COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY TO FILE DEPRECIATION STUDY	))	CASE NO. 2007-00565
APPLICATION OF KENTUCKY UTILITIES COMPANY, INC. FOR AN ADJUSTMENT OF ELECTRIC BASE RATES	)))	CASE NO. 2008-00251

SECOND DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than September 11, 2008. 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 the 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 responses 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 Volume 1 of 5 of KU's Application, Tab 8.

a. For each of the tariffs that include a change in either the kW or kWh to qualify, explain why the change was made.

b. For the tariffs which eliminated the charge for the transmission line, explain why the change was made.

c. Explain why the late penalty for rates PS, TOD, LTOD, RTS, and IS is 1 percent rather than 5 percent.

d. Refer to proposed P.S.C. No. 14, Original Sheet No. 10. Under "Availability of Service" it is stated that "[e]xisting customers with an average maximum load exceeding 50kW who are receiving service under P.S.C. 13, Fourth Revision of Original Sheet No. 10 as of September 1, 2008, will continue to be served under this rate at their option." Clarify whether September 1, 2008 is to be the cut-off irrespective of when the Commission issues a final order in this case or if KU included that date merely because it was the proposed effective date of the tariff.

e. Refer to Fourth Revision of Original Sheet No. 10 and Original Sheet No. 10.1. Under "Availability of Service" KU deleted the following language: "It is optional with the customer whether service will be billed under this schedule or any other schedule applicable to this load. Customer executing a one year contract under this schedule will continue to be billed under such schedule for not less than 12 consecutive months unless there shall be a material and permanent change in this customer's use of service." Service under this schedule is currently limited to maximum loads not exceeding 500 kW, and service to existing customers with a maximum load exceeding 500 kW is restricted to those customers being billed under the rate schedule as of its effective date of July 1, 2004. KU is proposing to limit this rate to average maximum loads not exceeding 50 kW.

(1) Provide a copy of any and all information or notification being provided to each customer that is currently receiving service for loads between 50 kW and 500 kW regarding this change.

(2) Provide the cost impact for customers receiving service for loads between the 50 kW and 500 kW who will be affected by this change.

(3) KU deleted the "Primary Discount paragraph." Explain why it is appropriate to delete the primary discount for customers who opt to continue to be served under this rate.

f. Refer to proposed P.S.C. No. 14, Original Sheet No. 12 and Volume 4 of 5 of KU's application, the Testimony of Robert M. Conroy ("Conroy Testimony") at page 7. KU is proposing to restrict service under this rate to those customers receiving service as of the effective date when this schedule was approved by the Commission.

(1) Explain why KU is proposing to restrict the All Electric School ("AES") rate to those customers receiving service as of the effective date of Commission approval.

(2) If ownership of the account changes but service provided by the utility remains the same, will the new owner have the same service classification?

g. Refer to proposed P.S.C. No. 14, Original Sheet No. 15. Under "Availability of Service," KU states that customers receiving service under this rate as of September 1, 2008 with loads not meeting the specified criteria will continue to be served under this rate at the customer's option. KU also states that customers with loads not meeting the specified criteria who initiate service after September 1, 2008 will be billed at the appropriate rate. Clarify whether September 1, 2008 is to be the cut-off irrespective of when the Commission issues a final Order in this case or if KU included that date merely because it was the proposed effective date of the tariff.

h. Refer to proposed P.S.C. 14, Original Sheet 20. Explain why the termination notice is being changed from 30 days to 90 days.

i. Refer to proposed P.S.C. No. 14, Original Sheet No. 25 and page 12 of the Conroy Testimony. State how the On-peak and Off-Peak demand charges were calculated.

j. Refer to proposed P.S.C. No. 14, Original Sheet No. 30.

(1) The term "large industrial time-of-day is used twice under "Availability of Service." Given the change in the title of this schedule, did KU intend to change the "large industrial time-of-day" terminology in the text?

(2) This schedule includes a transmission service rate. Explain why KU is proposing to provide transmission service under this rate while all other transmission service will be provided under the new Retail Transmission Service ("RTS") rate and explain why the transmission service rates differ.

k. Refer to proposed P.S.C. 14, Original Sheet 36.4. Explain why notification was changed from 48 hours to two business days.

l. Refer to proposed P.S.C. No 14, Original Sheet No. 37 and No. 38 and Volume 4 of 5 of KU's application at pages 13-14 of the Conroy Testimony. KU is proposing a new Lighting Energy Service ("LE") rate and a Traffic Energy Service ("TE") rate. Under what current rate schedule(s) are customers charged who will be eligible for the proposed LE and TE rates?

m. Refer to proposed P.S.C. No 14, Original Sheet No. 45 and Volume 4 of 5 of KU's application, the Testimony of Sidney L. "Butch" Cockerill ("Cockerill Testimony"), at page 2. KU is proposing to implement a Meter Pulse Charge and Meter Data Processing Charge. Explain more fully the nature of the Meter Pulse Charge.

n. Refer to proposed P.S.C. 14, Original Sheet 60. Under "Leased Facilities Charge," it is stated that the "Company shall provide normal operation and maintenance of the leased facilities. Should the leased facilities suffer catastrophic failure, customer must provide for replacement or, at customer's option, terminate the agreement."

(1) Explain why the customer must provide for replacement or, at customer's option, terminate the agreement.

(2) If customer terminates the agreement, is there a fee charged to the customer? If yes, state the amount of the fee and how the fee is calculated.

o. Refer to proposed P.S.C. 14, Original Sheet 61. Under "Term of Contract," it is stated that the minimum contract shall be renewed for one-year periods until either party provides the other with Ninety (90) days written notice of a desire to terminate the arrangement."

(1) Explain the impact of this added language on the current contracts.

(2) Provide a copy of any and all information that will be provided to the current customers.

(3) Explain the terms and conditions that will be deemed necessary when KU requests a contract be executed for a longer initial term.

p. Refer to proposed P.S.C. No. 14, Original Sheet No. 86 and No. 86.3. Given that the Demand-Side Management ("DSM") Cost Recovery Mechanism is mandatory for the Volunteer Fire Department ("VFD") Service rate as shown on P.S.C. No. 14, Original Sheet No. 86.3, explain why KU deleted references to VFD from the DSM calculations set-out in the tariff text in the last paragraph of proposed P.S.C. No. 14, Original Sheet No. 86.

q. Refer to proposed P.S.C. No. 14, Original Sheet No. 86.3. Provide the origin of the DSM energy charges shown under the "Power Service Rate PS" section on this page.

r. Refer to proposed P.S.C. No. 14, Original Sheet No. 102.1. Under "Other Service," No. 1, KU references Chapter 87 of the Kentucky Administrative Regulations. Clarify whether KU intended to reference Chapter 807 rather than Chapter 87.

2. Refer to Volume 1 of 5 of KU's application, Tab 8, proposed P.S.C. No. 14, Original Sheet No. 20, and the report filed by KU on July 18, 2008 which provided its review of the Small Commercial Time-of-Day ("STOD") Rate pilot program. It appears that if the STOD tariff is cancelled, customers who meet the load requirements would be eligible to take service under the proposed Time-of-Day Service ("TOD").

a. For the TOD rate, explain why KU is proposing an on and off-peak demand charge and eliminating the on and off-peak energy charge.

b. If the proposed TOD rate had been in effect for the past 12 months, provide the effect it would have had on the bills of customers currently being billed under the STOD rate.

3. Refer to Volume 1 of 5 of KU's application, Tab 24. Provide the supporting calculations for the STOD class percentage increase of .92 percent.

4. Refer to Volume 4 of 5 of KU's application, the Testimony of S. Bradford Rives ("Rives Testimony") at page 10 Line 3 states that an "adjustment is necessary to eliminate accrued revenues associated with the ECR, MSR, VDT, and FAC rate

mechanisms." Was an adjustment also made to remove accrued expenses associated with the accrued revenues? If yes, state in what adjustment(s) this is done. If no, explain why not.

5. Refer to page 19 of the Rives Testimony. Mr. Rives states that KU has a target capital structure of the midpoint of the range for an "A" rating as published by Standard and Poor's. Provide KU's current rating.

6. Refer to Exhibit 1, Reference Schedule 1.01 of the Rives Testimony. KU proposes to increase revenue by $18,568,431 for the elimination of the Merger Surcredit. Explain why this amount does not equal the $18,968,825 set out as the annual amount in CN 2002-00429.[1]

7. Refer to Exhibit 1, Reference Schedule 1.09 of the Rives Testimony. Provide the calculation supporting the $25,015,000 shown on this schedule as FAC Accrued Revenue.

8. Refer to Volume 4 of 5 of KU's application, the Testimony of William E. Avera ("Avera Testimony"), at page 9.

a. To the extent that KU's capital requirements are satisfied through its parent, E.ON AG, explain how E.ON AG and ultimately KU actually obtain this capital.

b. Explain the role that KU's credit ratings from Fitch and Standard & Poor's plays in KU obtaining capital from its parent.

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[1] Kentucky Utilities Company's Plan to Address the Future of the Merger Surcredit Approved by the Kentucky Public Service Commission in Case No. 1997-00300, final Order dated October 16, 2003.

c. To the extent that KU issues tax exempt debt securities to satisfy its capital needs, explain the role that KU's credit ratings from Fitch and Standard & Poor's plays in the issuance of this debt.

d. To the extent that KU issues tax exempt debt, explain whether the parent company is liable in any way for repayment.

e. To the extent that KU issues tax exempt debt, explain how KU is able to issue this type of debt and how the issuance actually occurs.

9. Refer to pages 10-13 of the Avera Testimony. In support of his proposed return on equity ("ROE") of 11.25 percent, Mr. Avera discusses the volatility of commodity energy costs and states that Moody's Investors Service warned utility investors of "extremely volatile" commodity costs. Mr. Avera ends this discussion on page 13 by stating that although KU has a FAC mechanism in place, because of lag between incurring fuel costs and recovering costs from ratepayers, KU may still need to finance deferred power production and supply costs.

a. State whether, during the test year, KU financed deferred power production or supply costs.

b. Would Mr. Avera agree that the fact that KU does have an FAC mechanism in place makes it less risky financially and supports a lower ROE than for those without this mechanism?

