from LTOD)

	Average Usage		Current Rate	Annual Billing
Customer Charge			$120.00	$1,440.00
Energy Charge	4,996,076	kWh	$0.03386	$2,030,006.00
Demand Charge				
Off-Peak	10,337	kW	$2.22	$275,378.00
On-peak	10,398	kW	$6.07	$757,390.00
Subtotal Demand				$1,032,768.00
Total				$3,064,214.00

	Average Usage		Proposed Rate	Annual	Increase Dollars	Increase Per Cent
Customer Charge			$300.00	$3,600.00	$2,160.00	150.00%
Energy Charge	4,996,076	kWh	$0.03553	$2,130,126.96	$100,120.96	4.93%
Demand Charge						
Base	10,361	kVA	$1.97	$244,937.11		
Intermediate	10,147	kVA	$3.16	$384,782.96		
Peak	9,996	kVA	$4.74	$568,552.00		
Subtotal Demand				$1,198,272.07	$165,504.07	16.03%
Total				$3,331,999.03	$267,785.03	8.74%

KENTUCKY UTILITIES COMPANY

Calculation of Proposed Increase on an Average Customer's Base Rate Billing

Low Power Factor

Power Factor = 0.80

Time-of-Day Primary Service (from LTOD)

	Average Usage		Current Rate	Annual Billing
Customer Charge			$120.00	$1,440.00
Energy Charge	4,996,076	kWh	$0.03386	$2,030,006.00
Demand Charge				
Off-Peak	10,337	kW	$2.22	$275,378.00
On-peak	10,398	kW	$6.07	$757,390.00
Subtotal Demand				$1,032,768.00
Total				$3,064,214.00

	Average Usage		Proposed Rate	Annual	Increase Dollars	Increase Per Cent
Customer Charge			$300.00	$3,600.00	$2,160.00	150.00%
Energy Charge	4,996,076	kWh	$0.03553	$2,130,126.96	$100,120.96	4.93%
Demand Charge						
Base	11,512	kVA	$1.97	$272,152.35		
Intermediate	11,275	kVA	$3.16	$427,536.62		
Peak	11,106	kVA	$4.74	$631,724.45		
Subtotal Demand				$1,331,413.42	$298,645.42	28.92%
Total				$3,465,140.38	$400,926.38	13.08%

Note: Under the current rate, the customers Adjusted Maximum kW Load for Billing Purposes is adjusted to a 90% load factor.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 20

Responding Witness: Lonnie E. Bellar

Q-20. Refer to the response to Item 86 of Staffs Second Request. Have the proposed changes to the curtailable service riders been part of the 'Various aspects of the filing" that have been discussed? If so, provide details of the discussion and the customers' reactions and responses.

A-20. Yes. KU has had general discussions with one current CSR customer since the filing through the normal course of account relationships. The feedback received was that while certain attributes of the proposed CSR were beneficial, such as the increased amount of the credit, other attributes required their further evaluation, such as the increase in the number of hours of curtailment (including the proposed 400 hours of buy-through interruption).

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 21

Responding Witness: William Steven Seelye

Q-21. Refer to the response to Item 89.b. of Staffs Second Request. KU states that the currently approved Excess Facilities charges were determined using a different methodology than that used in the present case. Provide the reason for the change in methodology.

A-21. The methodology was changed to address a problem with the current approach. Under the current Excess Facilities Rider, customers are responsible for the cost of replacing the facilities in the event that the facilities fail. The Company is responsible for performing operation and maintenance on the facilities. The problem that could occur under the current Excess Facilities Rider is that in the event of a failure of the facilities a customer could claim that the Company had not adequately operated or maintained the facilities. Although this scenario has not occurred, the Company determined that the current approach creates too many avenues for disputes. Under the revised Excess Facilities Rider, the Company will continue to be responsible for operating and maintaining the facilities and the customer will be relieved of the responsibility for replacing the facilities in the event of a failure. This change should reduce the potential for disputes under the tariff. However, this modification also necessitates that a replacement component be included in the carrying charge calculation for the rate. Therefore, in addition to the carrying costs on the cost of the original equipment, a depreciation and cost of capital component is also included to capture the effect of an Iowa-type replacement dispersion related to the cost of replacement. This is the only change to the methodology. This approach has been approved by the Virginia State Corporation Commission for KU/ODP and a number of other utilities in Virginia.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 22

Responding Witness: William Steven Seelye

Q-22. Refer to the response to Item 93 of Staffs Second Request. The response to each subpart provides a narrative explanation for the item as requested. For each subpart, provide the calculations described in the response.

