COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES	))	CASE NO. 2012-00221

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission an original, one paper copy, and one electronic copy of the following information, with a copy to all parties of record. The information requested herein is due no later than September 12, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KU shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KU fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Testimony of Robert M. Conroy ("Conroy Testimony"), Conroy Exhibit R2. Provide this schedule for each of the following rate classes: GS, AES, PS-Secondary, PS-Primary, TOD-Secondary, TOD-Primary, RTS, and FLS.

2. Refer to Conroy Testimony, Conroy Exhibit M2. Pages 1 and 2 state that the source of the referenced costs is Exhibit Conroy C4. Provide the location in Exhibit Conroy C4 of each of the costs shown on these pages.

3. Refer to Conroy Testimony, Conroy Exhibit M3, pages 1-3. For the amounts referenced to Exhibit Conroy C4, provide their location in that exhibit.

4. Refer to pages III-4 and III-5 of Exhibit JJS-KU to the Direct Testimony of John J. Spanos ("Spanos Testimony"). In this proceeding KU has determined that the actual net salvage for the Tyrone units and the Green River Units is equal to negative 10 percent of their original costs. Explain why KU estimates net salvage to be greater than negative 10 percent for each of the other Steam Production Plant Units listed on these pages other than Pineville Unit 3.

5. Refer to page III-5 of Exhibit JJS-KU to the Spanos Testimony, page III-5 of the depreciation study attached to the testimony submitted by Mr. Spanos in Case

No. 2007-00565,[1] and Exhibit 7 of the Settlement Agreement filed by KU on January 13, 2009 in Case No. 2007-00565.

a. State whether KU has used the depreciation rates in Exhibit 7 of the Settlement Agreement to calculate its depreciation accruals since the Commission's approval of the Settlement Agreement.

b. If the response to part a. of this request is affirmative, explain why the book depreciation reserve shown on page III-5 of Exhibit JJS-KU for account 316, Tyrone Units 1 and 2 as of December 31, 2011, includes a negative 10 percent net salvage accrual when there was no salvage assigned to this account on page III-5 of the depreciation study filed in Case No. 2007-00565, which formed the basis for the depreciation rates included in the Settlement Agreement.

6. Refer to page 9, lines 15-21 of the Testimony of Paul W. Thompson, and the responses to Items 21 and 22 of Commission Staff's Second Request for Information ("Staff's Second Request").

a. Given the experience during the first year of operation of Trimble County Unit 2 ("TC2"), explain why KU and its sister company, Louisville Gas and Electric Company ("LG&E"), expect the test-year level of operation and maintenance costs associated with TC2 to reflect the "going-forward operation and maintenance expenses associated with operating the generating unit . . . ."

b. The response to Item 21 identifies several matters that were addressed during a spring 2012 planned outage of TC2 while the attachment to the response to Item 22 shows the level of expenses, by account, incurred for the operation

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[1] Case No. 2007-00565, Application of Kentucky Utilities Company to File Depreciation Study (Ky. PSC Feb. 5, 2009).

of TC2 during the test year. Explain whether any of the specific expenses are expected to decline as a result of the activities performed during the outage.

7. Refer to the responses to Items 1-5 of Staff's Second Request, all of which describe proposed changes which are intended to provide clarity. Explain whether the clarifying changes referenced in each of these responses represent KU's existing practice which it desires to make clear in its tariff, or if the changes represent changes in KU's current practices or provision of services.

8. Refer to the response to Item 6 of Staff's Second Request, page 2 of 5, the LS Underground Service section.

a. KU states that the policy of customers being responsible for ditching, back-filling, and maintaining conduit will stay in effect even though the language is being deleted from the tariff. KU also states that it is being replaced with more generic language on proposed Sheet No. 35.1.

1) Explain whether KU has any concerns about enforcing a policy that will not be included in its tariff.

2) Provide the generic language on proposed Sheet No. 35.1 which is meant to replace the current language.

b. The response states that "[t]he language referring to Custom Ordered Styles was deleted. Customers choosing to install their own lighting will be billed base (sic) on KU's LE tariff."

