

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

1. Provide a list of the regulatory proceedings in which Mr. Baron submitted testimony concerning interruptible or curtailable service rates.

RESPONSE:

Please see Baron Exhibit SJB-1. Mr. Baron has testified in hundreds of proceedings and it is possible that he addressed interruptible or curtailable service rates in such testimony in a limited manner such that the issue has not been identified in the description provided in Exhibit SJB-1. Without reading each of Mr. Baron's hundreds of testimony documents, it is not possible to determine whether this has occurred.

Answering Witness: Stephen J. Baron

COMMONWEALTH OF KENTUCKY
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KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

2. Provide a copy of testimony submitted by Mr. Baron concerning interruptible or curtailable service rates in other jurisdictions.

RESPONSE:

As stated above, Mr. Baron has testified in hundreds of proceedings and his testimony is publically available at the utility commission websites or by contacting the appropriate commission where the testimony was originally filed. Additionally, KIUC will provide a copy of any particular testimony that the Company requests.

Answering Witness: Stephen J. Baron

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In the Matter of:

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KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

3. In reference to page 11 of Mr. Baron's direct testimony, has Mr. Baron opposed the "curtailable credit offset methodology" used in the class cost of service studies in the prior rate case proceedings? If not, please explain why it is a specific problem in this proceeding.

RESPONSE:

No, not to the best of his recollection. Mr. Baron does not oppose the curtailable credit offset methodology in this case. As discussed in his testimony, he has corrected an error in the Company's application of this methodology.

Answering Witness: Stephen J. Baron

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BEFORE THE PUBLIC SERVICE COMMISSION

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COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

4. Please provided a listing (date, case number, jurisdiction, client) of all testimony filed by Mr. Baron related to curtailable or interruptible service. For each such testimony, please provide a copy of the testimony.

RESPONSE:

See responses to questions number 1 and 2.

Answering Witness: Stephen J. Baron

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

5. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Baron's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

See attached.

Answering Witness: Stephen J. Baron

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

6. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Baudino's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

KIUC filed Mr. Baudino's workpapers along with his testimony, including electronic spreadsheets with formulas intact. Attached please find a copy of an article Mr. Baudino referenced in his testimony. Note that Mr. Baudino did not provide copies of Value Line material due to copyright restrictions.

Answering Witness: Richard A. Baudino

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

7. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Goins's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

The requested information was included in the workpapers filed with Dr. Goins' direct testimony on October 3, 2012, and is available at the KPSC web site. Please note that information shown in the Excel workbook KIUC_Goins_WPs_2012-00221-00222-dg.xls, Tab CT_Hrs2010 was not used in the preparation of Dr. Goins' direct testimony.

Answering Witness: Dennis Goins.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

8. Refer to Mr. Kollen's testimony beginning at page 14 through page 17. Did Mr. Kollen propose the same adjustment to storm damage expense and injuries and damages in prior rate case proceeding by the Companies which had test years ending September 30, 2003, April 30, 2008 and October 31, 2009? If not, please explain why not?

RESPONSE:

No. Mr. Kollen does not recall if he considered such adjustments in those prior proceedings, or if he did, why he did not propose such adjustments.

Answering Witness: Lane Kollen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

9. Please explain the apparent discrepancy between Mr. Baron's testimony concerning the adjustment for Carbide operations after the test year and Mr. Kollen's testimony related to his objection of the off-system sales adjustment which he claims is a "post-test year" adjustment.

RESPONSE:

There is no adjustment to the Carbide revenues for KU. Carbide is a customer of LG&E.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES)
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ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

10. Please provide all quantitative support and evidence supporting Mr. Kollen's assertions at pages 22-23 of his testimony that Mr. Spanos "systematically biased" the survivor curves used to simulate the interim retirement history in his depreciation study.

RESPONSE:

Mr. Kollen relied on the work performed by Mr. Majoros as described in his testimony and has not performed any independent quantifications, although Mr. Kollen concurs that the Spanos depreciation study provides ample evidence of systematic bias. Mr. Kollen extracted the following charts for 18 separate plant accounts from the Spanos depreciation study to illustrate that the downward bias pervades the Spanos study and is not limited to one or two accounts. These charts show that the survivor curves selected by Mr. Spanos do not fit the actual historic retirement history and are systematically biased downward, which results in fewer survivors and thus, greater retirements than the actual data indicates. This systematic bias resulted in unreasonably short average service lives and thus, excessive depreciation rates for numerous plant accounts. Mr. Majoros made this same criticism in his testimony.

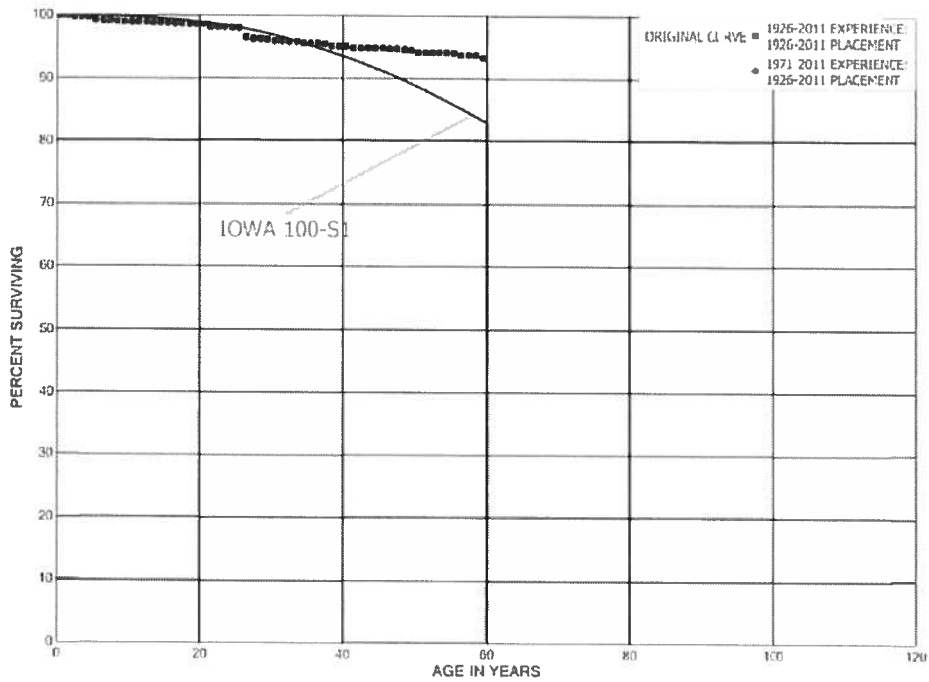
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
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ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 311 STRUCTURES AND IMPROVEMENTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-12