10. Refer to page 13 of the Avera Testimony. Explain whether KU has requested that the Commission alter its FAC mechanism to recover costs in a more timely fashion in order to alleviate investor concerns regarding the lag between expenses incurred and recovered through rates.

11. Refer to pages 14-15 of the Avera Testimony.

a. Kentucky is not a restructured state. Explain how investors' views of utilities differ between restructured and traditionally regulated states.

b. Explain whether this Commission has acted in any way that would give investors reason to doubt that KU would be able to recover its costs in a timely fashion or in a manner that would lead investors to view the regulatory environment as hostile.

12. Refer to pages 15-16 of the Avera Testimony. Provide a copy of Moody's Investors Service, "Credit Opinion: Kentucky Utilities Co,". referenced in footnote 31.

13. Refer to pages 15-16 of the Avera Testimony. Mr. Avera discusses the increased environmental pressured faced by utilities and the significant costs. While Mr. Avera notes that KU benefits from an Environmental Cost Recovery ("ECR") mechanism, he states that Moody's Investors Service "would consider a downgrade to the Company's credit ratings if significant changes were made to the ECR." Absent any changes to the ECR mechanism, would Mr. Avera agree that the fact that KU does have an ECR mechanism in place makes it less risky financially and supports a lower ROE than for those without this mechanism?

14. Refer to page 23 of the Avera Testimony and Schedule WEA-1. Provide a schedule which lists each of the 17 utilities in the Utility Proxy Group plus KU as #18 and which shows the following information for each utility: 2007 total revenue; 2007 electric revenue; 2007 gas revenue; total utility customers served; electric customers served; gas customers served; nuclear generation as a percent of total generating capacity; whether the utility operates in traditionally regulated states or restructured

states; the debt-to-equity ratio; whether the utility has a rate mechanism to track changes in fuel costs, and if so, the timeliness of the tracking; and whether the utility has a rate mechanism to track environmental costs, and if so, the timeliness of the tracking.

15. Provide the most current Value Line Profile Sheet for KU and for each of the 17 utilities listed in Mr. Avera's Utility Proxy Group.

16. Refer to page 25 of the Avera Testimony. Provide a copy of the workpapers supporting the constant growth form of the DCF model and a detailed explanation of how the stock prices were estimated to determine the expected dividend yield.

17. Refer to pages 32-33 of the Avera Testimony.

a. Provide a copy of the relevant pages in the FERC document cited in footnote 47 that discuss the FERC's rationale and decision with regard to rate of return and "extreme outliers."

b. What was the reference point to which the 17.7 percent was compared?

c. Is the FERC decision establishing a 17.7 percent DCF estimate as an "extreme outlier" specific to that specific 2004 case or was it meant to be a hard and fast rule to be applied as a ceiling in all cases thereafter?

18. Refer to pages 35-36 of the Avera Testimony and Schedule WEA-3. Provide an explanation of why the logic FERC applied to returns for regulated firms at the federal level should apply to firms operating in open competitive markets.

19. Refer to page 38 of the Avera Testimony and Schedule WEA-5.

a. Explain why it was necessary to weight the firms in the calculations as opposed to performing the calculations on an unweighted basis.

b. Explain how stock prices were used in calculating the dividend yield referenced in footnote (a). Were the March 27, 2008 closing prices used or average stock prices?

c. What were the IBES and the Value Line average growth rates and explain how the 10.9 percent average growth rate was calculated.

20. Refer to Schedule WEA-3, page 3 of 3, of the Avera Testimony. Explain why no estimates were eliminated for being high outliers.

21. Refer to page 4 of the Conroy Testimony. Mr. Conroy states that LG&E and KU have not been able to completely harmonize their rate schedules. Explain why the companies have been unable to do so.

22. Refer to line 5, page 9 and line 19, page 11 of the Conroy Testimony. In both instances, Mr. Conroy refers to an annual minimum cost of $918,200. Did Mr. Conroy intend to state the amount at $918?

23. Refer to Exhibit 1, page 5 of 24 of the Conroy Testimony. In column 11, explain why the customer charge revenue of $8,720 is not included in the total.

24. Refer to page 2 of the Cockerill Testimony. Mr. Cockerill states that KU and LG&E will eliminate the policy that the companies will pay for customer's meter bases.

a. What was the per unit cost for meter bases during the test year?

b. Explain why KU and LG&E changed their policies.

25. Refer to pages 4 and 5 of the Cockerill Testimony. Mr. Cockerill states that in Case No. 2007-00410[2] the Commission ordered KU and its sister company, Louisville Gas and Electric Company ("LG&E"), to synchronize their collection cycles and late payment policies or explain why it is not appropriate to do so. In this proceeding and in Case No. 2008-00252,[3] KU and LG&E are proposing a collection cycle of 10 days and a late payment penalty if bills are not paid within 15 days.

a. Explain fully why KU is proposing to maintain its existing 10-day collection cycle rather than LG&E's 15-day collection cycle.

b. Why is KU proposing to synchronize its late payment policies with LG&E by adding a penalty to KU?

c. For each rate class, provide the payments received by the 10th day of the date of the bill as a percentage of actual billings for each month

d. For each rate class, provide the payments received between the 10th and the 15th day of the date of the bill as a percentage of actual billings for each month?

e. For each rate class, provide the payments received after the 15th day of the date of the bill as a percentage of actual billings for each month.

f. Assuming that most schools served under the AES rate use an off-site payment processor, will customers be able to enter into a contract with the utility to

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[2] Case No. 2007-00410, Application of Louisville Gas and Electric Company for Approval of a Revised Collection Cycle for Payment of Bills, final Order dated April 24, 2008.

[3] Case No. 2008-00252, Application of Louisville Gas and Electric Company for an Adjustment of Base Rates.

provide ample time for processing of the payment without incurring a late penalty charge?

g. Provide a list including name, physical address and mailing address of all locations from which customer monthly bills are sent.

h. Provide the number of billing cycles and the dates bills are sent to customers.

i. Provide a list of all call centers receiving customer inquiries along with the physical address, mailing address, and telephone numbers provided to the customers.

j. Provide a listing of all locations where customer payments are received.

k. Provide a listing of all locations where customer payments are processed (i.e., posted to customer accounts).

l. Provide the time line for the posting of payments to customer accounts.

m. Mr. Cockerill states that "customers whose payments are received more than 10 days after customers' bills are issued will have their behavioral scores affected in the Companies' behavioral scoring systems."

(1) Given that KU currently has a 10-day collection cycle, is this a change in KU's current policy? If yes, explain the changes.

(2) Identify all the ways that a customer can be affected by a negative behavioral score.

26. Refer to page 5 of the Cockerill Testimony. Provide any studies or analyses of the impacts on revenues, uncollectibles, and cash flow of having payments due 10 days after the date of the bill, with a penalty imposed for payment after the 15^{th} day, versus bills due 15 days after the date of the bill, with a penalty imposed for payment after the 15^{th} day.

27. Refer to Volume 1 of 5 of KU's application, Tab 8, proposed P.S.C. 14 Original Sheet 102.

a. Provide a copy of all credit scoring services, public record financial information, financial scoring and modeling services and information provided by independent credit/financial watch services used by KU.

b. Given that the mailing of a late notice can affect a customer's credit score, how is KU ensuring that a customer's payment is not received the date the notice is mailed?

c. Will the mailing of a late payment notice be considered as a negative for the customer and used as a requirement for a new or recalculated deposit? If yes, how and when will the increased deposit be applied to a current customer that has a deposit on file?

28. Refer to Volume 4 of 5 of KU's application, at SLC Exhibit 2, page 1 of 1, and SLC Exhibit 4, page 1 of 1. Explain why the average hourly rate for all employees is shown as $41.26 on Exhibit 2 and $54.69 on Exhibit 4.

29. Refer to SLC Exhibit 3, page 1 of 1 of the Cockerill Testimony. Provide the cost support detail for the labor, transportation, supplies and equipment used to calculate the $12.22 cost per service order.

30. Refer to Volume 5 of 5 of KU's application, the Testimony of William S. Seelye ("Seelye Testimony"). Provide an electronic copy of the billing analysis and cost-of-service study with the formulas intact.

31. Refer to pages 8-9 of the Seelye Testimony, which indicates that KU's residential customer charge is too low and that its residential energy charge is too high. KU is proposing to increase the customer charge from $5.00 to $8.49 and make no change to the energy charge. To what extent did KU consider a larger increase to the residential customer charge and a decrease, of some magnitude, to the residential energy charge?

32. Refer to pages 16 and 17 of the Seelye Testimony. Provide a sample bill for a transmission customer under the current kW basis billing method and a sample bill for that same customer under the proposed kVa billing method.

33. Refer to page 60 of the Seelye Testimony. Mr. Seelye states that allocation factors YECust05 and YECust06 were used to allocate meter reading, billing costs, and customer service expenses on the basis of a customer weighting factor based on discussions with LG&E's meter reading, billing and customer service departments.

a. Did Mr. Seelye intend to refer to KU's meter reading, billing and customer service departments rather than LG&E's?

b. Explain how these discussions were used to determine the allocation factors.

c. Provide examples of questions asked and how the answers were used to calculate the factors.

34. Refer to page 66 of the Seelye Testimony. Table 1 shows that the Lighting rate class is earning an actual adjusted rate of return of 8.41 percent. Given that the proposed total Kentucky jurisdictional rate of return is 7.77 percent, explain why KU is proposing to increase rates for this rate class.

35. Refer to Exhibit 4, of the Seelye Testimony. The first column on Page 1 shows miscellaneous service revenues of $6,158,810 and in the last column at an amount of $8,694,818. The difference, $2,536,008, is the amount of KU's proposed increased to miscellaneous service revenues. Explain why the $8,694,818 is the shown in column titled "Adjusted Billings at Current Rates" on page 1 and 2 and why $2,536,008 is shown as an increase to the $8,694,818 amount on page 2.