A-22. See attached, pages 1 and 2 for the calculation of the investment per unit as presented in Seelye Exhibit 4.

See attached, page 3 for the calculation of the fixed charge rate as presented in Seelye Exhibit 4.

See table below for the calculation of the operation and maintenance as presented in Seelye Exhibit 4:

	75 Watt 5,800 Lumen Directional HPS	100 Watt 9,500 Lumen Directional HPS	200 Watt 22,000 Lumen Directional HPS	400 Watt 50,000 Lumen Directional HPS
Bulb cost	$ 8.59	$ 8.93	$ 19.43	$ 19.43
Photocell cost	$ 4.09	$ 3.15	$ 3.15	$ 3.15
Labor rate	$31/hour	$31/hour	$31/hour	$31/hour
Total labor cost, 2-staff crew once every six years	$ 10.33	$ 10.33	$ 10.33	$ 10.33
Total Operation & Maintenance once every six years	$ 12.45	$ 12.35	$ 14.10	$ 14.10

Kentucky Utilities Company
Case No. 2009-00548
HPS Contemporary Fixtures Investment Cost

CAPITAL INVESTMENT

Installed Cost for
HPS
Fixtures

	Contemporary 5,800 LUMEN	Material	LABOR		
FIXTURE	Luminaire	$237.19	$50.00		
	Lamp - 75 Watt	$8.59			
	Photocell	$4.09			
	Contemporary mounting arm	$0.00			
	Slip fitter	$0.00			
	compression connectors (2)	$15.06	$55.00		
	Fuse & Holder	$29.01	$38.00		
	Subtotal:	$293.94	$143.00		
	Stores Overhead	$0.00	-		
	Labor Overhead:	-	$0.00		
	Total Stores & Labor	-	-	$436.94	
	Construction Overhead:	-	-	$0.00	
	Total Stores, Labor & OH	-	-	$436.94	Fixture Only

	Contemporary 9,500 LUMEN	Material	LABOR		
FIXTURE	Luminaire	$224.64	$50.00		
	Lamp - 100 Watt	$8.59			
	Photocell	$4.09			
	Contemporary mounting arm	$0.00			
	Slip fitter	$0.00			
	compression connectors (2)	$15.06	$55.00		
	Fuse & Holder	$29.01	$38.00		
	Subtotal:	$281.39	$143.00		
	Stores Overhead	$0.00	-		
	Labor Overhead:	-	$0.00		
	Total Stores & Labor	-	-	$424.39	
	Construction Overhead:	-	-	$0.00	
	Total Stores, Labor & OH	-	-	$424.39	Fixture Only

Kentucky Utilities Company
Case No. 2009-00548
HPS Contemporary Fixtures Investment Cost

	Contemporary 22,000 LUMEN		Material	LABOR		
FIXTURE	Luminaire		$224.64	$50.00		
	Lamp - 200 Watt		$8.99			
	Photocell		$4.09			
	Contemporary mounting arm		$0.00			
	Slip fitter		$0.00			
	compression connectors (2)		$15.06	$55.00		
	Fuse & Holder		$29.01	$38.00		
		Subtotal:	$281.79	$143.00		
		Stores Overhead	$0.00	-		
		Labor Overhead:	-	$0.00		
		Total Stores & Labor	-	-	$424.79	
		Construction Overhead:	-	-	$0.00	
		Total Stores, Labor & OH	-	-	$424.79	Fixture Only

	Contemporary 50,000 LUMEN		Material	LABOR		
FIXTURE	Luminaire		$224.64	$50.00		
	Lamp - 400 Watt		$10.23			
	Photocell		$4.09			
	Contemporary mounting arm		$0.00			
	Slip fitter		$0.00			
	compression connectors (2)		$15.06	$55.00		
	Fuse & Holder		$29.01	$38.00		
		Subtotal:	$283.03	$143.00		
		Stores Overhead	$0.00	-		
		Labor Overhead:	-	$0.00		
		Total Stores & Labor	-	-	$426.03	
		Construction Overhead:	-	-	$0.00	
		Total Stores, Labor & OH	-	-	$426.03	Fixture Only

