

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In The Matter Of:** :  
 : **Case No. 2012-00221**  
**Application Of Kentucky Utilities Company For An** :  
**Adjustment Of Its Electric Rates** :

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**FIRST SET OF DATA REQUESTS OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.  
TO KENTUCKY UTILITIES COMPANY**

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**COUNSEL FOR KENTUCKY INDUSTRIAL  
UTILITY CUSTOMERS, INC.**

**Dated: July 31, 2012**

## DEFINITIONS

1. “Document” means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. “Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. “Person” means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company’s possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. “You” or “your” means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, “you” or “your” may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness’ testimony.
11. “Company” means Kentucky Utilities Company (KU) and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed, and affiliates including PPL Corporation.

## INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

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- Q1-1. Please provide a copy of all workpapers used in the preparation of the Company's revenue requirement and requested rate increase, including any initial and/or intermediate workpapers the results of which were used in subsequent workpapers. All electronic workpapers should be provided in live format with all formulas intact.
- Q1-2. Please provide the electronic spreadsheets, with formulas intact, used to develop each of Mr. Conroy's exhibits in this case (P1 to P7, C1 to C7, R1 to R6, and M1 to M8). Please include a working version (with all formulas intact) of the class cost of service model, including all functionalization, classification and allocation calculations.
- Q1-3. To the extent not included in the response to the previous question, please provide all supporting workpapers, including electronic spreadsheets with formulas intact, used to develop the requested exhibits of Mr. Conroy.
- Q1-4. Please provide all workpapers supporting the development of the each demand and energy allocation factor used in the class cost of service study. Include all electronic spreadsheets with formulas intact.
- Q1-5. Please provide all workpapers and a detailed explanation of the methodology used to adjust each demand and energy allocation factor (used in the class cost of service study) to reflect the annualizing of year-end customers. To the extent that the methodology differs by rate schedule, please provide an explanation for each rate schedule or group of similar rate schedules.
- Q1-6. Please provide all workpapers and a detailed explanation of the methodology used to adjust each demand and energy allocation factor (used in the class cost of service study) to reflect the rate switching adjustments made by the Company. To the extent that the methodology differs by rate schedule, please provide an explanation for each rate schedule or group of similar rate schedules.
- Q1-7. Please provide all workpapers (including electronic spreadsheets with formulas intact) supporting the "revenue allocation," as discussed by Mr. Conroy on page 28 at lines 7 to 18 of his testimony.

- Q1-8. Please provide monthly coincident peak demand for month of the test year, for each rate class (this requests seeks all twelve months of rate class CP demands corresponding to the summer and winter month CP demands used to develop allocation factors PPWDA and PPWSA).
- Q1-9. Please provide all analyses and excel spreadsheets (with formulas intact), supporting the Company's proposed rate design, including proof of revenues by rate schedule.
- Q1-10. With regard to Mr. Conroy's testimony on page 36 at lines 9 through 18, Mr. Conroy states that the proposed change in Rate FLS "minimum calculation for the test year has no impact on the customer served under Rate FLS". Please provide an analysis showing the impact of the proposed change in Rate FLS had it been in effect for each of the last five years in electronic format with all formulas intact.
- Q1-11. Please provide all work papers and supporting documents used by Dr. Avera in the preparation of his Direct Testimony and Exhibits. Please provide all spreadsheets in Excel format with cell formulas intact. Please include copies of all articles, Commission Orders, memoranda, and other supporting documents cited or referred to by Dr. Avera in his testimony.
- Q1-12. Please provide all bond rating agency reports, including credit ratings and bond ratings, for Kentucky Utilities from 2008 through the most current date.
- Q1-13. Please provide all bond rating agency reports, including credit ratings and bond ratings, for PPL Corporation from 2008 through the most current date.
- Q1-14. Please provide Kentucky Utilities' actual historical capital structure from 2007 through 2011. Please provide all supporting work papers and documentation.
- Q1-15. Please provide a five year monthly history from January 2007 through the most recent month available (2007-2012) of the average daily balances of short term debt by type of short term debt security and/or source (bank loans, commercial paper, money pool, receivables financing, etc.), the average interest rate for each month by type of short term debt and/or source, and the basis for the interest rate for each month by type of short term debt and/or source, e.g., LIBOR + 1%.
- Q1-16. Please provide the amount of commitment fees and other fees related to each type or source of the Company's short-term debt that is included in the test year administrative and general expense by FERC account. In addition, please indicate whether each of the fees were included in the Company's cost of debt used in the weighted cost of capital.
- Q1-17. Please refer to page 45, lines 13-19 of Dr. Avera's Direct Testimony.
- a. Provide any studies, articles, or other publications that support the use of a size premium being applicable specifically to regulated electric companies.
  - b. Is Dr. Avera aware of any studies that have refuted the application of a size premium in calculating a CAPM return for regulated electric companies? If so, please provide a copy of all such studies, articles, or other documents.
- Q1-18. Refer to the table at the bottom of page 3 of Mr. Blake's Direct Testimony. Please provide the accumulated deferred income taxes at the same dates by temporary difference and in total.