36. Refer to Exhibit 5, page 4 of 23 of the Seelye Testimony. This schedule shows a 15.27 percent increase for the current GS customers receiving primary service if they are shifted to rate PS as proposed by KU. Do these customers have the option of staying under the GS rate schedule? If no, explain why not.

37. Refer to Exhibit 5, page 5 of 23, of the Seelye Testimony. Explain the purpose of the "(335,544)" included in column 6.

38. Refer to Exhibit 5, pages 12 and 13 of the Seelye Testimony.

a. Explain why the proposed rates do not include an energy rate.

b. Explain why the proposed increases do not reconcile to the increase shown for the STOD rate classes at Exhibit 4, page 2 of 2, of the Seelye Testimony.

39. Refer to Exhibit 5, page 18 of 23, of the Seelye Testimony. The proposed rates in column 6 appear to be for transmission service. State whether any customers are taking primary service under rate LI-TOD, and if so, why they are not included.

40. Refer to Exhibit 16, page 14 of 33, of the Seelye Testimony. Explain how the total on line 18 in the "Kentucky State Jurisdiction" column was calculated.

41 Refer to pages 56-57 of the Seelye Testimony and Seelye Exhibit 17.

a. Explain how the minimum system demand figure was calculated or whether it is simply the low point on the system load curve.

b. Explain how the winter and summer peak hours are calculated.

42. Refer to pages 58-60 of the Seelye Testimony and Seelye Exhibit 18 pages 49-52.

a. Explain and define the functional vectors PROFIX and PROVAR.

b. For each of the functional vector allocators, internally generated or otherwise, listed in the Exhibit, provide an explanation of how they were derived and the locations of the calculations inside the cost of service study.

43. Refer to the Seelye Testimony, at page 65, and Seelye Exhibits 18 (pages 49 - 50), 20, 21 and 22.

a. Explain how the weights for the zero intercept calculations were derived.

b. Explain the rationale for and how the results of the zero intercept calculations being split between the Distribution Primary and Distribution Secondary Lines.

c. Explain why the numbers in Exhibit 18 pages 49 and 50 for Underground Conductors and Devices and for Line Transformers do not sum to the results of the zero intercept calculations in Exhibits 21 and 22. Also, explain how this may change the results of the cost of service study?

d. Page 2 in Exhibits 20-22 appears to illustrate unweighted size and cost data, yet the results of the zero intercept calculations are based upon weighted data. Provide an explanation of and the calculations supporting the zero intercept and zero intercept cost on page 1 in each of the Exhibits.

e. Page 4 of Exhibits 20-22 show an estimated Y value. Explain how this was derived and show how it was used in the zero intercept calculations.

44. Refer to Seelye Exhibit 19. For each of the allocation vectors listed in the Exhibit, provide an explanation of how they were derived and the locations of data upon which the calculations are based inside the cost of service study.

45. Refer to Volume 1 of 4 of the response to Staff's first request, Item 8, at page 2 of 2. Paragraph (c) states that KU is eliminating rate GS. Explain this statement.

46. Refer to the response to Staff's first request, Item 12(a), at page 1 of 3. Explain the decrease in Other Electric Revenues of $8,852,478 from year-end April 30, 2007 to year-end April 30, 2008.

47. Refer to page 8 of the Stafferi Testimony.

a. The following future commitments by E.ON U.S. LLC are discussed:

> $1.5 million to the University of Kentucky for research on reducing carbon dioxide emissions;

$200,000 per year for 10 years to the Carbon Management Research Group;

$1.8 million over 2 years to the Kentucky Consortium of Carbon Storage; and

$25 million to the FutureGen Project.

b. For each of these commitments provide separately:

(1) The amount of contributions included in KU's test year operating expenses.

(2) A schedule showing the dates and amounts of the anticipated contributions.

(3) The amount of the contribution to be allocated to KU with an explanation for how the allocation between KU and LG&E was determined.

c. Also discussed on page 8 is a 3-year partnership between E.ON U.S. LLC and the University of Kentucky's Center for Applied Energy Research. With regard to this partnership respond to the following:

(1) Provide the total anticipated costs to E.ON U.S. LLC.

(2) State the costs of this partnership that is included in KU's test year operating expenses.

(3) Will the costs to E.ON U.S. LLC be entirely through cash contributions or is it E.ON U.S. LLC's intention to dedicate other resources to the partnership?

(4) If other resources will be dedicated to the project, provide a discussion of those resources, the amount of the anticipated costs of those resources,

state when they are expected to occur, and how those costs will be allocated to KU and LG&E.

(5) Provide a schedule showing the anticipated dates and amounts of E.ON U.S. LLC's cash contributions to this partnership and discuss how they will be allocated to KU and LG&E.

d. Discuss, in complete detail, the process used by E.ON U.S. LLC and its subsidiaries when determining whether a research project, such as those referred to in a. and b., warrants their involvement and contribution.

e. Once the decision is made to participate or contribute to such a project, discuss the process used by E.ON U.S. LLC and its subsidiaries to determine the appropriate amount to be contributed.

f. Does E.ON U.S. LLC intend to eventually pass through the entire cost of the projects listed in (a) and (b) to the customers of KU and LG&E?

g. Provide a list of contributions made for research and development in the last 5 years by E.ON U.S. LLC and any of its subsidiaries or affiliates in support of clean air electric generation technologies that were ultimately paid for by stockholders and not included in rates.

48. Refer to Volume 4 of 5 of KU's Application, the Testimony of Paul W. Thompson ("Thompson Testimony"), at page 7.

a. Discuss fully the tightening of environmental constraints and its impact on the retirement dates of generating facilities. This discussion should specifically address anticipated EPA regulations and their impact on specific generating units.

b. Discuss how the uncertainty of the retirement dates of the generating units discussed in a. was accounted for in the depreciation study submitted by KU in Case No. 2007-00565.

49. Refer to page 11 of the Thompson Testimony.

a. Provide the approximate point in time when KU began using thermal-based transmission line ratings, as opposed to seasonal (static) ratings, to measure line capacity.

b. Provide the number of Transmission Line Loading Relief directives called on KU's system for each calendar year since the adoption of thermal based ratings and for the 3 calendar years prior to its adoption.

50. Refer to page 16 of the Thompson Testimony.

a. What will be KU's portion of ownership in the FutureGen project.

b. State the anticipated dates of completion for the refurbishment of the Dix Dam facility.

c. State the anticipated dates of completion for renovation of the Ohio Falls hydroelectric units.

51. Refer to page 17 of the Thompson Testimony, specifically, the reference to the July 2007 Request for Proposals seeking long-term capacity and energy supplies from renewable resources. Based on the more detailed discussions entered into with the short-list developers, when does KU expect to make a decision and/or selection for acquiring power from renewable resources?

52. Refer to Volume 4 of 5 of KU's Application, the Testimony of Chris Hermann ("Hermann Testimony") at page 6. Provide KU's SAIDI, SAIFI and CAIDI measurements, on an annual basis for the years 2003 through 2007.

53. Refer to all the allocation factors shown on Volume 1 of 4 of KU's response to Staff's first request, Item 13 and Volume 4 of 5 of KU's Application at Exhibit 1, Allocators of the Rives Testimony.

a. Provide a description of each factor and explain why its use is reasonable in all instances it is applied throughout Item 13 and KU's Application.

b. Indicate where in Volume 3 of 4 of KU's response to Staff's first request, Item 40 each allocation factor is calculated.

c. Provide workpapers for the allocation factors which are not included in Volume 3 of 4 of KU's response to Staff's first request, Item 40.

54. Refer to Volume 4 of 5 of KU's Application, the Testimony of Lonnie E. Bellar ("Bellar Testimony") at page 6 where an explanation is given for the unbilled revenue adjustment decreasing test year operating revenues by $6,878,000.

a. In his testimony, Mr. Bellar states that the Commission accepted removal of unbilled revenues in KU's previous rate case, Case No. 2003-00434. The unbilled revenue adjustment in that case increased test year revenues by $675,000. The proposed unbilled revenue adjustment in the case at bar decreases test year revenues by $6,878,000. The net difference in the unbilled revenue adjustments of the previous and current case is $7,553,000. Provide an explanation for such a significant swing in the unbilled revenue adjustments.

b. Explain in detail why an unbilled revenue adjustment is appropriate for rate-making purposes.

55. Explain the methods used to calculate and record unbilled revenues. This explanation shall include discussion of accruals and subsequent reversals to all accounts used to account for unbilled revenues.

56. a. Does KU accrue unbilled revenues on a monthly basis?

b. If yes to (a), provide an analysis of all entries to all accounts affected by the accounting for unbilled revenues for each month of the test year and provide workpapers showing how the amounts were determined.

57. Reconcile and explain the difference in unbilled revenues reported at April 30, 2007 of $32,325,000 and those reported at April 30, 2008 of $39,203,000.

58. At account 173 - Accrued Utility Revenues, the Uniform System of Accounts states that "In case accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses, such as for purchased power."

a. State the amount of all "unbilled expenses," by account, that was accrued in concurrence with the recording of unbilled revenues as required by the USoA.

b. State why the "unbilled expenses" were not removed from test year operations following the removal of the unbilled revenues.

59. a. Provide a list of all instances by utility name, case number and jurisdiction where Mr. Seelye has proposed and a commission has accepted the exact method of analysis used in this case to develop a temperature normalization adjustment for an electric utility.

b. From the list provided in response to a., provide copies of two recent commission final orders approving the temperature normalization method used by Mr. Seelye.

60. a. Provide a list of all instances by utility name, case number, and jurisdiction where Mr. Seelye has proposed and a commission has rejected the exact method of analysis used in this case to develop a temperature normalization adjustment for an electric utility.

b. From the list provided in response to a., provide copies of two recent commission final orders denying the temperature normalization method used by Mr. Seelye.

61. Compare and contrast, in full detail, the method used by Mr. Seelye to develop his weather normalization adjustment as discussed in his testimony at pages 19–51 to the methods used by KU to weather normalize revenues and expenses when developing annual budgets and forecasts.