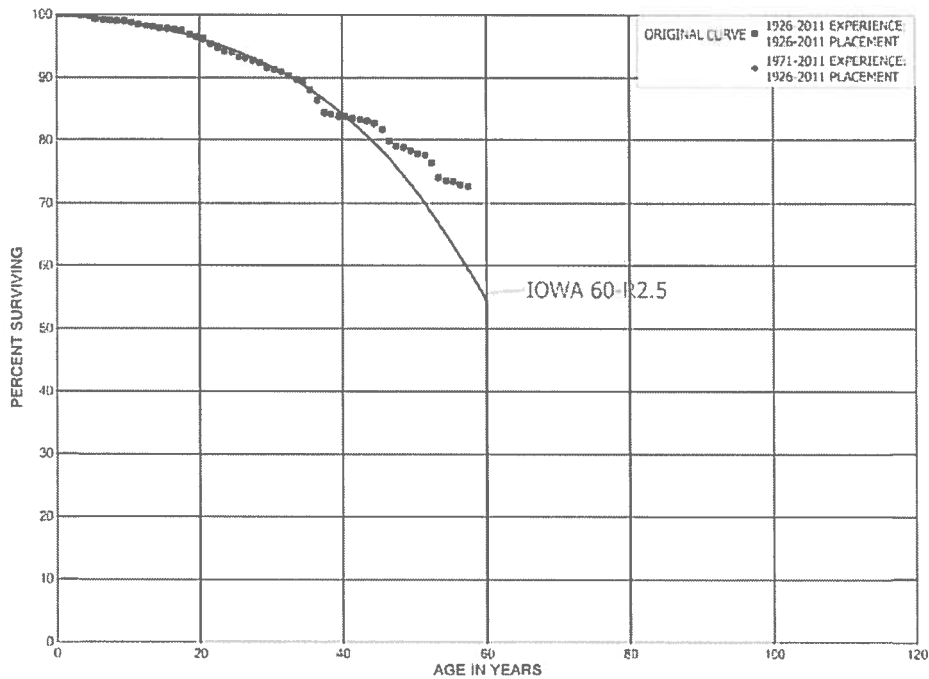
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 510 BOILER PLANT EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



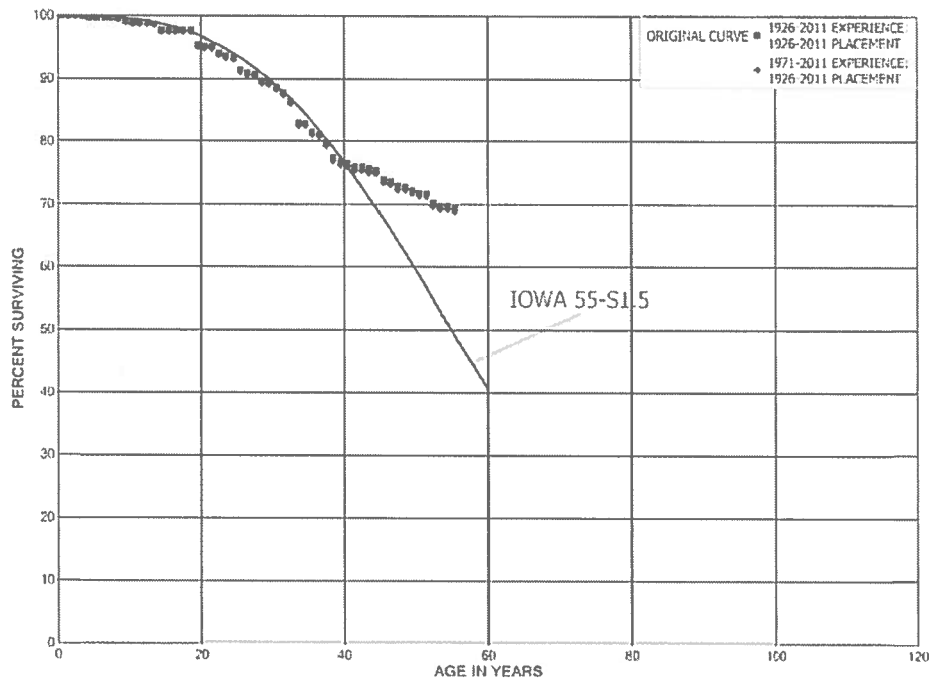
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 314 TURBOGENERATOR UNITS
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-22

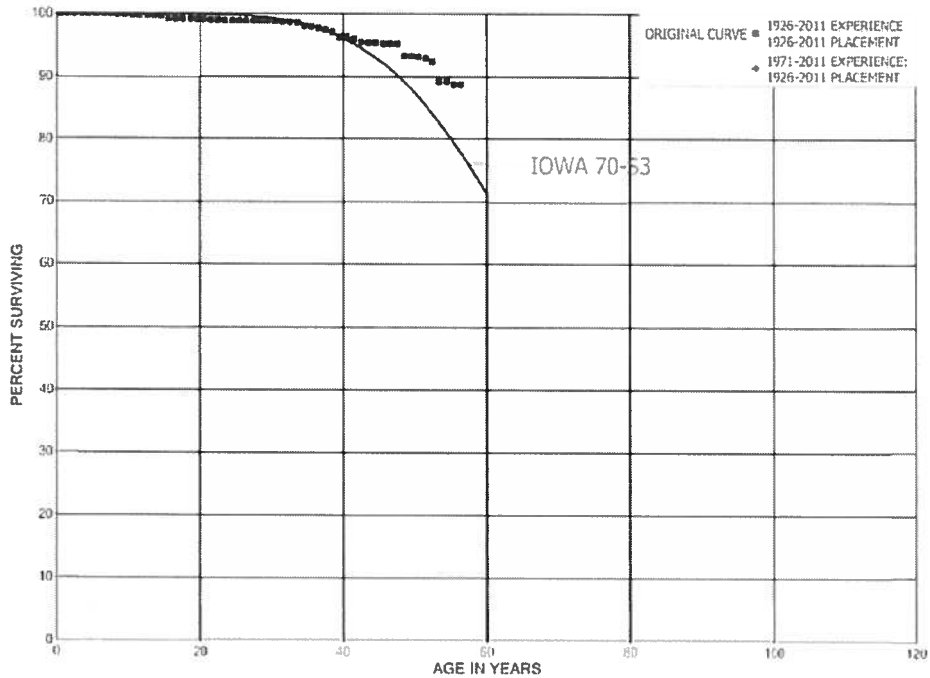
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 315 ACCESSORY ELECTRIC EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