- Q1-19. Refer to Exhibit 1 Schedule 1.00 attached to Mr. Blake's Direct Testimony. Please separate the unbilled revenues amounts into base, FAC, ECR, DSM, and any other surcharge.
- Q1-20. Please provide a copy of the Company's environmental surcharge filings for the months April 2010 through the most recent month available.
- Q1-21. Please provide all supporting documentation, analyses, and spreadsheets that support KU's requested capital structure in this proceeding.
- Q1-22. Refer to page 6 lines 16-19 of Mr. Staffieri's Direct Testimony. Please provide separately the number of residential service center customer service agents and business service center customer service agents at the beginning of June 2011 and at February 20, 2012.
- Q1-23. Please provide the annualized non-fuel O&M expense during the test year for TC2 attributable to KU. Provide this information by FERC account if available at this level of detail.
- Q1-24. Refer to page 9 lines 16-21 of Mr. Thompson's Direct Testimony.
- a. Please provide a copy of all analyses performed that quantify the increased O&M costs associated with TC2 of \$11 million.
  - b. Please provide the amount of increased costs in the test year attributable to KU for the O&M costs related to TC2.
- Q1-25. Refer to page 10 lines 1-5 of Mr. Thompson's Direct Testimony.
- a. Please indicate whether the additional labor costs for the nineteen additional persons working at the Trimble County Station are costs in addition to the additional O&M costs cited in the previous question associated with TC2 of \$11 million.
  - b. Please provide the amount of increased costs in the test year attributable to KU for the nineteen additional persons at the Trimble County Station.
- Q1-26. Refer to page 11 lines 12-15 of Mr. Thompson's Direct Testimony. Please provide the total maintenance outage expenses for KU for the test year and for each of the calendar years ended 2007 through 2011.
- Q1-27. Refer to page 20 lines 15-19 of Mr. Thompson's Direct Testimony. Please provide the amount of increased costs in the test year attributable to KU for the 27 additional employees added to help with NERC and CIP compliance.
- Q1-28. Refer to page 21 lines 7-10 of Mr. Hermann's Direct Testimony. Please provide a breakout of the increased costs of \$3.5 annually between KU and LG&E.
- Q1-29. Refer to Exhibit 1, Schedule 1.12. Please provide the computation of the annualized depreciation expense contained in lines 1 through 3 in electronic format with all formulas intact.
- Q1-30. Refer to the summary report on pages III-4 through III-10 of the depreciation study performed by Mr. Spanos. Please provide a side-by-side comparison of current and proposed depreciation

rates by FERC account and unit similar to the breakdown reflected in this summary depreciation schedule.