Kentucky Utilities Company
Case No. 2009-00548
Levelized Fixed Charge Rate

Weighted Average Cost of Capital (WACC)

Per PSC Order in Case # 2003-00434

	Capitalization Ratio	Annual R.O.E.	Annual Cost	Weighted Cost	
Common	53.85%	11.50%	-	6.19%	
Preferred	0.00%	0.00%	-	0.00%	
Total Equity	**53.85%**		-	**6.19%**	
Short Term	**0.55%**	0.22%		0.00%	
Long Term	**45.60%**	4.68%		2.13%	
Total Debt	**46.15%**				
Total WACC	100.00%			**8.32%**	**Overall Cost of Capital**

Calculation of Annual Carrying Char * THIS IS THE "FIXED CHARGE"

Overall Rate of Return	* THIS IS OUR OVERALL RATE OF RETURN	8.32%
Straight Line Depreciation 26 year useful life	* THESE AMOUNTS ARE OUR COSTS	3.85%
Income Taxes	* THESE AMOUNTS ARE OUR COSTS	4.19%
Property Tax		1.16%
TOTAL FIXED CHARGE		17.52%

Carrying Charge Income Tax Calculation

Corporate Tax Rate: 40.3625%

Carrying (Weighted Cost of Equity / (1- CORPORATE TAX RATE)) x CORPORATE TAX RATE

(**6.19%** / (**1** - **40.3625%**)) **40.3625%**

4.19%

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 23

Responding Witness: William Steven Seelye

Q-23. Refer to the response to Item 94.c. of Staffs Second Request, page 2 of 2 and the application, Volume 5, Seelye Exhibit 7.

a. This table shows that the Curtailable Service Rider ('CSR) is recorded in Account 442, Commercial and Industrial Sales. State where in Seelye Exhibit 7 the credits for the CSR are shown for the applicable rate classes.

b. This table shows that Net Metering Service is recorded in Account 440, Residential Sales, and 445, Other Sales to Public Authorities. State where in Seelye Exhibit 7, the credits for Net Metering Service are shown for the applicable rate classes.

c. This table shows that Redundant Capacity is recorded in Account 445, Other Sales to Public Authorities. State where in Seelye Exhibit 7 the charges for Redundant Capacity are shown for the applicable rate classes.

d. This table shows that Green Energy is recorded in Account 456, Other Electric Revenue. State the amount of Green Energy recorded in Account 456 for the test year.

A-23. a. The credits for the CSR are shown on the summary provided in Seelye Exhibit 6, but are not shown in the detail provided in Seelye Exhibit 7. On Seelye Exhibit 6, the current credits are shown on page 1, and the impact of the proposed credits is shown on page 2. For the details of the change in the CSR credits, see the folder titled Question No. 250 on the CD provided in response to AG 1-250.

b. KU's residential and general service customers on the net metering tariff are billed on the basis of net electric energy consumed. Therefore, there are no credits to be shown in Seelye Exhibit 7; the net electric energy consumed is included in the Total kWh column for the applicable rate classes.

c. Redundant capacity charges are not reflected on Seelye Exhibit 7. During the test year, the total redundant capacity revenues for KU were approximately $43,000. The increase in redundant capacity revenues would be approximately $4,730.

d. The amount of Green Energy recorded in Account 456 is $11,287 for the test year which is offset by a corresponding expense.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 24

Responding Witness: William Steven Seelye

Q-24. Refer to the response to Item 95.a of Staffs Second Request, page 1 of 2. The response states that, "[t]he proposed 'Minimum Energy' revenues are calculated using a ratio of current demand and energy revenues to proposed demand and energy revenues. These calculations are performed on Seelye Exhibit 7." In the electronic copy of Exhibit 7 filed in response to Item 77 of Staffs Second Request, the cells for the proposed minimum energy include only amounts, not formulas. Provide the formula used for each rate class for the proposed minimum energy.

