

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF KENTUCKY UTILITIES |) | |
| COMPANY FOR AN ORDER AUTHORIZING |) | |
| INCLUSION OF INVESTMENT TAX CREDITS IN |) | CASE NO. |
| CALCULATION OF ENVIRONMENTAL |) | 2007-00178 |
| SURCHARGE AND DECLARING APPROPRIATE |) | |
| RATEMAKING METHODS FOR BASE RATES |) | |

FIRST DATA REQUEST OF COMMISSION STAFF TO
KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company (“KU”) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before June 26, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. Responses to requests for information shall be appropriately indexed, for example, Item 1(a), Sheet 2 of 6, and shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be under oath or, for representatives of a public or private corporation, a partnership, an 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 upon the basis of which it knows 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 to furnish all or part of the requested information, KU 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 its legibility. 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 provided for total company operations and jurisdictional operations, separately.

1. Refer to the Application, page 5. KU states that the Illinois Municipal Electric Agency (“IMEA”) and Indiana Municipal Power Agency (“IMPA”) will not receive any portion of the Energy Policy Act of 2005 advanced coal-based generation technology credit (“2005 EPA ITC”). IMEA and IMPA, along with KU and Louisville Gas and Electric Company, are constructing Trimble County Unit 2 under a partnership agreement and IMEA and IMPA will own 25 percent of the capacity from Trimble County Unit 2. Explain why IMEA and IMPA will not receive any portion of the 2005 EPA ITC.

2. Refer to the Application, page 6. Provide copies of the following referenced sections of the Internal Revenue Service (“IRS”) Tax Code:

- a. 26 U.S.C. § 46(f).
- b. 26 U.S.C. § 50(d)(2).

3. Refer to the Application, page 7. Provide the accounting entries KU recorded on its books in December 2006 concerning the progress expenditure credits claimed in 2006.

4. Refer to the Application, Exhibit 5. Page 2 of the “Department of Treasury – Internal Revenue Service Closing Agreement” describes situations where the 2005

EPA ITC could be forfeited or reduced. For each scenario listed below, provide the accounting entries KU would have to undertake and describe why these entries would be necessary.

a. Assume that by November 29, 2008 KU fails to satisfy any of the certification requirements in § 48A(e)(2) or if the IRS does not issue a certification for Trimble County Unit 2 under Notice 2006-24.

b. Assume that by October 27, 2011 the Trimble County Unit 2 is not placed in service by KU.

c. Assume that the total nameplate generating capacity of the Trimble County Unit 2 on the date it is placed into service is 700 megawatts.

5. Refer to the Direct Testimony of Kent W. Blake (“Blake Testimony”), pages 3 through 6. Provide a chart that compares and contrasts the features and requirements of the “ratable restoration” method with the “ratable flow through” method.

6. Refer to the Blake Testimony, page 10. Explain in detail why KU is requesting that the Commission declare at this time that the proposed rate base and capitalization treatments of the 2005 EPA ITC and the proposed allocation of Kentucky jurisdictional rate base to be the appropriate rate-making methods for the determination of base rates.

7. Refer to the Blake Testimony, Exhibit KWB-1. Assume for purposes of this question that the Commission approves KU’s request to reflect the applicable portion of the 2005 EPA ITC in the environmental surcharge. Based upon a review of Exhibit KWB-1, it appears that the 2005 EPA ITC would be included in the environmental surcharge calculations immediately after the Commission rules on this

application. Indicate when the 2005 EPA ITC would begin affecting the monthly environmental surcharge calculations.

8. Refer to the Direct Testimony of Ronald L. Miller, pages 8 and 9. Has KU sought an opinion from its independent auditor or independent tax counsel concerning the appropriate normalization of the 2005 EPA ITC?

a. If yes, provide copies of the independent auditor's or independent tax counsel opinion.

b. If no, explain why KU did not seek such an opinion.

9. Describe the filings, if any, KU has submitted with the Virginia State Corporation Commission concerning the accounting treatment and normalization of the 2005 EPA ITC.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED June 12, 2007

cc: All Parties