- Q1-31. Refer to page 22 lines 9-11 of Mr. Blake's Direct Testimony. Please describe in detail the "proposed change in Trimble County Unit 2's ("TC2") service life."
- Q1-32. Refer to Exhibit 1, Schedule 1.19. Please provide a copy of all source documentation related to the 2012/2013 renewal premium amount of \$4,537,049 depicted on line 2.
- Q1-33. Refer to Exhibit 1, Schedule 1.23, line 6. Please confirm that the Company expects the 2009 Rate Case Regulatory Asset to be fully amortized at the end of October 2012. If not confirmed, please indicate when it will be fully amortized.
- Q1-34. Please describe how the Company uses short term debt, i.e., to finance construction prior to refinancing with permanent capital, short term working capital, etc.
- Q1-35. Refer to page 7 lines 10-15 of Mr. Arbough's Direct Testimony. Please explain why the Company did not have short term debt outstanding at March 31, 2012, given the various available sources of short term debt cited.
- Q1-36. Refer to page 2 line 8 through page 4 line 14 of Mr. Arbough's Direct Testimony. Please provide the Company's computation as of March 31, 2012 of its capital structure in accordance with the S&P's guidelines. Provide support for each component of the imputed debt equivalents, including the Company's computation of the net present value of these obligations and the discount factor, if any, that was applied to the net present value, e.g., 30% or 50% commonly used by the rating agencies to quantify the debt equivalent, and all other assumptions, data and computations that were reflected in the Company's computation.
- Q1-37. Please provide a copy of all internal guidelines or policies for the use of short term debt.
- Q1-38. Refer to the Company's affiliate relationship with Ohio Valley Electric Corporation ("OVEC").
- a. Please provide a detailed description of OVEC.
  - b. Please provide a history by year of annual OVEC dividends to the Company both before tax and after tax, by FERC account since the Company first invested in OVEC.
  - c. Please provide the OVEC dividends to the Company during the test year both before tax and after tax, by FERC account.
  - d. Please provide a history by year of the income statement effect of the OVEC dividends to the Company both before tax and after tax, if any, by FERC account since the Company first invested in OVEC.
  - e. Please provide the test year income statement effect of the OVEC dividends to the Company both before tax and after tax, if any, by FERC account.
  - f. Please provide a history of annual OVEC earnings included on the Company's income statement both before tax and after tax, if any, by FERC account since the Company first invested in OVEC.

- g. Please provide the test year income statement effect of the OVEC earnings included on the Company's income statement both before and after tax, if any, by FERC account.
- h. Please provide a "Rollforward" schedule for the Company's OVEC Investment through the end of the test year ended March 31, 2012.
- i. Please provide a history by year of the Company's investment in OVEC since the Company first invested in OVEC.
- j. Please provide a history of the Company's investment in OVEC from December 31, 2011 through March 31, 2012.

Q1-39. Refer to the Company's affiliate relationship with Electric Energy, Inc. ("EEI").

- a. Please provide a detailed description of EEI.
- b. Please provide a history by year of annual EEI dividends to the Company both before tax and after tax, by FERC account since the Company first invested in EEI.
- c. Please provide the EEI dividends to the Company during the test year both before tax and after tax, by FERC account.
- d. Please provide a history by year of the income statement effect of the EEI dividends to the Company both before tax and after tax, if any, by FERC account since the Company first invested in EEI.
- e. Please provide the test year income statement effect of the EEI dividends to the Company both before tax and after tax, if any, by FERC account.
- f. Please provide a history of annual EEI earnings included on the Company's income statement both before tax and after tax, if any, by FERC account since the Company first invested in EEI.
- g. Please provide the test year income statement effect of the EEI earnings included on the Company's income statement both before and after tax, if any, by FERC account.
- h. Please provide a "Rollforward" schedule for the Company's EEI Investment through the end of the test year ended March 31, 2012.
- i. Please provide a history by year of the Company's investment in EEI since the Company first invested in EEI.
- j. Please provide a history of the Company's investment in EEI from December 31, 2011 through October 31, 2012.

Q1-40. Please provide a copy of the Company's operating budget by month for the calendar year 2012. Provide the income statement, balance sheet and cash flow statement.

Q1-41. Refer to Exhibit 1 Schedule 1.09.