A-24. It has come to Mr. Seelye's attention that for a number of rate schedules the values included in the proposed revenues for Minimum Energy are incorrect. The amounts have been corrected in the spreadsheet provided in response to Question No. 1. The formulas are also included in the spreadsheet. Please see the spreadsheet tab labeled "Proposed Revenue Detail".

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 25

Responding Witness: William Steven Seelye

Q-25. Refer to the response to Item 102.d.(2) of Staffs Second Request, page 2 of 2. KU states that the year-end customer numbers in the cost-of-service study for rate classes PS, TOD, and RTS should have corresponded to the customer numbers on Seelye Exhibit 16. If this correction was made, state whether it would change the results of the cost-of-service study. If so, provide the updated results.

A-25. The change will affect the results of the cost of service study. The revised cost of service model is included on the attached CD in the folder titled Question No. 25.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 26

Responding Witness: Shannon L. Charnas

Q-26. Refer to the attachment to the response to Item 108 of Staffs Second Request.

a. Provide a detailed explanation for the increase in maintenance contract expenses from \$7.2 million in 2006 to the \$17.8 million incurred during the test year.

b. Provide a detailed explanation for the decrease in temporary legal fees shown for 2008, \$8.6 million, to the amount shown for the test year, \$3.8 million.

A-26. a. In responding to this question, it was determined that some vendors were categorized inconsistently in 2006 and 2007. This difference in the way the vendors were categorized contributed to the large variance between 2006 and the test year. The attached spreadsheet includes revised information for 2006 and 2007, including a variance explanation of the significant differences between the revised 2006 amounts and the test year amounts. The variance explanation for the difference between the original 2006 amounts and the revised 2006 amounts is that certain vendors that were categorized in "maintenance contracts" in 2008 and 2009, were categorized in "other" or "storm damage" in 2006 and 2007. The recategorization of these vendors results in a more accurate representation of the maintenance contract costs in those years.

See attached.

b. The Temporary Legal category includes all legal expenses. The Company is not able to segregate temporary from total legal expenses.

In 2008, KU was a party to a significant contract dispute with Owensboro Municipal Utilities which resulted in significant litigation activity, including a trial. Following the trial, the parties entered into a confidential settlement agreement which resolved the matter, with no appeals, and the litigation ended in early 2009.

In a separate environmental matter, the U.S. EPA issued notices of violation dated April 26 and December 6, 2006 alleging that KU had undertaken modifications on

Brown Unit 3 in violation of the New Source Review/Prevention of Significant Deterioration regulations and had violated conditions of its air permit. On March 12, 2007, the United States filed a complaint in U.S. District Court alleging the same violations. A tentative settlement with the government was reached in December 2008. A consent decree resolving the matter was entered by the Court on March 17, 2009.

The activity in these two matters prior to the test year primarily accounts for the reduction in legal fees shown for the test year ending October 31, 2009.