62. Refer to pages 20-51 of the Seelye Testimony and Seelye Exhibits 8-13 concerning the proposed electric temperature normalization adjustment.

a. Pages 35-39 include a discussion of the step-wise regression procedure performed using the "Stepwise" model selection method in the SAS statistical software package and a description of the variables, or regressors, that were considered in the step-wise regression process. Explain whether the headings of Columns 1-6 in Seelye Exhibit 12 reflect the variables that were not deleted by the model under the step-wise regression process.

b. Are the amounts in the "Total Adjustment" column for the first 26 lines on Exhibit 12, page 1 of 5, intended to sum the amount of 119,925,000 kWh shown on the first and second lines of Column 1 of Exhibit 19?

c. The first and second numbered columns in Exhibit 12 appear to have the headings HDD60 and HDD 65, which represent heating degree days using a 60 and 65 degree base, respectively. Explain why Exhibit 12 appears to show heating degree days outside of the range for month 4 while Exhibit 9 appears to show days outside the range for months 9 and 10.

d. Is it correct that the results from the "Stepwise" model selection method, as shown on Exhibit 12, page 1 of 5, produce kWh adjustments for the residential class in the following months based on these different variables/regressors:

(1) Month 5, CDD70 and Maximum Temperature

(2) Month 8, CDD70

(3) Month 9, CDD65

(4) Month 10, CDD 65

(5) Month 5, CDD70 amd Maximum Temperature

(6) Month 8, CDD8

(7) Month 9, CDD9

(8) Month 10, CDD 70 and Minimum Temperature

e. The testimony states that step-wise regression removes the risk of judgment and bias on the part of the analyst in determining which subset of regressors should be included in a model. Explain whether the removal of such risk outweighs the expectation of a greater degree of consistency in quantifying the relationship between temperature and electricity consumption.

f. Provide two revised runs of Seelye Exhibits 12 and 13, one which includes HDD65 and CDD as the only variables and a second which includes HDD60 and CDD as the only variables.

g. Explain how it was determined that the specific expense accounts listed on Exhibit 14, which are all production expense accounts, are the only expense accounts to be included in calculating the expense portion of the adjustment.

h. Provide workpapers, and evidence supporting the workpapers, calculating the actual and 30-year average cooling and heating degree days included in Exhibit 9, page 1 of the Seelye Testimony.

63. Page 45, line 11, of the Seelye Testimony states that a 30-year average value was used in Exhibit 12. Explain why the last two columns on pages 4 and 5 of Exhibit 12 indicate that a 20-year average was used.

64. Provide the calculations of the "kilo Watt-Hour Adjustment to Usage" for each rate class as shown in Exhibit 13 of the Seelye Testimony.

65. Provide, in electronic format with all formulae intact, the workpapers supporting Exhibits 11, 12 and 13 of the Seelye Testimony.

66. For each rate class shown on Exhibit 15, page 1, of the Seelye Testimony, provide the number of customers for the end of each month used to calculate the 13-month average. If Exhibit 15 was determined using a 12-month average, provide a revised Exhibit 15 utilizing a 13-month average consisting of the number of customers

at the beginning of the test year (May 1, 2006) and the ending of the test year (April 30, 2008).

67. Reconcile the "Current" Disconnect/Reconnect Charge as stated in Exhibit 6, page 2, of the Seelye Testimony in the amount of $1,008,440 to the amount recorded in account 451001 of $1,079,166 as shown in Volume 1 of 4 of the response to Staff's first request, Item 13, at page 10.

68. Refer to Exhibit 6, page 8, of the Seelye Testimony.

a. "Jurisdictional Ultimate Consumer Revenue" is stated at $1,111,405,132. Separate this total by rate class using the same list of rate classes shown at Seelye Exhibit 3.

b. LG&E's "Ultimate Consumer Billed Electric Revenue" is shown for years 2007, 2006, 2005, 2004 and 2003. Provide a list of revenues by rate class for each annual total showing each rate class separately. Also, show on this schedule, the amount of late payment penalty revenue collected from each rate class and the late payment penalty percentage (5 percent or 1 percent) that is applicable to each rate class.

c. At page 5 of the Cockerill Testimony it is stated that the late payment penalty will not be assessed against Street Lighting. Is this statement correct?

d. KU's estimated annual revenues from implementing the late payment penalty is based upon LG&E's average percentage of late payment penalty revenues to total revenues for the previous 5 years weighted on "charge-offs" and Accounts Receivable balances. Explain why this method is more appropriate than simply applying LG&E's .3026 percent 5-year average to KU's "Jurisdictional Ultimate Consumer Revenue."

e. When weighting the average based upon Accounts Receivable balances stated as a percentage of sales, what consideration was given to the differences in LG&E's and KU's billing practices, i.e., difference in billing and due dates relative to the end of the accounting period?

f. Provide all evidence compiled by KU demonstrating that the level of late payment penalty revenues is directly correlated to the level of "charge offs."

g. Provide all evidence compiled by KU demonstrating that the level of late payment penalty revenues is directly correlated to the level of Accounts Receivable at the end of a period stated as a percentage of sales.

69. KU will not have the capability of assessing the proposed late payment penalty until the first quarter of 2009 (See Cockerill Testimony, page 5, Line 15) when it is anticipated that the Customer Care System will come on-line.

a. Provide a complete description of the Customer Care System and describe the benefits and efficiencies it will bring to KU when compared to KU's current system.

b. Provide a list by account number and title of Customer Care System costs included in the test year end CWIP balance and test year operating expense.

70. Reconcile the "Revenue as Billed" total of $1,112,462,089 as stated at Exhibit 3, page 1, of the Seelye Testimony to the "Operating Revenues" of $1,154,156,041 as stated at at Exhibit 1, page 1, of the Rives Testimony.

71. a. The Merger Surcredit accounts shown below were taken from Volume 1 of 4 of KU's response to Staff's first request, Item 13, pages 8-10. Explain and show how the amounts charged to these accounts were determined.

Account	Total Co	Allocator	Kentucky Jurisidicational
440112 Residential MSR	$ 7,316,570	94.210%	$ 6,892,941
442212 Large Comm MSR	4,963,489	96.149%	4,772,345
442312 Industrial MSR	4,566,971	96.149%	4,391,097
442614 Mine Power MSR	818,179	96.149%	786,671
444112 Street Lighting MSR	155,907	97.335%	151,752
445112 Public Authority MSR	1,428,014	97.335%	1,389,957
445312 Muni pumping MSR	75,395	94.764%	71,447
Total	$ 19,324,525		$ 18,456,210

b. Reconcile the Kentucky Jurisdictional total of $18,456,210 as shown in the table above to the amount of Adjustment 1.01 as shown in Volume 4 of 5 of KU's Application at Exhibit 1, page 1, of the Rives Testimony, $18,568,431.

72. a. The Value Delivery Surcredit accounts shown below were taken from Volume 1 of 4 of KU's response to Staff's first request, Item 13, pages 8-10. Explain and show how the amounts charged to these accounts were determined.

Account	Total Co.	Allocator	Kentucky Jurisidicational
440114 Residential VDT	$ 1,232,012	94.210%	$ 1,160,678
442214 Large Commer VDT	858,748	96.149%	825,677
442314 Industrial VDT	796,988	96.149%	766,296
442614 Mine Power VDT	105,347	96.149%	101,291
444114 Street Lighting VDT	27,800	97.335%	27,059
445114 Public Authority VDT	242,667	94.764%	229,961
445314 Muni Pumping VDT	12,654	94.764%	11,992
Total	$ 3,276,217		$ 3,122,954

b. Reconcile the Kentucky Jurisdictional total of $3,122,954 as shown in the table above to the amount of Adjustment 1.02 as shown in Exhibit 1, page 1 of the Rives Testimony, $3,405,550.

73. a. The Fuel Adjustment Clause accounts shown below were taken from Volume 1 of 4 of KU's response to Staff's first request, Item 13, pages 8-10. Reconcile the Kentucky Jurisdictional total for these accounts of $87,413,884 to KU's proposed adjustment in the amount of $116,253,633 as shown in Exhibit 1, page 1, Adjustment 1.03 of the Rives Testimony.

Account	Total Co.	Allocator	Kentucky Jurisidicational
440104 Residential FAC	$ 30,086,295	94.210%	$ 28,344,299
442204 Large Commercial FAC	23,561,997	96.149%	22,654,624
442304 Industrial FAC	26,781,732	96.149%	25,750,368
442604 Mine Power FAC	2,964,391	96.149%	2,850,232
444104 Street Lighting FAC	248,678	97.335%	242,051
445104 Public Authority FAC	7,622,105	94.764%	7,223,011
445304 Muni Pumping FAC	368,598	94.764%	349,298
Total	$ 91,633,796		$ 87,413,884

74. It appears that the adjustments in Reference Schedules 1.03 and 1.04 as shown at Exhibit 1, page 1, of the Rives Testimony result in an understatement of operating revenues and operating expenses at the pro forma present rate level of approximately $84 million, the amount of the FAC "roll-in." Explain where the revenues shifted from the FAC to base rates through the FAC "roll-in" (approximately $84 million) appear in pro forma operating revenues as shown on Rives Exhibit 1.

75. Refer to Exhibit 1, page 1, Adjustment 1.03 of the Rives Testimony. This "mismatch" adjustment represents a $20,098,577 decrease to net operating income. Compare this mismatch for the 12 months ending April 30, 2005, 2006 and 2007.

76. a. The Environmental Cost Recovery revenue accounts shown below were taken from Volume 1 of 4 of KU's response to Staff's first request, Item 13, pages 8-10. Explain and show how the amounts charged to these accounts were determined.

