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

May 7, 2012

RE: **APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ORDER APPROVING ITS CACULATION OF THE ACQUISITION SAVINGS DEFERRAL METHODOLOGY FOR 2011**
CASE NO. 2012-00127

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 First Request for Information in the Commission's Order dated April 26, 2012, in the above-referenced matter.

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

Sincerely,

Robert M. Conroy

Enclosures

1 | 1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

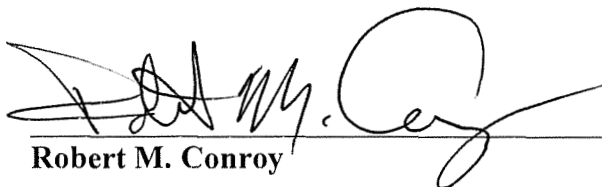|		
APPLICATION OF KENTUCKY UTILITIES	)	
COMPANY FOR AN ORDER APPROVING ITS	)	CASE NO.
CALCULATION OF THE ACQUISITION	)	2012-00127
SAVINGS DEFERRAL METHODOLOGY FOR 2011	)	

RESPONSE OF

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

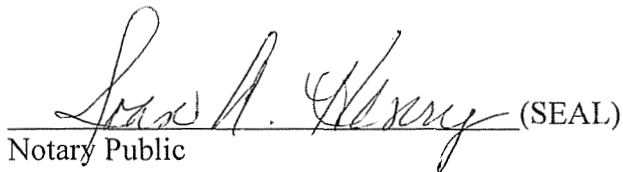DATED APRIL 26, 2012

FILED: May 7, 2012

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 Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, 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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this _7th_ day of _May_ 2012.

_____ (SEAL)
Notary Public

My Commission Expires:

July 21, 2015

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 LG&E and KU Services Company, 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 _7th_ day of _May_ 2012.

_____(SEAL)
Notary Public

My Commission Expires:

July 21, 2015

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's
First Request for Information Dated April 26, 2012

Case No. 2012-00127

Question No. 1

Witness: Lonnie Bellar

Q-1.   Refer to Items 7 and 8 of the Application and the stipulation agreement contained in the final order in Case No. 2010-00204[1]. Appendix A, Section 2.2.3. of the stipulation agreement states:

> The calculation of the actual earned rate of return on common equity of LG&E and KU (i) will use the computations as detailed in Rives Exhibit 9 in the same manner as presented in the applications of LG&E and KU in Case Nos. 2009-00548 and 2009-00549, modified only to the extent explicitly stated in the Commission's Orders in Case Nos. 2009-00548 and 2009-00549, and (ii) must reflect the adjusted jurisdictional net operating income, the adjusted jurisdictional capitalization, adjusted capital structure, and the reporting period end cost rates for debt calculated in conformity with the Section 2.2.1 and 2.2.2 computations.

Explain why KU provided the results of two different methodologies used to calculate its actual earned rate of return on common equity under the acquisition savings sharing deferral mechanism.

A-1.   KU's application provides a calculation of the Acquisition Savings Sharing Deferral ("ASSD") methodology that fully meets the literal requirements in language identified in the request for information above. KU also provided a supplemental calculation to show how the computations of certain adjustments are impacted by the Commission's Order in Case No. 2009-00310 for the reasons set forth in KU's application. KU provided this supplemental calculation to facilitate the Commission's review of the application.

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[1] Case No. 2010-00204, Joint Application of PPL Corporation, E.ON AG, E.ON Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities (Ky. PSC, September 30, 2010)

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's
First Request for Information Dated April 26, 2012

Case No. 2012-00127

Question No. 2

Witness: Lonnie Bellar

Q-2.   Refer to Item 8 of the Application at page 6. Explain why KU requests that the Commission issue an Order by June 30, 2012.

A-2.   KU believes 90 days from the date the application was filed or June 30, 2012 is a reasonable period of time for the Commission to complete its review and issue an order in this proceeding.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's
First Request for Information Dated April 26, 2012

Case No. 2012-00127

Question No. 3

Witness: Robert M. Conroy

Q-3.   Refer to footnote (a) on Exhibit 1, Reference Schedule 1.03, and footnote (b) on Supplemental Exhibit 1, Reference Schedule 1.03. Confirm that the footnotes should reference ES Form 3.00, Column 5, rather than Column 6.

A-3.   The supporting workpaper for Exhibit 1, Reference Schedule 1.03, Revenues Environmental Compliance Plans (Column 1) and Supplemental Exhibit 1, Reference Schedule 1.03 Environmental Compliance Revenues Collected in Environmental Surcharge (Column 2) is ES Form 3.00 for the month ended December 31, 2011 which provides Environmental Surcharge Revenues for the months January through December 2011 in Column 6. The December 2011 expense month filing was used since it contained the data for all 12 months of 2011. Therefore, the reference to Column 6 is correct. However, each monthly filing for January 2011 through November 2011, the corresponding data was contained in Column 5.