COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH BILLING PERIODS ENDING JULY 31, 2003, JANUARY 31, 2004, JANUARY 31, 2005, JULY 31, 2005, AND JANUARY 31, 2006 AND FOR THE TWO-YEAR BILLING PERIOD ENDING JULY 31, 2004	)	CASE NO. 2006-00129

SECOND DATA REQUEST OF COMMISSION STAFF TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 13, 2006. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Direct Testimony of Robert M. Conroy, pages 6 and 7.

a. When performing a roll-in of the environmental surcharge or fuel clause, would KU agree that the total bill for the ratepayer after a roll-in should essentially be the same as it was before the roll-in, all other things being equal? Explain the response.

b. Would KU agree that if the Commission were to address the subject of inter-class rate subsidies as part of the roll-in, the total bill for any ratepayer after the roll-in would not be the same as before the roll-in, all other things being equal? Explain the response.

2. Refer to the Direct Testimony of William Steven Seelye, page 2. Item 12(b) of the Commission Staff's First Data Request dated April 25, 2006 ("Staff's First Request") states:

> The surcharge factor reflects a percentage of revenue approach, rather than a per kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into KU's base rates. Include any analysis that KU believes supports its position.

Explain how KU concluded that addressing the effects of the percentage of revenue approach versus the per kWh approach supports dealing with inter-class rate subsidies that KU states exists in its current rates.

3. Using the scenarios listed below, provide a calculation of the average customer bill as of May 1, 2006 for the following rate classes: Residential, General Service, Combined Light and Power, and Large Commercial/Industrial Time of Day. The average customer bill provided for each scenario should show the components of the bill. The usage amounts for each rate class should be constant between the

scenarios (i.e., the same kWh usage used for the Residential rate class in each scenario). Include all calculations, assumptions, and workpapers.

a. Scenario A – the average customer bill as would have been issued on May 1, 2006.

b. Scenario B – the average customer bill as of May 1, 2006, reflecting the roll-in of the surcharge using the "revenue methodology."

c. Scenario C – the average customer bill as of May 1, 2006, reflecting the roll-in of the surcharge using the "alternative methodology."

4. Refer to the response to Staff's First Request, Item 1(b) and the revised response to Item 1(b) filed on June 21, 2006.

a. Refer to page 1 of 11. Is the "True-up Adjustment" shown in column 7 calculated by multiplying the "Rate of Return as Filed" shown in column 3 by the "Change in Rate Base" shown in column 6, with the result divided by 12? If yes, explain why the calculation for column 7 is shown as "(6) – (5) / 12."

b. Refer to page 3 of 11. Describe the source of capitalization identified as "Med Term Notes Payable" and explain why KU included this item in its capitalization and capital structure determination.

c. Refer to page 10 of 11. Explain why preferred stock was excluded in the capitalization and capital structure.

5. Refer to the response to Staff's First Request, Item 2, Attachment pages 1 and 2 of 2. Concerning column 8 of the Attachment labeled "Rate of Return, Monthly":

a. Is it correct that the monthly rate of return is the result of dividing the annual rate of return, shown in column 7, by 12?

b. A manual check of the calculated monthly rates of return shows that the results were carried to either five or six decimal places. Explain why the monthly rates of return were not calculated to the same degree of precision throughout the Attachment.

6. Refer to the response to Staff's First Request, Item 13. In this response, KU states that $69,415 of its emission allowance inventory is included in its current base rates.

a. If this balance of emission allowance inventory is included in KU's current base rates, is it correct that the return on this inventory is reflected in the Base Period Jurisdictional Environmental Surcharge Factor ("BESF")? Explain the response.

b. If the return on this portion of the emission allowance inventory is already incorporated in the BESF, would KU agree that this portion of the emission allowance inventory is already excluded from the surcharge billing factor applied to ratepayers' bills? Explain the response.

c. If the return on this portion of the emission allowance inventory is already incorporated in the BESF, explain why KU believes it is necessary to include an incremental adjustment in the rate base calculations to exclude this portion of the emission allowance inventory.

7. Refer to the response to Staff's First Request, Item 17(c), the Attachment. Provide the calculations and assumptions used to determine the rate of return grossed up of 11.52 percent.

8. Refer to the response to Staff's First Request, Item 19. Explain how the "Desired Bank Level" for emission allowances shown in the response was determined.

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DATED June 29, 2006

cc: All Parties