Account	Total Co.	Allocator	Kentucky Jurisidicational
440111 Residential ECR	$ 22,730,902	94.210%	$ 21,414,783
442211 Large Commercial ECR	15,884,813	96.149%	15,273,089
442311 Industrial ECR	15,426,591	96.149%	14,832,513
442611 Mine Power ERC	2,030,875	96.149%	1,952,666
444111 Street Lighting ERC	495,202	97.335%	482,005
445111 Public Authority ECR	4,526,173	94.764%	4,289,183
445311 Muni Pumping ECR	247,462	94.764%	234,505
Total	$ 61,342,019		$ 58,478,744

b. Reconcile the Kentucky Jurisdictional total of $58,478,744 as shown in the table above to the amount of Adjustment 1.05 as shown on Exhibit 1, page 1 of the Rives Testimony, $54,342,557.

77. Using the account numbers, titles and account balances shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13, identify the expenses that were eliminated for rate-making purposes through Reference Schedule 1.05 as shown at Exhibit 1, page 1, of the Rives Testimony.

78. Refer to Exhibit 3, page 3 of 3, of the Rives Testimony.

a. Show the calculation of Columns 2 and 3 using Column 4. This calculation should show the allocation factors used to make these calculations and discuss why each factor is appropriate to make the allocation.

b. Reconcile each amount shown in Column 5 to the amounts provided to the Commission on the page labeled as "Calculation of ECR Roll-in At

February 28, 2007" in KU's Monthly Environmental Surcharge Report submitted to the Commission on April 22, 2008.

79. Refer to Exhibit 1, Reference Schedule 1.08, of the Rives Testimony.

a. Explain the process through which KU markets, negotiates, finalizes, and delivers brokered sales. This explanation should discuss who KU's existing brokerage customers and potential brokerage customers are, how brokered sales are priced, delivered, and recorded on the books, and the resources used in this process.

b. The following accounts were taken from Volume 1 of 4 of KU's response to Staff's first request, Item 13. Provide an analysis showing all entries to these accounts. An explanation for each entry should be included in the analysis along with customer names.

447200 - Brokered Purchases;

447210 - Settled Swap Expense;

447220 - Settled Swap Expense – Proprietary;

447221 - Settled Swap Expense – Proprietary – Netting

c. Explain the accounting process employed by KU to insure that all expenses related to brokerage sales are accounted for properly in the accounts listed in b. instead of being incorrectly charged to operation and maintenance expenses.

d. Provide a detailed analysis of the labor and labor related costs from trading activities that was used to determine the $9,359 in "Operating Expense related to Brokered Sales."

e. Explain how the labor and labor related costs from trading activities in the assumed amount of $345,350 ($9,359 / 2.71 percent) were determined.

f. Explain why an allocation factor of 2.71 percent is appropriate to determine the operating expenses related to brokered sales.

g. Provide a discussion describing KU's trading sales activities.

80. Refer to Exhibit 1, Reference Schedule 1.09, of the Rives Testimony.

a. Provide a calculation for each of the accrued revenues shown.

b. For each of the accrued revenues shown indicate, by account number and name, where it is included in the trial balance provided in Volume 1 of 4 of KU's response to Staff's first request, Item 13.

81. a. The Demand Side Management Revenue accounts shown below were taken from Volume 1 of 4 of KU's response to Staff's first request, Item 13, pages 8-10. Explain and show how the amounts charged to these accounts were determined.

Account		Total Co	Allocator		Kentucky Jurisidicational
440101 Residential DSM	$	4,004,103	94 210%	$	3,772,265
442201 Large Commercial DSM		342,022	96 149%		328,851
442301 Industrial DSM		4,859	96 149%		4,672
442601 Mine Power DSM		4 231	96 149%		4,068
444101 Street Lighting DSM		811	97 335%		790
445101 Public Authority DSM		75,094	94 764%		71,162
445301 Muni Pumping DSM		6,028	94.764%		5,712
	$	4,437,148		$	4,187,520

b. Reconcile the Kentucky Jurisdictional total of $4,187,520 as shown in the table above to the amount of Adjustment 1.10 as shown on Exhibit 1, page 1, of the Rives Testimony, $4,429,150.

82. a. Refer to Exhibit 1, Reference Schedule 1.10, of the Rives Testimony. The DSM expenses eliminated from test year operations on this schedule appears to be the amount for the total company as reported in account 908005 as shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13, page 13. Explain why the total company amount was eliminated.

b. Provide a detailed analysis of account 908005 that includes an explanation for all entries to the account.

c. Do the amounts included in account 908005 represent all test year expenses related KU's DSM program?

d. Describe the accounting processes and procedures employed to insure that all DSM expenses are properly charged to account 908005.

83. Refer to Exhibit 15 of the Seelye Testimony.

a. Provide the number of customers for each customer class shown on page 1 for the most recent month for which the information is available.

b. With regard to the change in the number of customers shown for the two residential groups on page 1.

(1) State the amount of the decrease to the number of customers for rate codes 010 and 050 that can be attributed to reclassification to rate codes 020, 060 and 080, if any.

(2) If none can be attributed to reclassification, provide an explanation for the decrease of 646 customers in codes 010 and 050.

(3) Is this decrease isolated to certain areas of KU's service territory or evenly spread throughout its territory?

(4) Identify the areas of KU's service territory where the reduction of customers is concentrated.

(5) Does KU expect the number of customers in the 010 and 050 rate codes to rebound? Explain this response.

c. With regard to the change in the number of customers shown for the Large Power Rate – Secondary.

(1) Provide an explanation for the decrease of 271 Large Power Rate Secondary customers.

(2) Is this decrease isolated to certain areas of KU's service territory or evenly spread throughout its territory?

(3) Identify the areas of KU's service territory where the reduction of customers is concentrated.

(4) Does KU expect the number of customers in this rate class to rebound? Explain this response.

84. In Case No 2007-00565, KU proposes to switch from the average life group method to the equal life group method. In that case, KU also calculated depreciation using the average life group method.

a. Provide workpapers used to derive KU's 2006 depreciation expense that demonstrate the root or core differences between average life group method and equal life group method for KU.

b. At what point in time of the depreciation study process was the decision made to calculate KU's depreciation using the equal life group method?

c. Which method was first used to calculate KU's depreciation during the process of the depreciation study, the average life group method or the equal life group method?

d. Explain why the decision was made to switch from average life group method to the equal life group method.

85. a. Provide a list of cases known to Mr. Spanos where a regulatory commission has explicitly accepted the equal life group method where the issue was actively disputed and litigated.

b. Provide two of the most recent regulatory orders where a regulatory commission explicitly accepted the equal life group method at the recommendation of Mr. Spanos.

c. Provide two of the most recent regulatory orders where a regulatory Commission explicitly rejected the equal life group method recommended by Mr. Spanos.

86. Refer to the Joint Rebuttal Testimony of John J. Spanos, pages 2 through 4 in Case No. 2007-00565.

a. Explain how Mr. Spanos's example would be affected if the hypothetical utility performed depreciation studies every 4 years and remaining service life was considered as part of those studies.

b. Assume for purposes of this question that Unit A in Mr. Spanos's example actually remains in service for 6 years and Unit B actually remains in service 12 years. Explain how these additional assumptions would affect Mr. Spanos's example comparing the average service life approach with the equal life group approach.

87. The Spanos Rebuttal often notes that the equal life group approach is the most accurate approach and provides the better match of recovery to consumption. Are there other reasons or events which have occurred at KU within the last 5 years that support the adoption and use of the equal life group approach? Explain the response.

88. As part of the depreciation study, did Mr. Spanos perform a comparison of the theoretic depreciation reserve with the actual depreciation reserve?

a. If yes, what was the results of this comparison and describe what actions, if any, resulted from the comparison.

b. If no, explain why such a comparison was not performed.

89. Refer to Case No. 2007-00565 at KU's Response to the Second Data Request of Commission Staff dated 4/14/08, Item 3. In this response a letter dated April 14, 2008 from the Virginia State Corporation Commission was provided where the Virginia Staff recommended that KU not switch to the equal life group method stating that: 1) it resulted in less stable rates than the average life method; 2) can compound any inaccuracies in estimating retirement dispersion; 3) introduce inter-generational inequities, and 4) can be more costly and time-consuming to maintain.

a. Provide the status of KU's follow-up to the Virginia Staff's letter.

b. Provide a response addressing each of Virginia Staff's concerns regarding the equal life method separately.

90. Refer to Exhibit 1, Reference Schedule 1.14, of the Rives Testimony. The adjustment of $270,131 accounts for both the proposed depreciation rates and annualizing depreciation for test year plant balances.

a. Provide a schedule in the same format as used in Case No. 2007-00565 in the Application and Testimony at Exhibit 2 comparing test year depreciation expense to depreciation expense calculated using the proposed rates. This schedule should not include annualization. It should only demonstrate the impact of using the proposed depreciation rates compared to the existing depreciation rates.

b. Using the same format provided in a. demonstrate the test year annualization adjustment.

91. Are Green River Units 1 and 2 or Tyrone Units 1 and 2 included in the calculation of pro forma depreciation?

92. a. Provide a schedule in the same format shown in Case No. 2007-00565 in the Application and Testimony at Exhibit JJS-KU, page III-4 detailing the calculation of test year depreciation expense as shown at Exhibit 1, Reference Schedule 1.14, of the Seelye Testimony. This schedule should exclude annualization. Also, on this schedule indicate which assets are considered to be post-1995 ECR assets and ARO assets. If post-1995 ECR assets and ARO assets are not included on this schedule, provide a separate schedule detailing their depreciation. Also, for this calculation, use the LG&E rates for the Paddy's Run – Generator 13 and the Trimble County CTs 5-10.

b. Provide a schedule in the same format as provided in a. recalculating test year depreciation using depreciation rates based on the average life group method. This schedule should not include annualization. Also, on this schedule indicate which assets are considered to be post-1995 ECR assets and ARO assets. If post-1995 ECR assets and ARO assets are not included on this schedule, provide a separate schedule detailing their depreciation. Also, for this calculation, use the LG&E rates for the Paddy's Run – Generator 13 and the Trimble County CTs 5-10.

c. Provide adjustments to (b) showing annualized test year depreciation using the average life group method.