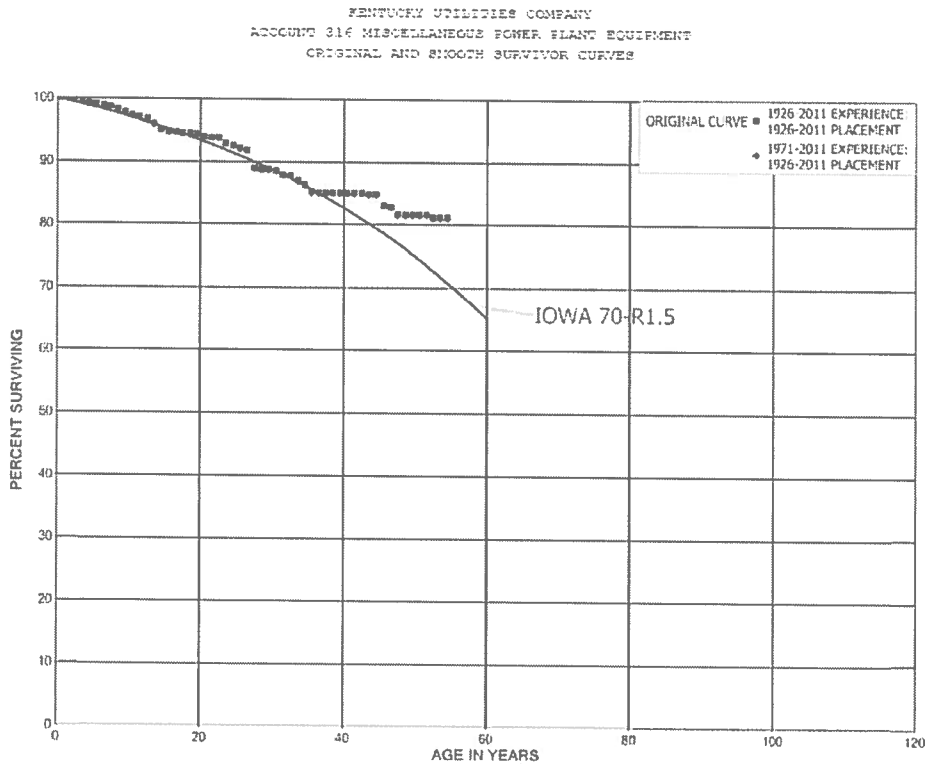
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION



III-32

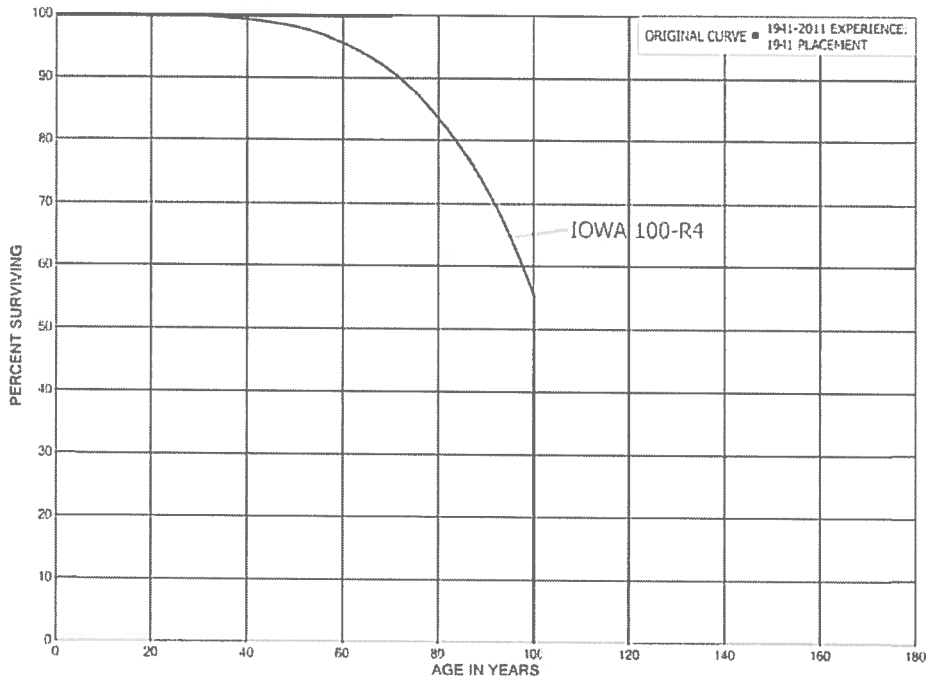
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 330.1 LAND RIGHTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-37

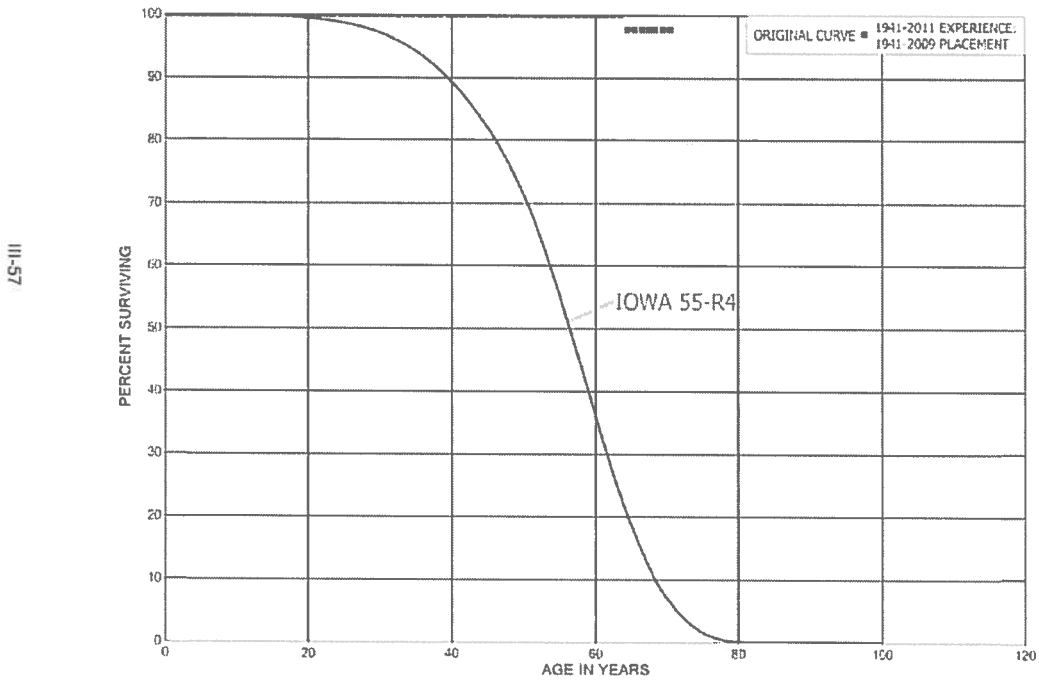
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 336 ROADS, RAILROADS, AND BRIDGES
ORIGINAL AND SMOOTH SURVIVOR CURVES