- a. Please provide the computations of the OSS margins for each month January 2009 through the most recent month for which actual data is available using the same definition for OSS margins reflected on this schedule. Show all components of the computations.
- b. Please explain why the Company believes that the 3 months January – March 2012 times 4 represents the going forward amount of OSS margins given the seasonality and variability of OSS sales and margins.

Q1-42. Refer to page 3 lines 11-19 of Ms. Charnas' Direct Testimony.

- a. Please provide a copy of the Ventyx study.
- b. Identify the results that were used from the Ventyx study by Mr. Spanos, provide a description of how the results were used by Mr. Spanos, and identify where in Mr. Spanos' depreciation study and/or workpapers those results were used.
- c. Please provide a copy of the engagement letter, purchase order, and all correspondence with Ventyx related to the study.
- d. Please provide a copy of all assumptions and/or directives and/or instructions provided to Ventyx by or on behalf of the Company.
- e. Please provide a description of all involvement by Mr. Spanos in the Ventyx study, if any. If none, then please so state.

Q1-43. Refer to page 13 line 18 through page 14 line 2 of Mr. Spanos' Direct Testimony.

- a. Please confirm that the approved depreciation rates do not include a "dismantlement" component. If they do, then please provide the approved depreciation rates disaggregated into depreciation rates based on remaining net plant, interim net salvage, and final net salvage. Provide the workpapers from the study(ies) relied on for this disaggregation.
- b. Please identify all prior Commission orders for the Company in which the Commission addressed and affirmatively allowed a "dismantlement" component in the depreciation rates.

Q1-44. Refer to page 13 lines 7-17 of Mr. Spanos' Direct Testimony.

- a. On line 10, Mr. Spanos refers to "studies for other utilities." Please provide a copy of all such studies and provide a description of how those studies were utilized specifically to determine the dismantlement component for the Company.
- b. On line 10, Mr. Spanos refers to "cost estimates" of the Company. Please provide a copy of all such cost estimates and provide a description of how those studies were utilized specifically to determine the dismantlement component for the Company.
- c. On line 11, Mr. Spanos states that "it was determined that dismantlement or decommissioning costs for steam production facilities . . . " By whom was "it" determined? Provide the names, positions, and affiliations, of the specific individuals

who made this determination. In addition, please provide all correspondence, notes, and all other writings that address this determination in any manner.

Q1-45. Refer to page II-29 of the depreciation study and the life spans of the other production plant generating units.

- a. Please explain the shorter life spans for the newer generating units and provide all evidence relied on that the units will be shorter-lived than the older units.
- b. Please provide a copy of all independent analyses performed by Mr. Spanos to assess the reasonableness of the 30 year life spans for the new generating units, including, but not limited to, the actual lives of other combined cycle or CT generating units. If none, then please so state.

Q1-46. Refer to pages III-4 through III-8 of the depreciation study performed by Mr. Spanos for the Company.

- a. Please provide a copy of this schedule in electronic spreadsheet format with all formulas intact.
- b. Please disaggregate the net salvage percent in column 3 into interim and final salvage percents.
- c. Please provide the depreciation rates for production plant with no “dismantlement” salvage component.

Q1.47. Referring to the proposed Curtailable Service Riders CSR10 and CSR30:

- a. Please provide in native format all workpapers, studies, analyses, and documents (all Excel worksheets with working formulas and intact links) supporting and/or underlying the development of the proposed riders.
- b. Provide all studies and/or analyses that KU conducted concerning expected customer acceptance of and willingness to receive service under the proposed riders.
- c. Identify and provide all documents provided to and correspondence with existing and potential interruptible customers related to the development, implementation, and operation of the proposed CSR riders.
- d. Identify and provide all alternative rate credits for the CSR riders that KU considered but rejected, and describe in detail the reasons for rejecting the considered alternative(s).

Q1.48. Referring to existing Riders CSR10 and CSR30:

- a. For each customer (identified only by reference number) served under one of these riders, identify the applicable rider and the total MW of curtailable/interruptible load under contract.
- b. State the number of months in which each customer in subpart (a) above has been continuously served under the existing rider or its predecessor(s).