93. Refer to Exhibit 1, Reference Schedule 1.14, of the Rives Testimony.

a. Provide the calculation of depreciation on ARO's in the amount of $335,141 showing each ARO separately.

b. Provide the calculation of depreciation on post-1995 environmental cost recovery of $12,754,702 showing each asset separately.

94. Would you agree that KU has removed the entire effect of SFAS 143 from rates through: 1) making the $335,141 adjustment to test year depreciation per books as shown in Exhibit 1, Reference Schedule 1.14, of the Rives Testimony; 2) reducing rate base by ARO Liabilities totaling $28,756,745 as shown in Exhibit 4, page 1, of the Rives Testimony; and 3) recording regulatory credits to accounts 407401, 407402 and 407405 for the test year off-setting accretion expense totaling $1,901,344 as shown in KU's response to Staff's first request, Item 13, page 7? If no, explain.

95. Was total accretion expense for the test year $1,901,344?

96. In Case No. 2003-00434 the Commission's Order dated June 30, 2004 at page 22 reduced KU's capitalization by $7,408,501 to account for the removal ARO assets. Has KU adjusted its capitalization in this case to remove ARO assets? If no,

explain. Show the calculation of the adjustment necessary in this case to follow the method of the Commission's previous Order regarding ARO's and its impact on KU's capitalization.

97. Are AROs included in the estimated cost of removal as stated as a percentage of original costs in the depreciation study submitted in Case No. 2007-00565?

98. a. State the year when KU first began recovery, through depreciation, of estimated asset removal costs stated as a percentage of original cost.

b. Provide a schedule showing the annual balances in accumulated depreciation attributable to asset removal costs starting with the year provided in response to (a). This schedule should show depreciation accruals separately from the cost of removal and salvage.

c. For GAAP purposes the amount disclosed in (b) is reported as a regulatory liability but for regulatory purposes it is reported as Accumulated Depreciation. What impact would reclassifying this amount as a regulatory liability for regulatory reporting purposes have on KU.

99. a. State the amount of expense for compensated absences that is included in KU's test year operations and the account numbers to which this expense was charged.

b. State how the compensated absence expense reported in a. is accounted for in Exhibit 1, Reference Schedule 1.15, page 1, of the Rives Testimony.

100. Refer to Exhibit 1, Reference Schedule 1.15, page 2, of the Rives Testimony.

a. Provide workpapers supporting the construction/other labor rate of 28.7 percent. These workpapers should separate construction labor from other labor. Provide a detailed description for all entries on these workpapers for other labor.

b. Provide workpapers supporting the calculation of:

(1) Number of union employees and gross pay of 144 and $9,036,805, respectively.

(2) Number of exempt employees and gross pay of 133 and $10,636,390, respectively.

(3) Number of non-exempt employees and gross pay of 684 and $38,194,236, respectively.

(4) Number of exempt SERVCO employees and gross pay allocated to KU of 357 and $31,190,524, respectively.

(5) Number of non-exempt SERVCO employees and gross pay allocated to KU of 110 and $4,473,183.

(6) The SERVCO allocation percentage to KU of 45.4 percent.

(7) The union overtime premium.

(8) Non-Exempt/Hourly/Servco overtime/Premium.

101. a. Provide a schedule listing all accounts as shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13 to which salaries and payroll overheads were reported for KU employee salaries and salary overheads during the test year. State the amount of salaries and each individual payroll overhead charged to each account separately.

b. Provide a schedule listing all accounts as shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13 to which salaries and payroll overheads were reported by KU for services provided by SERVCO employees during the test year. State the amount of salaries and each individual payroll overhead charged to each account separately.

c. Provide a schedule listing all accounts as shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13 to which salaries, other compensation and payroll overheads were reported by KU during the test year for services provided by the executive employees listed in Volume 1 of 4 of KU's response to Staff's first request, Item 46. State the amount of salaries, other compensation and each individual payroll overhead charged to each account separately.

d. Provide a schedule listing all accounts as shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13 to which salaries and payroll overheads were reported by KU for services provided by LG&E employees during the test year. State the amount of salaries and each individual payroll overhead charged to each account separately.

e. Provide a schedule listing all accounts as shown in Volume 1 of 4 of KU's response to Staff's first request, Item 13 to which any salaries, other compensation and payroll overheads were reported during the test year that are not captured in the responses to (a), (b), (c), and (d). State the amount of salaries, other compensation and each individual payroll overhead charged to each account separately. Provide an employer name for all employees included in this response.

102. Refer to Volume 4 of 4 of KU's response to Staff's first request, Item 46.

a. State the name of the employer of each executive officer.

b. Provide a list of "other compensation" paid to each executive officer separately stating the amount and description of each component of other compensation.

c. For each executive officer whose annual salary increased by more than 3.5 percent, explain in detail the reason(s) for the executive officer's annual increase being greater than the increase granted to other KU employees during the test year.

d. Provide all executive salary studies and surveys relied upon to determine the test year and pro forma level of executive employee compensation.

e. At page 1 it is stated that 32.5 percent of the executive pay was included in the cost of providing service to KU ratepayers.

(1) Provide a schedule detailing the distribution of each individual's salary listed on page 1 to KU and each of KU's affiliates and subsidiaries separately. The total for KU on this schedule should equal 32.5 percent of the total distributed salary. On this schedule show separately the amounts that were directly assigned to KU and each of its affiliates and subsidiaries from the amounts that were allocated.

(2) For each allocation provided in response to (1), state the method of allocation and explain why the method of allocation is appropriate.

f. At page 1 it is stated that 3.8 percent of other compensation is included in the cost of providing service to KU ratepayers.

(1) Provide a schedule detailing the distribution of each individual's other compensation listed on page 1 to KU and each of KU's affiliates and subsidiaries separately. The total for KU on this schedule should equal 3.8 percent of the total distributed other compensation. On this schedule show separately the amounts that were directly assigned to KU and each of its affiliates and subsidiaries from the amounts that were allocated.

(2) For each allocation provided in response to (1), state the method of allocation and explain why the method of allocation is appropriate.

103. Refer to Volume 3 of 5 of KU's Application at Tab 39.

a. Confirm that the expenses listed at Tab 39 include all test year charges assigned or allocated to KU by affiliates or subsidiaries and that there are no other cost assignments or allocations included in KU's test year or pro forma expenses from any of the other companies listed on the organizational chart provided at Volume 1 of 4 of KU's response to Staff's first request, Item 2.

b. Explain why there was a significant decrease in intercompany charges to KU during the test year when compared to the level of expense for the calendar years ended 2006 and 2007.

c. Provide the following information for the charges between LG&E and KU.

(1) A schedule detailing the costs directly charged to and costs allocated to KU from LG&E. Indicate the KU accounts where these costs were originally recorded and whether the costs were associated with Kentucky jurisdictional electric operations only, other jurisdictional electric operations only, or total company electric

operations. For costs that are allocated, included a description of the allocation factors utilized.

(2) A schedule detailing the costs directly charged to and costs allocated by KU to LG&E. Indicate the KU accounts where these costs were recorded. For costs that are allocated, included a description of the allocation factors utilized.

104. a. State the total operating costs of SERVCO for the 12 months ended April 30, 2008.

b. Provide a schedule detailing the full distribution of SERVCO's operating costs as reported in a. to KU and all KU affiliates and subsidiaries. Separate directly assigned costs from allocated costs on this schedule.

c. Provide the allocation factor used for the allocated costs reported in b. and explain how each allocation factor is appropriate.

d. Provide a schedule detailing all charges by KU to SERVCO.

105. For the pro forma, test year, and calendar years ended 2007, 2006, 2005, 2004, and 2003:

a. Provide the total annual costs of pensions, post retirement benefits, and post employment benefits for KU separating the total costs for each into the following components: Service Costs, Interest Costs, Return on Assets, Amortization of Transition Obligation, Amortization of Prior Service Costs and Gains and Losses.

b. Provide the actuarial studies relied upon to respond to Item (a) for the year 2007, the test year and pro forma. Demonstrate how the test year and pro forma amounts were derived from these studies.

c. On the schedule provided in (a) apply the capitalization rate used to determine KU's annual expense for each year in the analysis and state how the capitalization rate was determined.

d. On the schedule provided in (c) apply the allocation factors used to determine the portion of the expense that is Kentucky jurisdictional and explain the appropriateness of these factors.

e. If the amounts provided in response to Item (d) for the test year and pro forma do not match the amounts shown in Exhibit 1, Reference Schedules 1.16 and 1.17, of the Rives Testimony, provide a reconciliation of the amounts shown in Schedules 1.16 and 1.17 to the amounts provided in response to Item (d).

106. Refer to Exhibit 1, Reference Schedules 1.18, of the Rives Testimony.

a. Identify, by account number and title as shown at Volume 1 of 4 of KU's response to Staff's first request, Item 13, the accounts charged with storm damage during the test year and the amounts charged to each account.

b. Discuss and explain the accounting processes and procedures in place to ensure proper classification of all costs related to storm damage.

c. Provide support for the CPI-U factors used to gross-up prior storm damage expenses.

107. Refer to Exhibit 1, Reference Schedules 1.19, of the Rives Testimony.

a. Identify, by account number and title as shown at Volume 1 of 4 of KU's response to Staff's first request, Item 13, the accounts charged with injuries and damages during the test year and the amounts charged to each account.

b. Discuss and explain the accounting processes and procedures in place to ensure proper classification of all costs related to injuries and damages.

108. Refer to Volume 1 of 4 of KU's response to Staff's first request, Item 30(a) and 30(b).

a. Provide the level of conservation advertising reported for the years 2007, 2006, 2005, 2004, and 2003.

b. Discuss the decision-making process when determining whether an advertising expense is institutional (not includable for rate recovery) or conservation (includable for rate recovery). Include in this discussion how advertisements that include both institutional and conservation advertising are split into these two categories of expense.

c. Explain why KU ratepayers should fund payments to the Chambers of Commerce included in account 930904.

d. What is the E.ON Loyalty Survey and explain why KU ratepayers should fund payments for it.

e. Explain the nature of each charge to account 930904 for JD Power and Associates, Chartwell Inc., Management Consultant, Schmidt Consulting, and Guideline and explain why these expenses should be funded by KU ratepayers.