KENTUCKY UTILITIES
CONTRACTED LABOR-MAINTENANCE CONTRACTS

SERVICE	Test Year	2008	Revised 2007	Original 2007	Revised 2006	Original 2006	Variances Test Year vs Revised 2006	Explanation of Test Year vs Revised 2006 Variances
A and A Mechanical Inc	$ -	$ 4,667	$ 13,113	$ -	$ 12,088	$ -	$ (12,088)	
A and D Constructors Inc	251,247	-	-	-	-	-	251,247	Increase due to Ghent Units 1, 2 and 4 outages and Unit 1 turbine valve failure.
A and T Industrial Services Inc	108,759	-	-	-	114,955	-	(6,196)	
Aastra USA Inc	-	1,449	-	-	-	-	-	
Aetna Building Maintenance Inc	243,422	173,476	196,914	196,914	182,222	182,222	61,200	
Alstom Power Air Preheater	2,866	-	6,229	-	9,469	-	(6,603)	
Alstom Power Inc	1,253,620	1,202,076	1,574,955	-	2,080,868	-	(827,248)	Alstom performed Brown CT Unit 8 inspections and replaced vane on Brown CT Units 8, 9, 10 and 11, in 2006. Also, there were epoxy injections on Brown CT Units 9, 10 and 11 in 2006 which did not occur in the test year.
Associated Railroad Contractors Inc	5,706	-	29,237	-	51,028	-	(45,322)	
Assured Asset Protection Inc	35,103	29,442	36,741	-	16,132	-	18,971	
Atlas Machine and Supply Inc	83,519	45,647	62,622	-	56,786	-	26,733	
Avaya Inc	112,427	117,357	63,774	63,774	56,227	56,227	56,199	
B and B Electric Co Inc	24,737	14,021	-	-	28,155	-	(3,418)	
Beacon Pointe Corp	-	41,652	2,905	2,905	-	-	-	
Bluegrass Plumbing and Heating	-	834	819	-	429	-	(429)	
Bowlin Energy LLC	6,920	-	-	-	-	-	6,920	
Bray Electric Services Inc	60,788	43,083	54,767	54,767	40,236	40,236	20,551	
C E Power Solutions LLC	135,117	145,342	130,724	130,724	-	-	135,117	C E Power Solutions performed protective relay testing on the Brown CTs and outage work on Ghent Unit 2, and Brown Units 2 and 3 in the test year and not in 2006.
Charah Inc	24,974	0	-	-	-	-	24,974	
Chu Con Inc	50,981	37,157	-	-	39,312	-	11,669	
Conam Inspection and Engineering Services Inc	21,290	5,293	3,180	-	-	-	21,290	
Crane America Services Inc	24,932	15,947	24,843	-	60,241	-	(35,309)	
Data Processing Sciences Corp	55	-	125	125	-	-	55	
Davis H Elliot Company Inc	505,949	380,384	-	-	495,332	-	10,617	
Dll Solutions Inc	-	-	874	874	-	-	-	
Document Control Systems Inc	23,912	268	19,730	19,730	4,962	4,962	18,951	
Donnie Jones Lawn Care LLC	19,448	21,208	24,981	-	31,264	-	(11,816)	
Duncan Machinery Movers Inc	19,438	37,431	14,772	-	15,643	-	3,795	
Eco Electric LLC	660	-	-	-	-	-	660	

SERVICE	Test Year	2008	Revised 2007	Original 2007	Revised 2006	Original 2006	Variances Test Year vs Revised 2006	Explanation of Test Year vs Revised 2006 Variances
Edwards Moving and Rigging Inc	-	39,903	23,502	-	-	-	-	
Emerson Process Management LLLP	-	1,615	6,000	-	-	-	-	
Enspiria Solutions Inc	-	-	64,039	64,039	-	-	-	
Evans Construction Co Inc	3,359,711	3,300,590	3,353,573	3,353,573	2,796,225	2,796,225	563,486	Increase from 2006 to test year due to increases in coal yard maintenance, janitorial support, and outage work, some of which had been previously performed by other vendors. Additional support for new SO3 mitigation system.
Falco Electric Inc	17,500	1,713	33,661	-	44,118	-	(26,618)	
Fishel Co	11,473	-	-	-	19,238	-	(7,765)	
Fuellgraf Chimney and Tower Inc	4,662	1,403	-	-	825	-	3,837	
G and G Utility Construction Inc	39,607	39,686	59,749	59,749	63,502	63,502	(23,895)	
GE Energy Management Services Inc	7,500	-	-	-	2,000	2,000	5,500	
Harshaw Trane Services	7,842	-	2,271	-	40,682	-	(32,840)	
Hussung Mechanical Contractors Inc	52,568	28,376	8,946	-	6,148	-	46,420	
Hydrochem Industrial Services Inc	38,819	291,115	333,156	-	345,834	-	(307,015)	Hydrochem performed a chemical cleaning on Ghent Unit 4 in 2006 and not in the test year.
Incorp Inc	1,406,590	1,073,833	891,299	-	874,484	-	532,106	Increase due to high energy piping inspections at Green River Unit 4 and Brown Units 1, 2 and 3.
Information Intellect Inc	-	-	2,160	2,160	-	-	-	
International Cooling Tower USA Inc Et Al	60,849	32,849	-	-	38,581	-	22,267	
Invensys Systems Inc	44,214	10,409	8,313	-	74,669	-	(30,455)	
Itron Inc	4,193	-	1,776	1,776	2,002	2,002	2,190	
Ivey Mechanical LLC	52,666	31,695	21,014	-	-	-	52,666	
Larrys Heating and A C Service Inc	62,996	65,745	36,278	-	13,480	-	49,516	
Liebert Global Services	-	-	14,091	14,091	21,859	21,859	(21,859)	
Louisville Sealcoat Co Inc	5,970	5,970	3,190	-	1,845	-	4,125	
Marine Electric Co Inc	5,793	1,833	1,144	-	10,494	-	(4,701)	
Matrix Integration LLC	-	46,060	45,632	45,632	45,587	45,587	(45,587)	
Mechanical Construction Services Inc	2,112,002	1,556,339	2,586,874	2,586,874	1,814,210	1,814,210	297,793	Increased boiler weld repairs required during outages on Ghent Units 1 and 2 along with support of Ghent Unit 1 turbine valve failure in the test year.