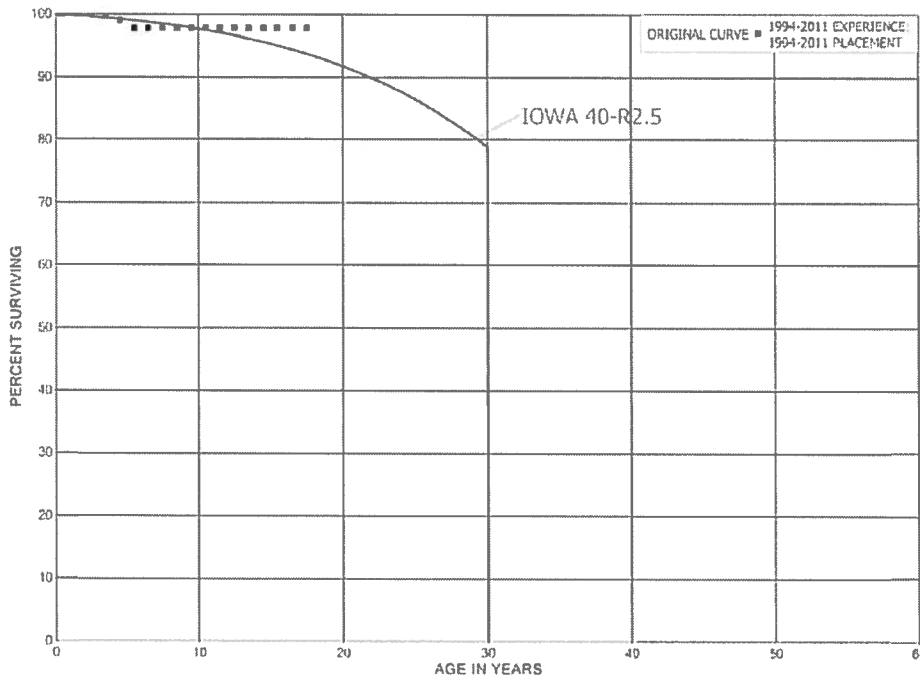
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

KENTUCKY UTILITIES COMPANY
ACCOUNT 341 STRUCTURES AND IMPROVEMENTS
ORIGINAL AND SMOOTH SURVIVOR CURVES



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

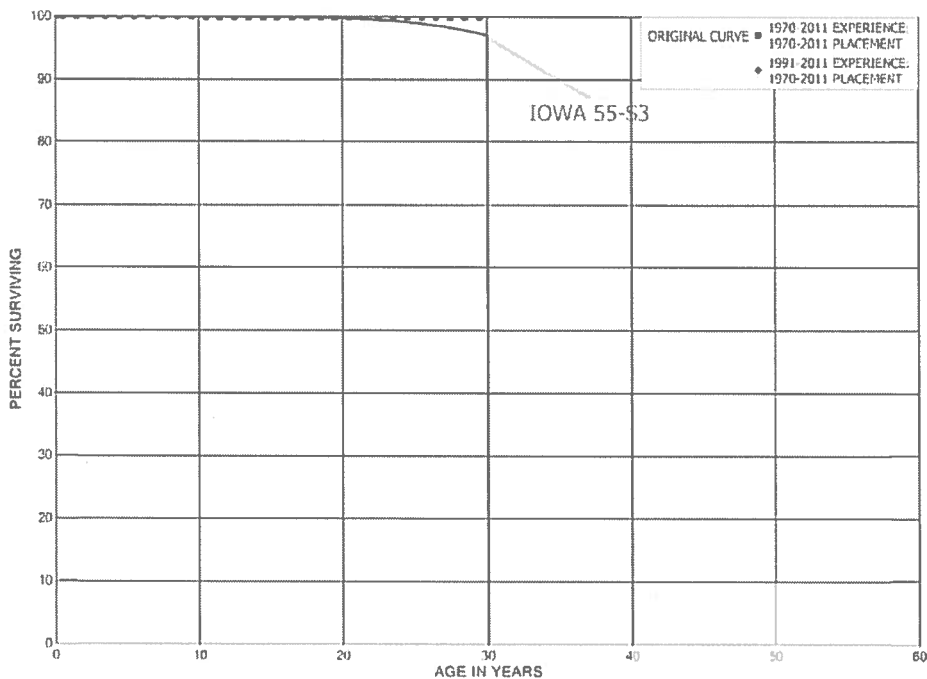
In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 344 GENERATORS
ORIGINAL AND SMOOTH SURVIVOR CURVES