109. Refer to Exhibit 1, Reference Schedule 1.23 and 1.24, of the Rives Testimony; Volume 1 of 4 of KU's response to Staff's first request, Item 13; pages 8-9 of the Bellar Testimony; and pages 4-5 of the Scott Testimony.

a. When was the MISO exit fee shown on Schedule 1.23 of $18,907,345 paid?

b. Provide a detailed analysis of the $6,551,955 Schedule 10 accumulated regulatory liability as shown on Schedule 1.23.

c. Explain why a 5-year amortization period is appropriate for the net MISO exit fee and the EKPC depancaking settlement charges shown on Schedules 1.23 and 1.24.

d. Provide an analysis, by account, showing all transactions in the accounts shown in Item 13 related to MISO and EKPC. Provide a description for each transaction and state whether or not it will be a recurring item subsequent to KU's exit from MISO.

e. Pending Commission approval, provide an estimate of the regulatory liability that will be accrued as a result of revenues related to MISO Schedule 10 expenses between the end of the test year and the date new rates will go into effect.

f. Provide the calculation showing how the accrued depancaking settlement in the amount of $1,933,838 as shown in schedule 1.24 was derived from the annual payments of $550,000 as stated by Mr. Bellar.

110. Refer to Exhibit 1, Reference Schedule 1.25, of the Rives Testimony and Volume 1 of 4 of KU's response to Staff's first request, Item 13.

a. Using the accounts provided in Item 13, provide an analysis of test year expenses paid to OVEC and state the basis for each charge.

b. Explain how the change from allocating demand charges based on the percent of generation contributed to off-system sales to allocating demand charges based on ownership share better aligns OVEC charges used to serve native loads.

This response should explain the relationship between native load use and ownership share.

111. Refer to Exhibit 1, Reference Schedule 1.26, of the Rives Testimony; Volume 1 of 4 of KU's response to Staff's first request, Item 13; and page 9 of the Bellar Testimony.

a. Using the accounts provided in Item 13, provide an analysis of all test year reserve margin demand purchases.

b. For all purchases listed in a. state whether they will recur annually on a going-forward basis.

c. For each charge related to a contract, provide the contract's expiration date and the likelihood that the contract will be renewed.

112. Refer to Exhibit 1, Reference Schedule 1.26, of the Rives Testimony and to Volume 4 of 4 of KU's response to Staff's first request, Item 57(b). Provide the actual news paper publication costs from KU's previous rate case.

113. Refer to Exhibit 1, Reference Schedule 1.29, of the Rives Testimony and Volume 1 of 4 of KU's response to Staff's first request, Item 13.

a. Using the account titles and numbers provided in Item 13, provide an analysis of test year expenses related to the IT contracts.

b. State the amount of IT contract expense reported in the test year when prepayments were not being accrued.

c. Provide a complete list of KU's IT contracts and provide a description of each contract, the duration of each contract, the current annual cost of each contract, the annual cost of the contract for the previous annual period, and the date last paid.

d. Using the list provided in (c) develop an annual cost for all IT contracts and the prepaid balances at May 1, 2007 and April 30, 2008.

114. Refer to Exhibit 1, Reference Schedule 1.31, of the Rives Testimony.

a. Provide the average per gallon costs for fuel for each of the 5 months preceding April of the test year.

b. Provide the average per gallon costs of fuel for each month subsequent to the test year up to and including August, 2008.

115. Refer to Exhibit 1, Reference Schedule 1.32, of the Rives Testimony.

a. At page 17 of his testimony, Mr. Rives states that the fees are based upon proposals from banks willing to provide the facilities. Provide the number of financial institutions from which KU solicited proposals for the new credit facilities, the number of proposals KU received and an explanation for why the proposal in question was chosen by KU.

b. Provide a copy of all proposals received by KU along with any supporting workpapers and related documents that show the derivation of the $2,288,510 adjustment to KU's test year operations.

116. Refer to Exhibit 1, Reference Schedule 1.33, of the Rives Testimony and pages 6-7 of the Scott Testimony.

a. Provide the amount of the coal tax credits applied against property taxes by KU for each year since the inception of the credit.

b. Provide the amount of the coal tax credit first applied against income for each year since the inception of the credit.

c. To what portion of income taxes must the credit first be applied before the credit can be applicable to property taxes?

d. State the final tax period that the coal tax credit will be available to KU.

117. Refer to Exhibit 1, Reference Schedule 1.34, of the Rives Testimony. Provide the calculation of the eliminated use tax expense in the amount of $236,848.

118. Refer to Exhibit 1, Reference Schedule 1.41, of the Rives Testimony.

a. Provide workpapers and tax returns supporting the 2006 federal and state tax "true-ups" in the respective amounts of $(497,646) and $333,891, and the Kentucky Coal Credit in the amount of $(598,704).

b. Provide the tax returns where the basis for the "true-ups" originated.

c. Provide an explanation of the "true-ups" and discuss why it is appropriate to exclude them in rates.

d. State whether KU will apply for the coal tax credit in the coming 2 years. If no, explain.

e. Has KU ever been denied the coal tax credit.

f. Provide the amount of the coal tax credit applied to income for federal and state tax purposes for each year since the credits inception.

119. a. Refer to Exhibit 1, Reference Schedules 1.33 and 1.41, of the Rives Testimony. On 1.33 it appears that the coal tax credit applied to property taxes in

the amount of $447,054 is added back to test year expenses. On 1.41 it appears that $598,704 for the coal tax credit applied to income taxes is added back to test year expenses. The sum of the coal tax credit "add back" appears to then be $1,045,758. However, at page 9, lines 4-6 of the Scott Testimony, it appears to indicate that adjustment 1.41 includes the net effect of adjustment 1.33. Has the coal tax credit applied to property taxes been removed from test year expenses twice? Explain.

b. Discuss why it is appropriate to remove the coal tax credits from test year operations when establishing rates for KU.

120. List all buildings and facilities used by KU that are common to KU and its affiliates and subsidiaries. For each building and facility provide its location and physical address and separately state the following information:

a. List all tenants.

b. The amount of annual rent charged to KU and each of the other occupants.

c. The name of the company receiving the rent payments

d. Documentation demonstrating that KU's rent cost included in b. are at fair market value.

e. An itemized list of annual building maintenance and cleaning costs.

f. A schedule showing the allocation of the costs reported in e. to all occupants.

g. An explanation of why the allocations included in f. are appropriate.

121. Describe the safeguards in place to protect KU from unauthorized employee use of its credit cards and credit accounts.

122. a. For the test year and the 3 previous calendar years provide the annual expense reported by KU for contracted labor related to the following services. If possible, separate the amounts reported for each category by vendor name.

Vegetation Management

Storm Damage

Meter Reading

Maintenance Contracts

Temporary Clerical/Accounting Services

Temporary Legal

b. Explain how KU selects the contractors providing the services listed in a. and how KU ensures that it is securing a competitive market based cost.

123. Provide a discussion of KU's current vegetation management program and explain any changes made to that program since KU's last rate application.

124. Provide an analysis showing test year amortization of debt issuance costs and debt discounts and premiums.

125. a. List, and provide workpapers for, all adjustments to test year operations that were developed and contemplated by KU when preparing its application but were not included in KU's application.

b. Explain why KU decided not to include the adjustments listed in a. in its application.

126. Refer to Volume 2 of 4 of KU's response to Staff's first request, Item 31, concerning outside legal services

a. Describe how KU determines the allocation of outside legal services between Kentucky Jurisidictional and Other Jurisdictional.

b. For each of the outside legal service providers listed below, describe the legal service provided and indicate whether the level of expense constitutes a recurring expense for KU. Also indicate whether the expense was for Kentucky jurisdictional only, Other jurisdictional only, or both.

1) Boehl Stopher and Graves, LLP

2) Frost Brown Todd, LLC

3) Hunton & Williams

4) Jones Day Reavis & Pogue

5) Ogden Newell and Welch

6) Stoll Keenon and Park, LLP

7) Sutherland Asbill and Brennan LLP

8) Troutman Sanders LLP

9) Wright & Talisman PC

10) Wyatt Tarrant & Combs

11) Others included in Item 31 but not listed above

127 Refer to Volume 4 of 4 of KU's response to Staff's first request, Item 47.

a Provide an analysis showing the test year research and development expenses separated by the name of the fund recipients. Also show separation of each amount by Kentucky and Other jurisdictional and state how the jurisdictional allocation was determined and why it is appropriate.

b. *State whether each amount provided in (a) is an annual recurring* expense for KU.

128. For each of the past 5 years, provide a list of the companies that have filed a consolidated federal income tax return with KU. Identify which companies are regulated and which are not regulated. For each year provide the taxable income or tax losses incurred by each company.

129. For each of the past 5 years, provide a list of the companies that have filed a consolidated state income tax return with KU. Identify which companies are regulated and which are not regulated. For each year provide the taxable income or tax losses incurred by each company.

130. Refer to Exhibit 3, page 1 of the Rives Testimony. Using the account numbers, titles and account balances provided in Volume 1 of 4 of KU's response to Staff's first request, Item 19, show the derivation of each Jurisdictional Rate Base item included in columns (6) and (8)

131. Refer to Volume 1 of 4 of KU's response to Staff's first request, Item 19. For each of the accounts listed below, provide the reason(s) for the change in the ending balances between the "Test Year" and "Prior Year."

a. 312 – Boiler Plant Equipment - $126,397,000 increase.

b. 315 – Accessory Electric Equipment - $12,823,000 increase.

c. 367 – Underground Conductors and Devices – $16,075,000 increase.

d. 397 – Communication Equipment - $1,261,000 increase.

e. 107 – CWIP - $531,860,000 increase.