SERVICE	Test Year	2008	Revised 2007	Original 2007	Revised 2006	Original 2006	Variances Test Year vs Revised 2006	Explanation of Test Year vs Revised 2006 Variances
Mechanical Dynamics and Analysis LLC	2,032,545	1,794,846	575,519	575,519	900	900	2,031,645	Increase due to turbine-generator overhaul work at Brown Unit 2 and work related to turbine valve failure at Ghent Unit 1 in test year, not in 2006.
Midwest Switchgear Services LLC	198,544	73,780	40,230	-	66,279	-	132,265	Increase due to work on outages at Green River 3 and Brown.
Moore Security LLC	53,754	130,036	161,180	161,180	146,267	146,267	(92,513)	Replaced by Securitas.
MTM Technologies Inc	4,068	-	-	-	-	-	4,068	
Motorola	-	-	-	-	1,360	1,360	(1,360)	
Murphy Elevator Co Inc	87,011	126,165	75,002	-	76,382	-	10,629	
National Environmental Contracting Inc	1,086	497	-	-	-	-	1,086	
Net IQ Corp	5,751	3,991	-	-	-	-	5,751	
New Energy Associates LLC	-	-	-	-	8,644	8,644	(8,644)	
Oracle Corp	-	-	-	-	1,269	1,269	(1,269)	
Oracle Elevator Co	56,650	49,053	18,199	18,199	19,529	19,529	37,121	
Oracle USA Inc	(3,182)	3,182	4,961	4,961	-	-	(3,182)	
Overhead Door Co of Bowling Green	-	401	-	-	-	-	-	
Overhead Door Co of Louisville	37,298	15,018	11,711	-	9,739	-	27,558	
Payformance Corp	-	-	-	-	353	353	(353)	
Perkins Scale Corp	32,138	5,710	4,732	-	5,158	-	26,981	
Petrochem Insulation Inc	29,790	33,402	-	-	-	-	29,790	
Pic Energy Services Inc	-	1,659,862	2,351,004	2,351,004	1,725,576	1,725,576	(1,725,576)	The name of this company changed from Pic Energy Services Inc. to Pic Group Inc. The increase from 2006 to the test year is related to a new contract for outage work, mainly for Brown Units 2 and 3.
Pic Group Inc	2,488,292	836,759	-	-	-	-	2,488,292	
Pike Electric Inc	778	2,837	-	-	10,085	-	(9,306)	
Pole Maintenance Co LLC	-	(30,985)	268,611	-	-	-	-	
Power Equipment Maintenance Inc	-	2,241	-	-	-	-	-	
Powerplan Consultants Inc	2,160	-	5,714	5,714	-	-	2,160	
Precipitator Services Group Inc	625,726	724,220	556,018	-	245,415	-	380,311	Increase due to Ghent Unit 1 outage.
Precision Services Inc	226,914	255,074	144,386	-	133,217	-	93,697	
Pro Turf Inc	2,100	2,015	855	-	-	-	2,100	
Prosys Information Systems Inc	663	2,120	2,569	2,569	-	-	663	
R and P Industrial Chimney Co Inc	78,681	60,967	552,135	-	5,600	-	73,081	
R Houston and Son Sandblasting Specialists Inc	95,190	24,192	67,328	-	51,259	-	43,931	
Radio Communications Systems	13,020	11,470	14,663	14,663	15,490	15,490	(2,469)	