69-III



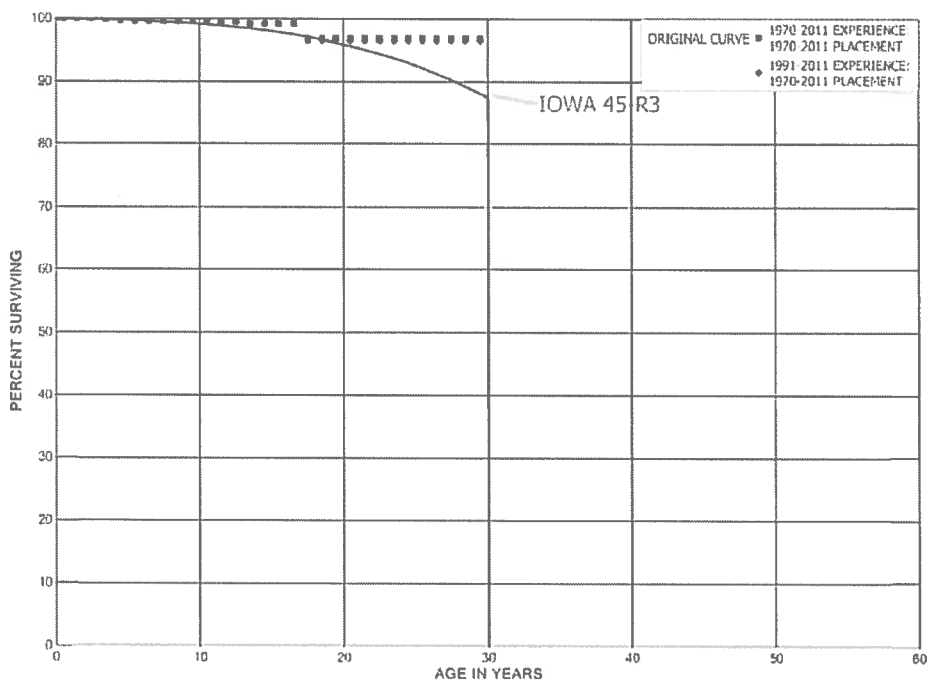
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 345 ACCESSORY ELECTRICAL EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-74

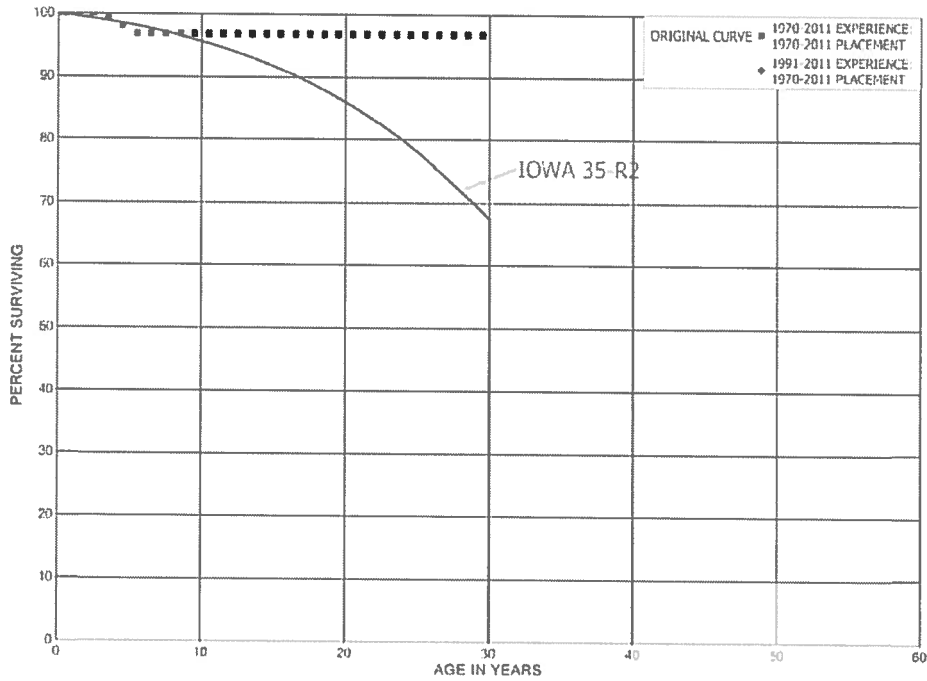
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 346 MISCELLANEOUS POWER PLANT EQUIPMENT
ORIGINAL AND SMOOTH SURVIVOR CURVES