- c. For each customer identified in the subpart (a) above, provide the customer's firm contract demand if served under Option A.
- d. For each customer identified in the subpart (a) above, provide the customer's Designated Curtailable Load if served under Option B.

Q1.49. Referring to existing Riders CSR10 and CSR30 and their predecessors:

- a. For each customer (identified only by reference number) served under one of these riders, identify the date, time, and duration of each curtailment called by KU in the past 60 months?
- b. For each curtailment referenced in the response to subpart (a) above, specify whether the curtailment was a system reliability event or a buy-through event, identify the MW of load curtailment requested, and identify the MW of load that failed to comply with the curtailment request.
- c. For each buy-through curtailment identified in the response to subpart (b) above, specify whether the customer bought through the curtailment, the amount of buy-through energy purchased, the price paid for such buy-through energy, and the source (system supply or market) of the buy-through price.

Q1.50. Please provide a timeline for the last 10 years showing by year each curtailable/interruptible rate or rider offered by KU, the number of customers served under each rate/rider, and the total MW of interruptible or curtailable load served under each curtailable/interruptible rate/rider.

Q1.51. Please identify all reports, studies, and/or analyses conducted by on behalf of KU or its parent company in the past 5 years related in total or in part to retail interruptible or curtailable electric service in Kentucky.

Q1.52. Please explain in detail how KU (acting alone or in conjunction with affiliates) treats interruptible/curtailable load in:

- a. Developing its long-run load forecast?
- b. Determining its long-run need for future supply-side resources?
- c. Determining its need for operating reserve capacity?
- d. Providing ancillary services?
- e. Determining whether such load qualifies as spinning reserve?

Q1.53. Identify all reserve sharing and/or coordination arrangements that KU has with other utility systems or organizations, and provide a current copy or identify a Web link to a current copy of all agreements related to such arrangements.

- Q1.54. Please explain in detail how KU treats curtailment buy-through revenues in setting base rates. Please explain in detail how buy-through revenues are treated in KU's Fuel Adjustment Clause. Please state whether KU applies an Environmental Surcharge or Fuel Adjustment Charge to buy-through purchases.
- Q1.55. Please identify and explain in detail how KU treats test-year curtailment buy-through revenues in the electric cost-of-service study filed in this case.
- Q1.56. Please identify and explain in detail how KU treats test-year curtailment credits paid to CSR10 and CSR30 customers in the electric cost-of-service study filed in this case.
- Q1.57. Please identify and explain in detail all situations other than a system reliability event in which KU would need or want to physically curtail load under the proposed CSR riders.
- Q1.58. Since Riders CSR10 and CSR30 were first approved by the Commission, please provide the following for each instance in which KU would have issued a physical curtailment request but was prevented from doing so by restrictions in each rider limiting the basis for a physical curtailment:
- a. Date, time, and duration of occurrence.
  - b. Reason(s) (for example, operating, market, and/or reliability conditions) for desiring a physical curtailment.
  - c. MW of CSR load needed to alleviate conditions listed in item (b) above.
  - d. Action(s) taken by KU other than physical curtailment of CSR load to alleviate conditions listed in item (b) above.
- Q1.59. Please provide KU's current estimated cost in 2012 dollars of an installed combustion turbine. Provide all workpapers, studies, analyses, and documents supporting and/or underlying this estimate.
- Q1.60. Please provide a levelized fixed charge rate for a new combustion turbine using KU's cost of capital and tax rates. Provide all workpapers, studies, analyses, and documents supporting and/or underlying this response.
- Q1.61. Please provide the estimated fixed O&M for a new combustion turbine in 2012 dollars. Provide all workpapers, studies, analyses, and documents supporting and/or underlying this response.
- Q1.62. Please provide KU's required reserve margin for capacity planning. Provide all workpapers, studies, analyses, and documents supporting and/or underlying this response.
- Q1.63. Please provide a copy of KU's most recent integrated resource plan.
- Q1.64. Referring to KU's CSR riders:
- a. Please identify the maximum MW eligible for service under the proposed CRS riders.