1) State whether any current customers will be moved to the Lighting Energy ("LE") tariff as a result of the proposed changes.

2) KU's LE tariff states that it is available to "municipalities, county governments, divisions or agencies of the state or Federal governments, civic associations, and other public or quasi-public agencies for service to public street and highway lighting systems . . . ." Explain whether KU intends for individuals who choose to install their own lighting to be eligible to take service under the LE tariff.

9. Refer to the response to Item 6 of Staff's Second Request, pages 3-4 of 5, the LS Term and Conditions section. Explain why it is necessary to add language prohibiting the temporary suspension of lighting service.

10. Refer to the response to Item 23 of Staff's Second Request. Confirm that the costs shown in the attachment for the 19 additional people hired to work at TC2 since the test year in KU's last rate case are part of the expenses provided in the response to Item 22 of Staff's Second Request.

11. Refer to the response to Item 24 of Staff's Second Request. In the same format used in the attachment to the response, provide the maintenance expense incurred by KU in calendar year 2011 and the test year. Also, provide the actual maintenance expense incurred in the first half of 2012 and the projected expense for the remainder of 2012.

12. Refer to the response to Item 47.c. of Staff's Second Request. Explain the increase in off-system sales and margins in 2011 as compared to 2010.

13. Refer to the responses to Items 49, 50, and 51 of Staff's Second Request, all of which relate to depreciation with 50 and 51 specifically relating to the depreciation and planned retirements of the Green River and Tyrone generating units.

a. The response to Item 50.b. indicates that each generating unit is expected to have a net negative 10 percent salvage value when retired. The response to Item 51.c. states that no estimate of salvage has been developed since there is currently no intention to take the facilities down to a natural state. Given KU's plan to stabilize rather than dismantle and remove these generating facilities, explain why the depreciation rates for these units should include a component for negative net salvage.

b. For each of the Tyrone and Green River utility plant items for which a proposed depreciation rate and related expense is shown in the response to Item 49, provide the depreciation rate and depreciation expense based on an expected salvage value of zero when the units are retired.

14. Refer to the response to Item 50.e. of Staff's Second Request, which does not contain the requested information. Under Generally Accepted Accounting Principles, financial statements must report asset removal costs recovered through depreciation which are not Asset Retirement Obligations ("ARO") as a regulatory liability.

a. Provide the total amount of asset removal costs KU reported as a regulatory liability in its financial statements as of December 31, 2011.

b. Provide the total amount of AROs KU reported in its financial statements as of December 31, 2011

c. Provide the regulatory liability reported as of December 31, 2011 that was accrued on the Tyrone units. Provide the workpapers demonstrating how the amounts were determined.

d. Provide the amount of AROs reported as of December 31, 2011 that were accrued on the Tyrone units. Provide the workpapers demonstrating how the amounts were determined.

e. Provide the regulatory liability reported as of December 31, 2011 that was accrued on the Green River units. Provide the workpapers demonstrating how the amounts were determined.

f. Provide the amount of AROs reported as of December 31, 2011 that were accrued on the Green River Units. Provide the workpapers demonstrating how the amounts were determined.

15. Refer to KU's response to Item 72.b. of Staff's Second Request. Given that the response states that "physical curtailments would generally be necessary during times of high usage which usually results in relatively high market peak prices," explain whether it is still KU's position that its proposed curtailable service rider credits are reasonable.

16. Refer to KU's response to Item 73 of Staff's Second Request. Ordering paragraph 5 of the July 15, 1999 Order in Case Nos. 94-461-A, 94-461-B, 94-461-C, and 96-523[2] stated that "KU shall immediately discontinue its practice of restating its total system line losses using the retail line loss factor. When determining the amount of system losses to include on the Sales Schedule of its monthly FAC filings, KU shall use the overall system losses based on 12 months to date information." In addition, the August 30, 1999 Order on rehearing states that 807 KAR 5:056 "requires the elimination of 'total system losses' in the determination of an FAC's sales component." Given the

[2] The fuel adjustment clause review cases covered the period from November 1, 1994 through October 31, 1996 (Ky. PSC July 15, 1999).

language in these orders, explain why KU has been using losses related to the Kentucky jurisdiction portion of its electric system since the time of the Orders.