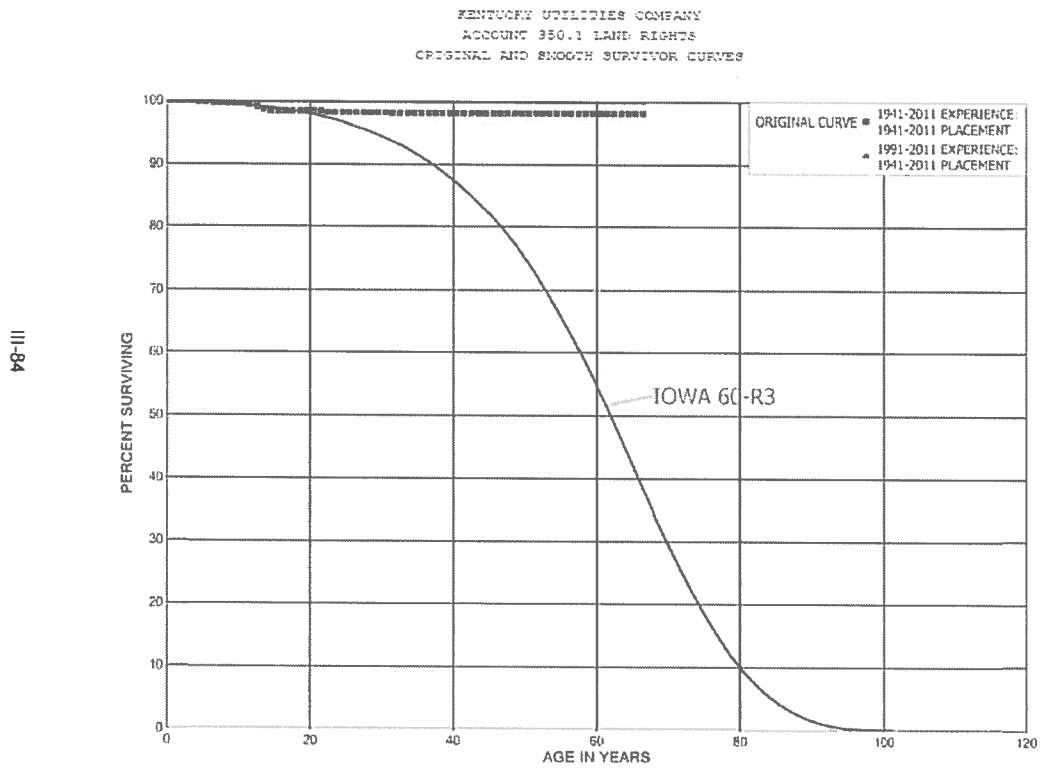
III-79

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

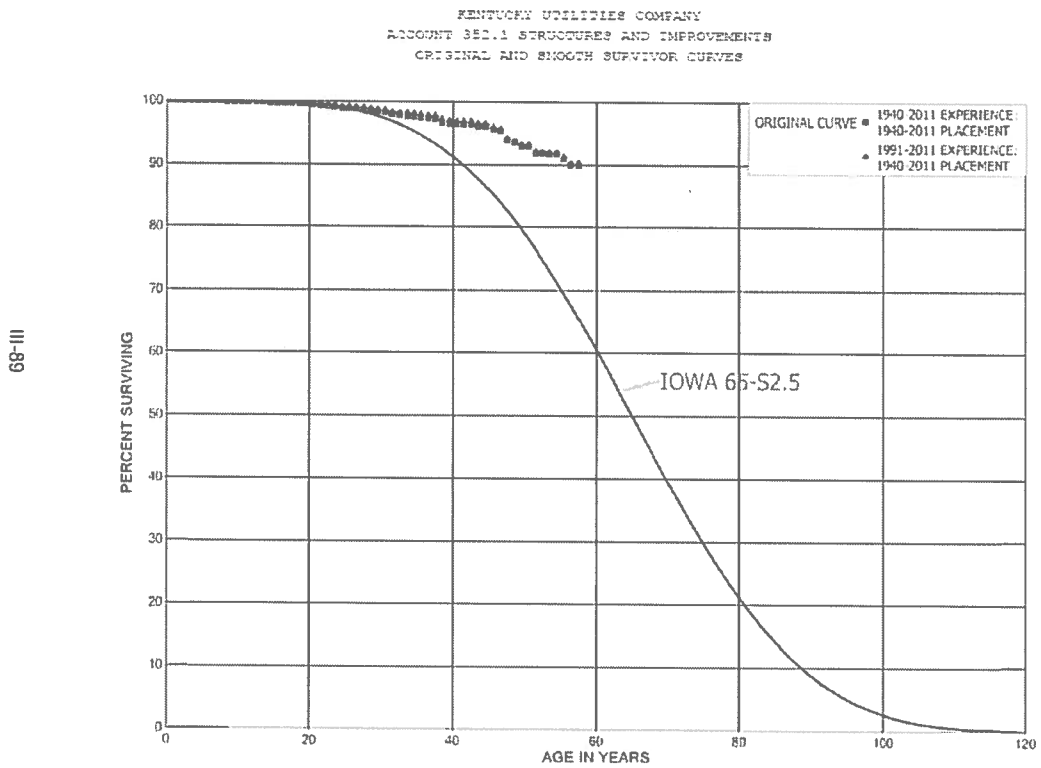


COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION



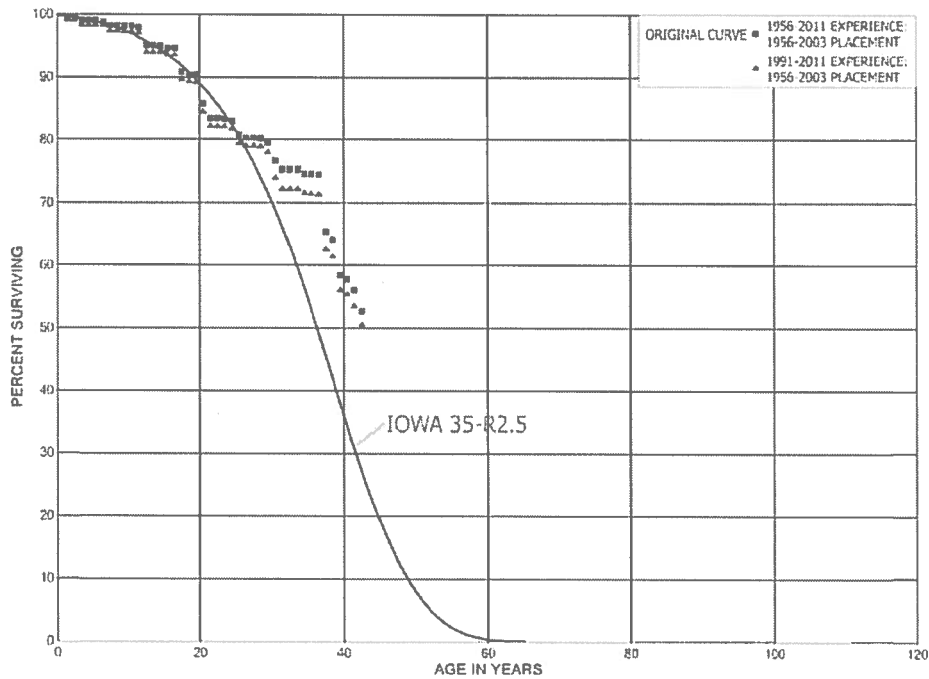
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 353.0 STATION EQUIPMENT - 353 CONTROL/DCM
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-106

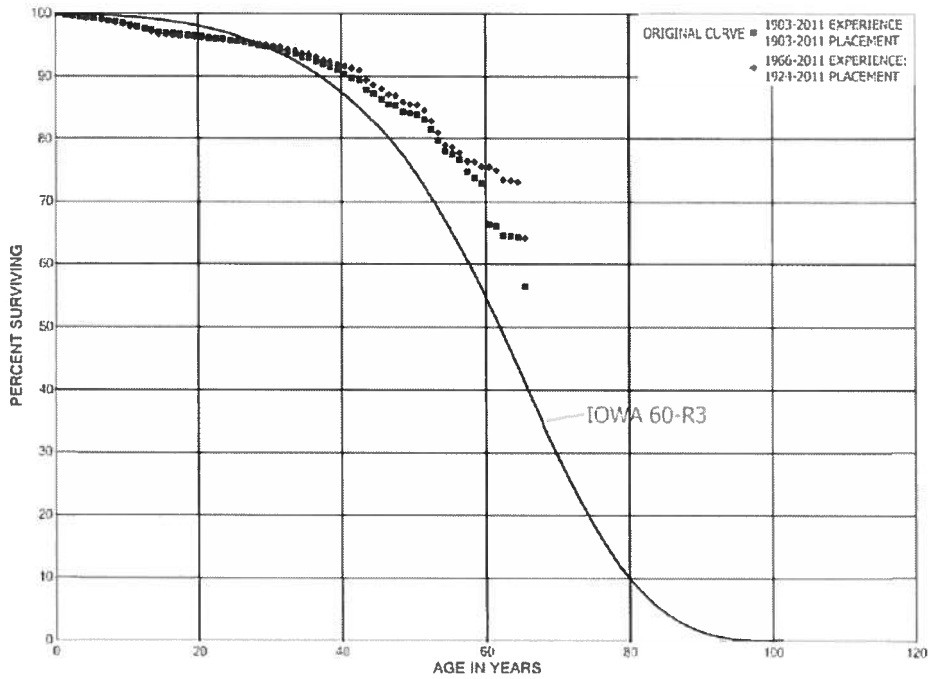
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
AROUND 356 OVERHEAD CONDUCTORS AND DEVICES
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-121

