

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter or

APPLICATION OF KENTUCKY UTILITIES COMPANY)
FOR AN ORDER APPROVING THE ESTABLISHMENT) CASE NO.
OF A REGULATORY ASSET) 2008-00457

FIRST 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 7 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than November 19, 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 Paragraph 9 of KU's application and Item 29(c) of KU's response to the Supplemental Request for Information of the Attorney General in Case No. 2008-00251.¹

a. The text in the application states that property and casualty insurance for distribution and transmission storm damage is prohibitively expensive. The data response indicates that KU was covered by storm insurance prior to 2004 when the premium and deductible were raised and the insurance was deemed "[n]ot cost effective." Identify the insurance provider and provide the premium and deductible for KU's storm insurance in 2003.

b. Provide the premium and deductible KU was offered, and which it declined in 2004, and the name of the insurance provider who made the offer.

c. Explain whether KU sought offers from other insurance providers for 2004 after it determined that the offer from the insurance provider identified in part b. of this response was deemed not cost-effective. If no offers were sought, explain why.

¹ Case No. 2008-00251, Application of Kentucky Utilities Company for an Adjustment of Base Rates.

d. Explain whether KU has revisited the issue of carrying storm insurance since that time by seeking quotes from any providers of such insurance. If no quotes have been sought since 2004, explain why.

2. Refer to paragraph 11 of KU's application and Item 31 of KU's response to the Commission Staff's second data request in Case No. 2008-00251.

a. The application text and footnote thereto indicate that, if KU's proposed accounting treatment of Hurricane Ike costs is granted by the Commission, KU anticipates requesting amortization and rate recovery of those costs in Case No. 2008-00251. The data response refers to the likelihood that a rate case will need to be filed in the near future due to the need to recover costs related to Trimble County Unit 2 ("Trimble 2"). If the data response means that KU expects to file a rate case to commence recovery of Trimble 2 costs in 2010, when the unit is expected to begin commercial operation, explain why KU plans to seek rate recovery of Hurricane Ike costs in the current rate case rather than in its next rate case.

b. If not covered in its response to part a. of this request, state KU's position, including a listing of the positive and negative aspects, on the recovery of Hurricane Ike costs not being considered by the Commission until KU's next general rate case.

3. Refer to paragraph 16 of KU's application.

a. KU asks that the Commission rule on its request by December 31, 2008, so that it may reflect the related adjustments on its books for calendar year 2008. Provide the date by which KU will close its books for calendar year 2008 and, if that date is in early 2009, explain why KU requests a ruling prior to that date.

b. The text of the paragraph indicates that reflecting the adjustments related to its requested accounting treatment on its books for calendar year 2008 will “[a]void distortion in KU's financial statements, the accuracy of which it is important to maintain.” Provide KU's Kentucky jurisdictional income statement for the most recent 12 months available as well as a 2008 calendar year-to-date Kentucky jurisdictional income statement ending with the same month as the 12-months income statement.

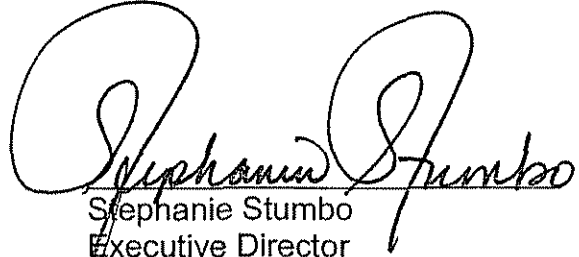
4. Refer to Exhibit 1 of KU's application which contains estimates of its costs related to restoring service in the aftermath of Hurricane Ike.

a. Costs in the category of Internal Employee Labor for KU are roughly \$1.4 million, while offsetting estimates that are considered normal operations and which are identified as Internal Employee Resource Costs “[c]harged to KU storm” in the column headed “KU O&M Expenses” are roughly \$435,000. Explain whether the difference in these two amounts consists entirely of employee overtime costs. Identify all cost components that make up this difference.

b. The column headed “KU O&M Expenses” includes an offset of \$335,459 identified as “Internal Employee Resource Costs – KU Labor/Transportation charged to LG&E storm.” Explain in detail why this amount, which relates to costs charged to Louisville Gas & Electric Company (“LG&E”), is an offset against the O&M expenses of KU rather than against the O&M expenses of LG&E.

c. A contingency amount of \$678,460 is listed under KU's O&M expense. Explain the need for a contingency in conjunction with estimated storm-related restoration costs and describe how the amount was derived.

d. The exhibit indicates that KU's cost estimate of \$2.55 million was determined as of September 14, 2008. Provide an update of the cost estimate based on the most recent information available and, using the same classifications as in Exhibit 1, provide the amounts of KU's known, actual (not estimated) storm-related costs. Show the date on which the updated estimate is based.

A handwritten signature in black ink, appearing to read "Stephanie Stumbo", written over a horizontal line.

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

DATED November 12, 2008

cc: All Parties