132. Refer to Volume 1 of 4 of KU's response to Staff's first request, Item 23. For each of the following electric expense accounts, provide the reasons for the change in the amount of expense from the 12 months immediately preceding the test year to the 12 months of the test year.

a. Account 502, Steam Expenses, which increased from $9.139 million to $10.568 million.

b. Account 509, Allowances, which decreased from $3.082 million to $2.239 million.

c. Account 512, Mtce of Boiler Plant, which increased from $21.643 million to $28.382 million.

d. Account 513, Mtce of Electric Plant, which increased from $5.903 million to $10,813 million.

e. Account 548, Generation Expenses, which increased from $.698 million to $1.694 million.

f. Account 557, Other Expenses, which decreased from $7.861 million to $1.216 million.

g. Account 561, Load Dispatching, which decreased from $3.190 million to $1.052 million.

h. Account 565, Transmission of Elec by Others, which increased from $2.721 million to $5.766 million.

i. Account 566, Misc Transmission Expenses, which increased from $(.843) million to $5.774 million.

j. Account 571, Mtce of Overhead Lines, which increased from $3.299 million to $4.121 million.

k. Account 575, Mkt Facilitation, Monitoring & Compliance Svcs, which decreased from $1.246 million to $.013 million.

l. Account 593, Mtce of Overhead Lines, which increased from $18.202 million to $22.260 million.

m. Account 903, Cust Records and Collection Exp, which increased from $11.458 million to $12.013 million.

n. Account 904, Uncollectible Accounts, which increased from $1.957 million to $3.331 million.

o. Account 909, Info and Instructional Adv Exp, which increased from $.203 million to $.476 million.

p. Account 910, Misc Cust Srvce and Information Exp, which increased from $.255 million to $.833 million.

q. Account 913, Advertising Expenses, which increased from $0.0 million to $.070 million.

r. Account 921, Office Supplies & Expense, which increased from $6.621 million to $7.564 million.

s. Account 923, Outside Services Employed, which increased from $6.741 million to $10.722 million.

t. Account 935, Mtce of Gen Plnt & Eq, which decreased from $7.253 million to $6.303 million.

133. a. Refer to the response to Staff First Request, Item 31. For each of the professional service providers listed below, describe the services provided to KU and indicate whether the level of expense constitutes a recurring expense for KU.

(1) Baker Botts LLP, all listed transactions, page 1 of 267.

(2) Foley and Mansfield PLLP, all listed transactions, page 1 of 267.

(3) Greenebaum Doll and McDonald, all listed transactions, page 3 of 267.

(4) KAF Spreadsheet 10320582: A 10965, all listed transactions, page 5 of 267.

(5) NMK Spreadsheet 14492470: A 9906, all listed transactions, page 5 of 267.

(6) Alstom Power, Account 512100, $52,215.00, page 15 of 267.

(7) Alstom Power, Account 512100, $109,773.58, page 15 of 267.

(8) Babcock & Wilcox Company, Account 512100, $144,760.00 and $43,785.00, page 16 of 267.

(9) Black and Veatch Corp, Account 923100, $70,000.00, page 16 of 267.

(10) Siemens Power Generation Inc, Account 513100, $23,791.08 and $86,115.60, page 17 of 267.

(11) Structural Integrity Assoc Inc, Account 512100, $93,500.00, $85,000.00 and $47.500.00, page 18 of 267.

(12) PWC, Account 923101, $29,401 00 and $315,886.00, page 18 of 267.

(13) Alvarez and Marsal Inc, all listed transactions, page 25 of 267.

(14) Asplundh, Account 571100, $71,677.29, page 27 of 267.

(15) Bank of America, Account 903907, $40,000.00, page 35 of 267.

(16) Brattle Group, all listed transactions, page 36 of 267.

(17) Charah Inc, Account 501251, $118,723.32, $247,406.11, $26,778.40 and $72,968.33, page 42 of 267.

(18) Davis H Elliot Company Inc, Account 571100, $23,868.16 and $33,712.84, page 51 of 267.

(19) Davis H Elliot Company Inc, Account 571100, $23,842.62, page 52 of 267.

(20) Davis H Elliot Company Inc, Account 593002, $81,047.57 and $21,087.49, page 53 of 267.

(21) East Kentucky Power Cooperative, Account 910001, $41,691.41, page 58 of 267.

(22) EON, Account 921902, $7,871.66, page 60 of 267.

(23) EON, Account 923100, $68,830.57, page 60 of 267.

(24) EON, Account 923900, $8,596.58, page 60 of 267.

(25) EON Engineering Corp, Account 512101, $60,000.00 and $41,200.00, page 60 of 267.

(26) Evans Construction, Account 501090, $29,070.00 and 40,000.00, page 60 of 267.

(27) Evans Construction, Account 511100, $38,000.00, page 60 of 267.

(28) Evans Construction, Account 512100, $94,900.00, page 60 of 267.

(29) Evans Construction, Account 514100, $58,000.00, page 60 of 267.

(30) Helicopter Minit Men Inc, all listed transactions, page 101 of 267.

(31) KEMA, Account 560900, $16,250.00, page 147 of 267.

(32) Kentuckiana Food Service, all listed transactions, page 147 of 267.

(33) Kessinger Service Industries LLC, Account 513100, $260,000.00 and $23,688.94, page 151 of 267.

(34) Kessinger Service Industries LLC, Account 512005, $1,695.86 and $2,263.14, page 151 of 267.

(35) Kessinger Service Industries LLC, Account 553100, $17,637.00 and $19,909.00, page 151 of 267.

(36) Mechanical Construction, all listed transactions, page 162 of 267.

(37) Mechanical Construction Services Inc, all listed transactions, page 162 of 267.

(38) NMK Spreadsheet 13094023: A 9906, Account 553100, $1,394,430.00, page 176 of 267.

(39) Precipitator Services Group Inc, all listed transactions, page 206 of 267.

(40) Proenergy Services LLC, all listed transactions, page 208 of 267.

(41) PSG, Account 512100, $55,000.00, page 209 of 267.

(42) R and P Industrial Chimney Co Inc, all listed transactions, page 210 of 267.

(43) Risk Management Services Corporation, all listed transactions, page 216 of 267.

(44) Siemens Power Generation Inc, Account 513100, $344,462.40, $175,681.40, $93,576.61, $263,522.10, $344,462.40, $947,271.60, $395,283.15, $75,831.00, $78,032.48 and $159,390.50, page 222 of 267.

(455) Siemens Power Generation Inc, Account 513100, $42,250.00 and $64,951.19, page 223 of 267.

(46) Sterling Boiler and Mechanical Inc, Account 512100, $107,664.46 and $46,489.34, page 228 of 267.

(47) Sterling Boiler and Mechanical Inc, Account 512100, $64,039.04, $140,115.64 and $233,478.29, page 229 of 267.

(48) Structural Integrity, Account 510100, $125,000.00, page 231 of 267.

(49) Symantec Corp, Account 923900, $41,402.12, page 231 of 267.

(50) Thyssenkrupp Safway Inc, Account 512100, $46,651.27 and $81,654.05, page 236 of 267.

(51) United Scaffolding Inc, Account 512100, $120,250.00 and $22,000.00, page 254 of 267.

(52) Veolia Environmental Services, Account 512100, $474,296.00, page 258 of 267.

134. Refer to Volume 1 of 4 of KU's response to Staff's first request at Item 4(a), page 3 of 3. Included on this list of long-term debt instruments are 8 issuances of variable rate "Pollution Control Bonds" for which this Commission has granted KU authority to refinance. The date of issue, outstanding balance, and cost rate to maturity for each of these issues is shown below.

Date	Outstanding	Cost
5/19/00	$12,900,000	8.139186%
10/3/02	96,000,000	4.585525
10/20/04	50,000,000	6.188016
7/7/05	13,266,950	4.023412
11/17/05	13,266,950	4.025582
7/20/06	16,693,620	4.197927
12/7/06	16,693,620	2.554447
2/23/07	54,000,000	4.389154

a. For each issue shown above provide the following information:

(1) The anticipated date refinancing will be completed.

(2) The anticipated cost rate to maturity.

(3) Provide updates to this request as new information becomes available.

b. If the specific cost rates to maturity cannot be reasonable estimated at the time of this response, state whether the anticipated cost rates will general be higher or lower than those shown in the schedule above.

135. State E.ON AG's investment in KU as a percentage of E.ON AG's total assets.

136. Refer to pages 19-21 of the Rives Testimony.

a. Provide the article entitled "U.S. Utilities Ratings Analysis Now Portrayed in the S&P Corporate Ratings Matrix" dated November 30, 2007.

b. Rives states KU is committed to maintaining the financial strength of KU. To that end, Rives states that based on the financial scoring systems established by Standard's and Poor's ("S&P"), KU has targeted an equity to total capitalization ration of between 50.5 and 57 percent. The equity portion of capital in this case falls within that range at 52.63 percent. Discuss the implications to KU stockholders and its customers separately, if KU's equity portion of capital dropped significantly below the 50.5 percent target threshold. When responding, include discussion of KU's resultant financial score using S&P's scoring system. Explain how these scores would "limit" (page 20, line 17) KU's future access to attractively priced debt. Provide specific calculations demonstrating how these anticipated scores would impact the weighted cost of debt as shown at Volume 1 of 4 of KU's response to Staff's first request, Item 4.

137. Does Fidelia Corporation provide financing to any companies outside of the E.ON AG family? If yes, state the percentage of loans outside of the E.ON AG family to total loans issued by Fidelia.

138. Provide the capital structure for years 2007, 2006, and 2005 for the listed entities showing the cost of each debt and preferred stock component separately from the return on common equity. Also, state the most recently approved return on common equity for all entities providing regulated services.

a. E.ON AG

b. E.ON Energie AG

c. E.ON US Holding GmbH

d. Fidelia Corporation

e. E.ON Ruhrgas Holding GmbH

f. The 17 entities included in Mr. Avera's utility proxy group as listed at Schedule WEA-1 of the Avera Testimony.

139. Page 23 of the Avera Testimony states that the utility proxy group selected for KU included companies providing both electric and gas services. Explain why this proxy group is more appropriate than a proxy group of utilities providing only electric service considering that KU provides only electric service.

Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: August 27, 2008

cc: Parties of Record