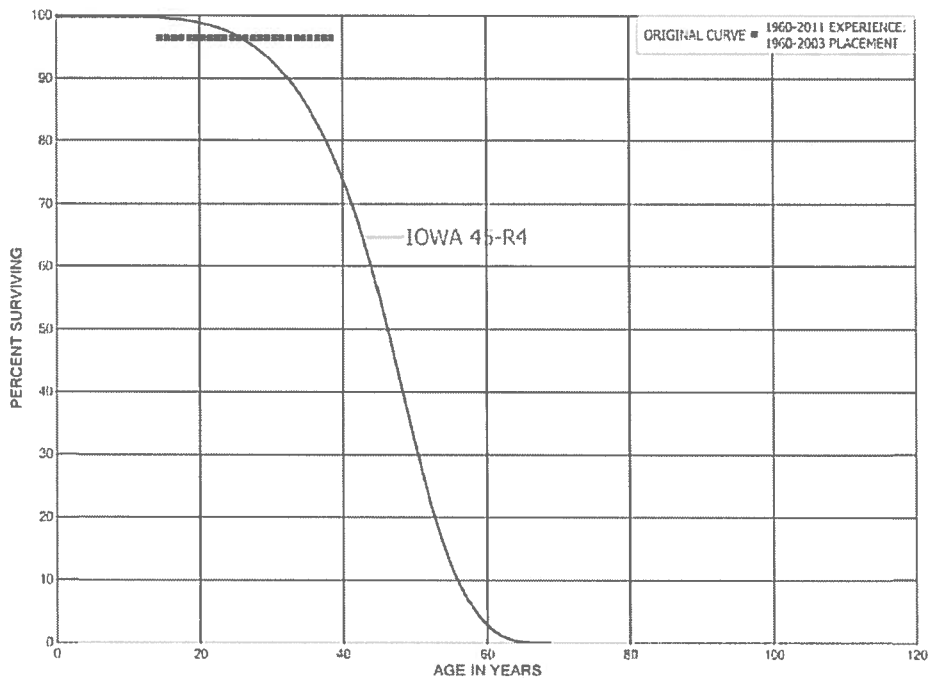
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 357 UNDERGROUND CONDUIT
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-126

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

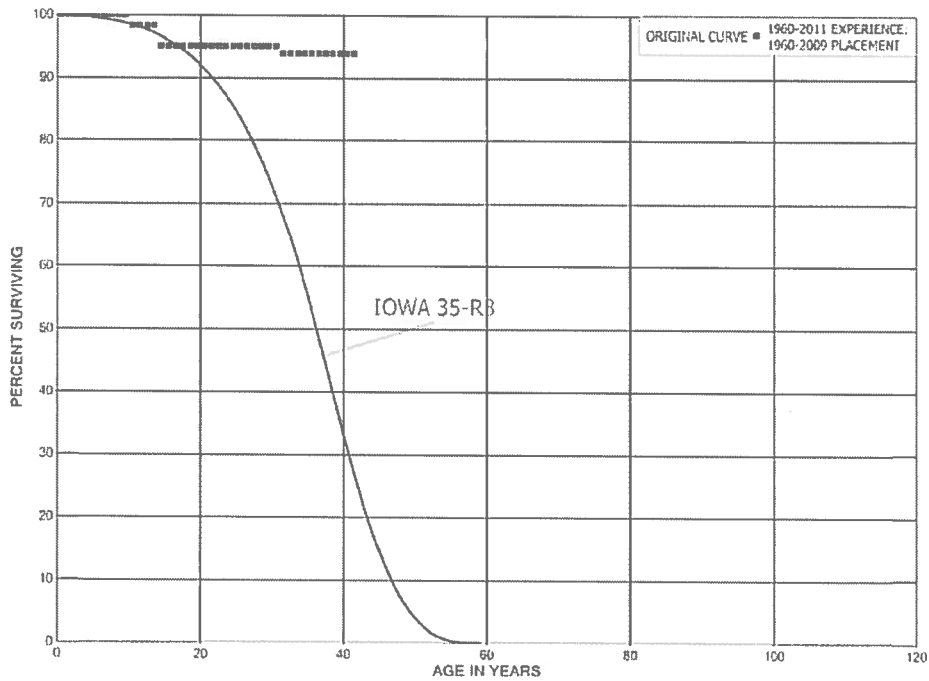
In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES
COMPANY FOR AN ADJUSTMENT OF ITS
ELECTRIC RATES**

)
) **CASE NO. 2012-00221**
)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

KENTUCKY UTILITIES COMPANY
ACCOUNT 358 UNDERGROUND CONDUCTORS AND DEVICES
ORIGINAL AND SMOOTH SURVIVOR CURVES



III-129

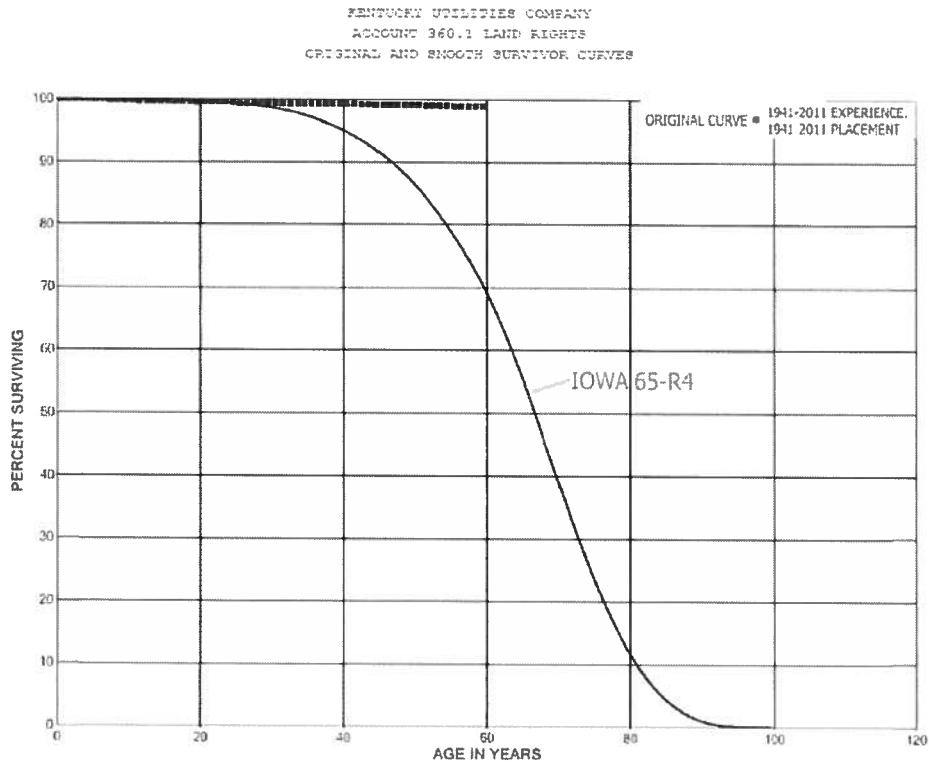
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