17. Refer to the "Copy of KUBillDeterminants-PSC_Q75_Revised" Excel spreadsheet included in the response to Item 75 of Staff's Second Request, file 8, tab "Conroy Exhibit R5 pgs 1-11."

a. For the rate class PS-Secondary, the cells in the "Calculated Revenue at Proposed Rates" column for "Power factor adjustment charges" and "Prorated corrected and demand charges" are formulas which provide for an increase at proposed rates. For the rate class PS-Primary, the cells in the "Calculated Revenue at Proposed Rates" column for "Power factor adjustment charges" and "Prorated corrected and demand charges" do not provide for an increase at proposed rates but rather use the amounts at present rates. Explain why the proposed revenues for these items are calculated differently between the two rate schedules.

b. Refer to the Time of Day Secondary Service Rate TODS, Adjustment to Reflect Rate Switching to TODS, rows 265 through 267 under column C. Explain why it is correct for 115,245 kVA to be used for each base, intermediate, and peak demand adjustments rather than the kVA for the three adjustments totaling 115,245.

c. Refer to the Time of Day Primary Service Rate TODP, Adjustment to Reflect Rate Switching to TODP, rows 310 through 312 under column C. Explain why it is correct for 254,513 kVA to be used for each base, intermediate, and peak demand adjustments rather than the kVA for the three adjustments totaling 254,513.

18. Refer to the response to Item 78 of Staff's Second Request. Provide a copy of the two contracts to which the response refers.

19. Refer to the response to Item 79 of Staff's Second Request, which states that the Supplemental/Standby Service charge had previously been adjusted based on the proposed changes to demand charges but that, in this case, KU used cost-based charges. Explain the reason for the change.

20. Refer to the response to Item 80 of Staff's Second Request. Explain what KU perceives to be the reason(s) for the "lack of customer response" to the Real Time Pricing tariff.

21. Refer to the response to Item 81 of Staff's Second Request, which states that KU included information on the Low Emission Vehicle ("LEV") tariff in bill inserts in April 2011 and has information on its web site. The response also states that the tariff has two new customers since the filing of the Conroy Testimony. Explain whether KU is aware of how the two customers were made aware of the existence of the tariff.

22. Refer to the response to Item 82 of Staff's Second Request. Explain whether KU experienced a significantly greater level of rate switching in the test year than in the past. The response should include the level of switching experienced in the five prior calendar years (2006-2010) and discuss why such an adjustment is proposed in this case when KU proposed no similar adjustment in its two prior rate cases.

23. Refer to the response to Item 84 of Staff's Second Request.

a. Refer to the response to Item 84.a. and the revised Exhibit Conroy P5 Excel spread sheet, page 7 of 8. Explain why cell C260, Actual Number of Customers for the 13-Month Period for Residential Customers including VFD and former RRP, is not calculated by the sum of cells B5 through B8, as opposed to cell F260 being the sum of cells B5 through B8. It appears that cell C260 should be 5,466,464 and that cell F260 should be the sum of cells C260, D260, and E260, for a total of 5,466,549 customers after rate switching. Likewise, explain why the same would not be true for the other rate classes shown. If a correction is necessary, provide a revised Exhibit Conroy P5 and revisions of all exhibits that would be affected by this change.

b. Refer to the response to Item 84.b. and the revised Exhibit Conroy P5 Excel spread sheet, page 7 of 8. Explain why cell H260, Actual Energy Delivered for the 13-Month Period for Residential Customers including VFD and former RRP, is not calculated by the sum of cells F5 through F8, as opposed to cell K260 being the sum of cells F5 through F8. It appears that cell H260 should be 6,476,721,487 and that cell K260 should be the sum of cells H260, I260, and J260, for a total of 6,476,267,049 energy usage to reflect rate switching. Likewise, explain why the same would not be true for the other rate classes shown. If a correction is necessary, provide a revised Exhibit Conroy P5 and revisions of all exhibits that would be affected by this change.