- b. Explain in detail the rationale for the total requirements limit in the Availability of Service section of CSR riders.
- c. For each day of the test year in which KU called a curtailment with an economic buy-through, please identify the NGP for that day and provide a copy of the source data for the NGP.
- d. Provide all workpapers, studies, analyses, and documents supporting and/or underlying KU's decision to price buy-through power using an automatic, formula-based mechanism.
- e. Provide all workpapers, studies, analyses, and documents supporting and/or underlying the heat rate reflected in the proposed buy-through formula.
- f. Provide all documents relating to any customer comments and/or feedback that KU received regarding the proposed reductions in rate credits under the CSR riders prior to KU's deciding to include the reduced credits in the CSR riders.
- g. Describe in detail conditions that will trigger KU's decision to call a buy-through curtailment.
- h. Describe in detail conditions that will trigger KU's decision to call a physical curtailment.

Q1.65. Please identify the terms and provisions that KU would insist on including in the proposed CSR riders in exchange for leaving the current CSR curtailable rate credits unchanged. Please explain the response in detail.

Q1.66. Provide in native format all workpapers, studies, analyses, and documents supporting and/or underlying the \$16 per kW Non-Compliance Charge in the proposed CSR riders.

Q1.67. Referring to witness Bellar's direct testimony regarding the CSR riders:

- a. Explain in detail why prices in the most recent PJM demand response auction are relevant for evaluating the credits in KU's proposed CSR riders.
- b. Explain KU's understanding of how many hours of physical interruption/curtailment a demand response resource in PJM would be subject to in order to receive the demand response price developed in PJM's most recent demand response auction.
- c. Does witness Bellar agree that the revenue requirement for KU's installed combustion turbine capacity in this case should reflect and/or approximate the current market price for demand response resources in PJM or other wholesale markets? Please explain the response in detail.
- d. Does witness Bellar agree that the revenue requirement for KU's combustion turbine capacity in this case should reflect and/or approximate the current market price for combustion turbine resources in PJM or other wholesale markets? Please explain the response in detail.

- e. Does witness Bellar agree (see Bellar direct at 11) that the CSR credits should reflect value of service pricing principles instead of cost-of-service pricing principles? Please explain the response in detail.
- f. Does witness Bellar agree that the revenue requirement in this case for KU's installed generating resources should reflect value-of-service pricing principles instead of cost-of-service pricing principles? Please explain the response in detail.
- g. Did witness Bellar and/or KU examine the potential customer-specific and service-area economic impacts of reducing the existing CSR credits? If such examinations were conducted, provide all workpapers, studies, analyses, and documents supporting and/or underlying the response. If such examinations were not conducted, please explain why not.

Q1.68. Referring to witness Bellar's direct testimony at 10-11:

- a. Please explain in detail why a 10 percent carrying cost is appropriate when evaluating the annualized cost of combustion turbine capacity available to KU.
- b. Identify each component of the 10-percent carrying cost that witness Bellar used in his evaluation of the annualized cost of combustion turbine capacity available to KU, provide the formula for calculating such carrying cost, and explain in detail how such carrying cost should be derived .
- c. Please identify the carrying cost(s) used by KU in its most recent integrated resource plan to evaluate the cost of alternative resource options, specify the components of such carrying cost, provide the formula used to derive the carrying cost, and explain its derivation in detail.
- d. Please identify the carrying cost(s) used by KU in its current analyses of generation resource options, specify the components of such carrying cost, provide the formula used to derive the carrying cost, and explain its derivation in detail.

Respectfully submitted,



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Kurt J. Boehm, Esq.

Jody M. Kyler, Esq.

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**COUNSEL FOR KENTUCKY INDUSTRIAL  
UTILITY CUSTOMERS, INC.**

July 31, 2012

## CERTIFICATE OF COMPLIANCE

In accordance with Ordering Paragraph No. 10 of the Commission's June 22, 2012 Order, this is to certify that KIUC's July 31, 2012 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on July 31, 2012; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; that an original and one copy of the filing is being mailed to the Commission on July 31, 2012; and that, on July 31, 2012, electronic mail notification of the electronic filing will be provided to the following:



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