SERVICE	Test Year	2008	Revised 2007	Original 2007	Revised 2006	Original 2006	Variances Test Year vs Revised 2006	Explanation of Test Year vs Revised 2006 Variances
Ready Electric Co Inc	170,769	197,159	161,392	-	247,309	-	(76,540)	
Real Resume Corporation	-	-	1,386	1,386	1,386	1,386	(1,386)	
Reed Utilities	-	-	-	-	1,457	1,457	(1,457)	
Reed Utilities Co	14,844	5,945	5,064	5,064	9,151	9,151	5,693	
Reynolds Inc	79,050	77,805	184,817	-	75,421	-	3,629	
Rotating Equipment Repair Inc	250,942	185,433	162,868	-	65,592	-	185,350	Increase due to corrective maintenance on Ghent circulating water pump.
Rus Sales	11,156	6,537	10,858	10,858	10,985	10,985	171	
Securitas Security Services USA Inc	78,759	-	-	-	-	-	78,759	
Siemens Power Generation Inc	(215,416)	256,840	3,275,777	3,275,777	134,512	134,512	(349,928)	Related to adjustments outside of test period.
Software House International Inc	-	164	800	800	-	-	-	
Southern Plumbing and Heating Inc	123	-	-	-	-	-	123	
Sterling Commerce Inc	9,492	9,130	8,051	8,051	6,038	6,038	3,454	
Storagetek	-	-	-	-	1,392	1,392	(1,392)	
Sungard Avantgard LLC	118	-	-	-	-	-	118	
Symantec Corp	13,379	58,559	-	-	51,442	51,442	(38,063)	
Tei Services	5,327	5,241	10,291	-	44,653	-	(39,326)	
Thyssenkrupp Elevator	58,216	33,209	57,269	-	6,207	-	52,008	
Total Resource Management Inc	-	-	1,907	1,907	-	-	-	
United Conveyor Corp (Services)	-	7,840	-	-	-	-	-	
United Scaffolding Inc	-	250,750	-	-	40,610	-	(40,610)	
Veolia Environmental Services	636,693	430,133	1,215,622	-	714,655	-	(77,962)	
Veramark Technologies Inc	1,175	-	-	-	3,355	3,355	(2,181)	
Whayne Supply Co	93,122	83,540	64,893	-	78,924	-	14,198	
Wilhod Inc	6,078	7,816	12,371	12,371	2,403	2,403	3,674	
William E Groves Construction Inc	61,842	89,148	-	-	246,957	-	(185,115)	Less transmission maintenance in test year due to substantial work required for storm restoration.
Youngblood Construction Inc	159,636	209,958	147,172	147,172	20,829	20,829	138,808	This contractor supports outages and equipment repair and maintenance, some of which in the past was performed by other contractors.
Total Maintenance Contracts by Vendor	$ 17,815,105	$ 16,547,928	$ 19,933,324	$ 13,194,901	$ 13,796,934	$ 7,191,371	$ 4,018,171	

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 27

Responding Witness: William Steven Seelye

Q-27. Refer to the response to Item 11 of Staffs Second Request in Case No. 2009-00549[2] and tariff sheet P.S.C. 14, Original Sheet No. 40, in Volume 1 of KU's application. The language under the heading Rental Charge Adjustment was initially accepted pursuant to the Commission's decision in Administrative Case No. 251.[3] Explain whether KU was aware that, since 2000, as reflected by the proceedings in Case No. 2000-00359,[4] the Commission has held that CATV attachment charges are not nonrecurring charges and, as such, may only be adjusted via an application filed under 807 KAR 5:001 , Section 10, General Rate Applications.

A-27. The Company was not aware of the Commission's Order regarding Cumberland Valley Electric Inc. in Case No. 2000-00359. Therefore, the Company proposes to delete the "Attachment Charge Adjustment" section and the annual adjustment provision in the "Attachment Charge" section of the rate schedule.

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[2] Case No. 2009-00549, Application of Louisville Gas and Electric Company for an Adjustment of Electric and Gas Base Rates, filed Mar. 15, 2010.
[3] Administrative Case No. 251, The Adoption of a Standard Methodology for Establishing Rates for Cable Television Pole Attachments (Ky. PSC Sept. 17, 1982).
[4] Case No. 2000-00359, Application of Cumberland Valley Electric Inc. to Adjust its Rates (Ky. PSC Feb. 26, 2001).