24. Refer to the response to Item 88 of Staff's Second Request.

a. The response to Item 88.b. states that the "Annualized FAC roll-in to base rates" amount was allocated to each rate class based on the "calculated difference in FAC revenues on Conroy Exhibit P2, page 3 of 3." Explain why, for each rate class, it would not have been more appropriate to use the net difference between the "Total 12 Mos. Ended" column on Conroy Exhibit P2, page 3 of 3, and the "Increased

Revenue" column on Conroy Exhibit P1, page 1 of 18, given that the total of the two columns net to the $2,885,839 amount being allocated.

b. The response to Item 88.c. states that the year-end customer adjustment was inadvertently not updated in the final version of the cost-of-service study. State how the results of the cost-of-service study would change if the adjustment had been updated.

25. Refer to the response to Item 92 of Staff's Second Request.

a. The response to Item 92.b.(1), at the bottom of page 2 of 3, shows late payment charges of $6,190,624 from Exhibit Conroy R4 and $6,910,624 from Exhibit Conroy C2. State which is the correct amount.

b. The response to Item 92.b.(2), page 3 of 3, refers to "rebilling." Explain the circumstances under which "rebilling" is necessary.

26. Refer to the response to Item 93 of Staff's Second Request.

a. For each of the three lights discussed in the response to Item 93.c., provide the number of customers that would be affected by the proposed increase. For each light, provide the largest number of lights billed to a single customer.

b. The response to Item 93.d.(1) did not explain how an increase of 55 percent satisfies the principle of gradualism. Provide the requested explanation.

c. Refer to the response to Item 93.d.(2). Identify the customer referred to in the response.

27. Refer to the response to Item 94 of Staff's Second Request.

a. Provide a definition of "levelized carrying charge" and "non-levelized carrying charge".

b. Explain whether KU is familiar with the clarification of Administrative Case 251[3] in Case No. 2000-00359[4] in which the Commission found that calculation of CATV charges should use either net pole costs or a rate of return adjusted for the ratio of net plant to gross plant applied to the gross average pole costs. If yes, explain how KU's calculation complies with the methodology set out in Case No. 2000-00359.

28. Refer to LG&E's response to Item 96.d. of Staff's Second Request for Information in Case No. 2012-00222.[5] Compare KU's current practice to LG&E's with regard to the inclusion of Interchange In and Interchange Out energy in the fuel adjustment clause filing. Explain whether KU would need to propose a change to its current practice to match that proposed by LG&E in Case No. 2012-00222, including whether a change would be needed to page 3 of Form A.

29. Refer to KU's response to Item 11 of the Attorney General's Initial Data Request ("AG's First Request"). The response states that bills are due on working days and not weekends and holidays. In instances when the due date falls on a weekend or holiday, explain whether the due date is moved to the following working day.

30. Refer to KU's response to Item 261 of the AG's First Request which states that "the customers' CP demands were adjusted to reflect levels that would have occurred had the customers not been curtailed." Explain why CP demands should not reflect the curtailed levels.

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[3] Administrative Case 251, The Adoption of a Standard Methodology for Establishing Rates for CATV 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).

[5] Case No. 2012-00222, Application of Louisville Gas and Electric Company for an Adjustment of Its Electric Rates, filed July 10, 2012.

31. Refer to KU's response to Item 5 of the Kentucky School Boards Association's Initial Request for Information. Provide the additional cost of time-based metering to which this response refers.

32. Refer to KU's response to Item 24 of the Lexington-Fayette Urban County Government's ("LFUCG") Initial Request for Information, page 1 of 3. The response shows that LFUCG has 38 "Residential Service" accounts, seven "Residential Service-All Electric" accounts, and one "Residential Service-Three Phase" accounts.

a. Explain the circumstances under which LFUCG has "Residential" accounts.

b. Explain the differences in these "Residential" accounts and whether each is charged at the standard Residential Service rate.

33. Refer to KU's response to Item 6 of the Kentucky Industrial Utility Customers, Inc.'s First Set of Data Requests, which refers to an attached analysis; however, no analysis was attached to the response. Provide the referenced analysis.

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DATED AUG 2 8 2012

cc: Parties of Record

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