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 28

Responding Witness: Butch Cockerill

Q-28. Refer to the response to Item 10 of the AG's First Request. To what does KU attribute the highest level of complaints experienced in January 2008 and February 2009?

A-28. The January 2008 spike in complaints was primarily from customers in the eastern Kentucky area. Our review of these complaints found the causes were related to high bills resulting from a number of factors, such as colder weather, increased consumption, and higher fuel costs. The increase in February 2009 was related to the historic outages associated with the 2009 Ice Storm.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

Response to Third Data Request of Commission Staff
Dated March 26, 2010

Question No. 29

Responding Witness: Butch Cockerill

Q-29. Refer to the response to Item 11 of the AG's First Request. What are the restrictions on the FLEX program, and what are the eligibility requirements?

A-29. The restrictions and eligibility requirements for the FLEX program are:

1. Must be a residential customer who received monthly income check, such as social security or similar government payments, about same time each month;

2. Historically a good paying customer who cannot pay their bill by the "original" due date but could pay the amount if the date were extended to a point in time after receive monthly income check; and

3. Will face this situation every month for the foreseeable future.

For additional information on this program, see attached.

Louisville Gas and Electric Company
Kentucky Utilities Company

Alternate Due Date Proposal
December 10, 2009

Objective

To allow residential customers who indicate that they are on a limited income an option, at the Companies' discretion, to receive a payment due date that more closely coincides with the receipt of their monthly income check.

- Provide customers an alternate due date option to avoid Late Payment Charge
- Minimize issuance of disconnection notice (brown bill) to these customers

Proposal

Provide an option that would allow a customer the option of having an alternate payment term, permitting 28 days in each billing cycle for the customer to pay.

In short, the alternate payment term option would move the due date from the current 12 days from the issuance of the invoice (as provided under the Companies' tariffs) to 28 days from invoicing (effectively extending their original due date by 16 days).

The balance of invoicing and dunning procedures (brown bill, disconnect orders, Late Payment Charges, etc.) would remain unchanged. If applicable, a Late Payment Charge would be applied 31 days from the issuance of the bill.

Eligibility & Requirements

1. Customer may be eligible if Customer is on a Residential Rate and if Customer indicates to Company that Customer

    1.1. Cannot pay the amount due by the "original" due date, <u>and</u>

    1.2. Could ordinarily pay the amount due if the date were extended to a point in time after receipt of a monthly check (including but not limited to Social Security or similar governmental payments), <u>and</u>

    1.3. Will face this situation every month for the foreseeable future (i.e. not a one-time incident but a recurrent monthly issue)

2. Company may review Customer payment history to determine eligibility.

3. Company may require Customer to provide some form of verification of eligibility.

4. Company may deny Customer participation for good cause.

   We will defer to the company without demanding their guidelines or policies. However, if the customer is denied access to the program and contacts the AG or the PSC, the company will make a good faith commitment to work with us.

5. Company may remove Customer from participation if customer fails to make timely payments.

   The credit history before the program was implemented, on or about April 1, 2009, will be used. Moreover, and again, the company will work with the PSC and the AG if there is a dispute if the customer complains to either of us.

6. Initial Participation will be offered to

   6.1. Customers who participated in the LG&E Select Due Date or Extendicare program <u>or</u>

   6.2. Customers who contacted LG&E, KU, Kentucky PSC Consumer Affairs, or Office of the Attorney General regarding this issue.

   The company will contact all prior participants by way of an initial telephone call but will also ultimately use a letter.

   Moreover, if future individuals are eligible, they may likewise contact LG&E and KU for participation. However, paragraph 7 will apply to participation.

7. Company reserves the right to monitor this offering and to revisit this issue in a future proceeding before the Commission, including customer issues and cost recovery issues, if appropriate. One trigger for such revisiting shall be if participation in either the LG&E or the KU offering reaches 10,000 Customers.

8. Company will provide refunds to LG&E Customers who participated in the Select Due Date or Extendicare programs for any Late Payment Charges incurred during the period between April 1, 2009 and the implementation of this offering.

9. Company will not formalize this offering in a filed tariff. Promotion of any kind should be aimed at inviting Customers to contact LG&E or KU to inquire about which Company offerings are available to assist them given their unique circumstances.

This document shall be filed with the Commission and serve to memorialize this agreement.