II-132



Answering Witness: Lane Kollen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

11. Please provide all underlying calculations and work-papers supporting Mr. Kollen's short-term-debt calculation at page 37 of his Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

Mr. Kollen multiplied the Kentucky jurisdictional amount of long-term debt on Blake Exhibit 2 in column 9 times 10% to quantify the \$161 million amount cited on page 37 of his testimony.

Mr. Kollen multiplied the Kentucky jurisdictional amount of long-term debt excluding the environmental compliance plans on Blake Exhibit 2 in column 12 times 10% to quantify the \$152 million amount cited on page 37 of his testimony.

Answering Witness: Lane Kollen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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**APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

12. Please provide all work-papers, source documents, and electronic spreadsheets utilized in the development of Mr. Kollen's Direct Testimony. Please provide all spreadsheets in Microsoft Excel with formulas intact.

RESPONSE:

KIUC filed Mr. Kollen's workpapers along with his testimony, including electronic spreadsheets with formulas intact.

Answering Witness: Lane Kollen

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

13. Please refer to page 27 of Mr. Majoros's direct testimony.
- a. Please provide the source of the definition of a regulatory liability presented by Mr. Majoros.
 - b. If the definition provided is Mr. Majoros's own, please provide all authoritative sources that support Mr. Majoros's definition of a regulatory liability.

RESPONSE:

Page 84 of the Form 10-K Annual report of KU and LGE's parent company provides its definition of the regulatory liability for non-legal asset retirement obligations that Mr. Majoros is referencing in this case. Here is that definition:

In the case of LG&E and KU, estimated costs of removal for all assets are recovered in rates as a component of depreciation. Since costs of removal are collected in rates prior to payment of such costs, the accrual for these costs of removal is classified as a regulatory liability. The regulatory liability is relieved as costs are incurred. The depreciation and accretion expense related to an ARO are offset with a regulatory credit on the income statement,

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KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

such that there is no earnings impact. The regulatory asset created by the regulatory credit is relieved when the ARO has been settled.

Paragraph 11.b. of SFAS No. 71 states:

A regulator can provide current rates intended to recover costs that are expected to be incurred in the future with the understanding that if those costs are not incurred future rates will be reduced by corresponding amounts. If current rates are intended to recover such costs and the regulator requires the enterprise to remain accountable for any amounts charged pursuant to such rates and not yet expended for intended purposes, the enterprise shall not recognize as revenues amounts charged pursuant to such rates. Those amounts shall be recognized as liabilities and take to income only when the associated costs are incurred.

- b. It is, in fact, Mr. Majoros' definition. See above.

Answering Witness: Michael J. Majoros, Jr.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

14. Please refer to pages 28 through 29 of Mr. Majoros's testimony.
- a. Please provide the section of the FERC uniform system of accounts from Mr. Majoros has cited the definitions of cost of removal and replacement.
 - b. Please provide the "Plant Instructions" section from the uniform system of accounts.
 - c. Please provide citations to all authorities on which Mr. Majoros bases his statement that "FERC's definition means that cost of removal incurred in connection with a replacement is a component of the replacement cost."

RESPONSE:

a., b. & c.: See attached.

Answering Witness: Michael J. Majoros, Jr.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

15. Refer to page 30 of Mr. Majoros's testimony. Please provide citations to all authorities or other support for the statement, "The only reason for dismantlement would be to replace the existing plants with new plants."

RESPONSE: That is the only [valid] reason because the companies do not have any obligation, legal or otherwise to dismantle the plants.

Answering Witness: Michael J. Majoros, Jr.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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ELECTRIC RATES)**

**KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION**

16. Please provide a list of all LG&E and KU facilities visited by Mr. Majoros. Please provide all photos and notes taken on these site visits.

RESPONSE: Mr. Majoros has not visited any LG&E or KU facility.

Answering Witness: Michael J. Majoros, Jr.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT OF ITS) CASE NO. 2012-00221
ELECTRIC RATES)

KIUC'S RESPONSES TO
KENTUCKY UTILITIES COMPANY'S
FIRST REQUEST FOR INFORMATION

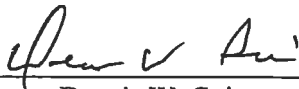
17. Please provide the following:
- a. All workpapers relied on by Mr. Majoros related to the development of life and net salvage estimates, remaining lives and depreciation rates. Please provide these in Excel readable format
 - b. Electronic (Excel, if available) copies of each Exhibit in Mr. Majoros's testimony.

RESPONSE: See attached documents, with index document.

Answering Witness: Michael J. Majoros, Jr.

VERIFICATION

The undersigned, Dennis W. Goins of Potomac Management Group, being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the foregoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

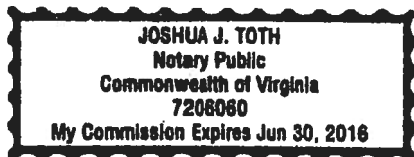


Dennis W. Goins

Sworn to and subscribed before me on this
24th day of October, 2012.



Notary Public




VERIFICATION

The undersigned, Lane Kollen of Kennedy & Associates, being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

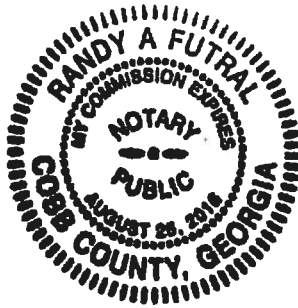


Lane Kollen

Sworn to and subscribed before me on this
24th day of October, 2012.



Notary Public



VERIFICATION

The undersigned, Stephen J. Baron of Kennedy and Associates, being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.

Stephen J. Baron
Stephen J. Baron

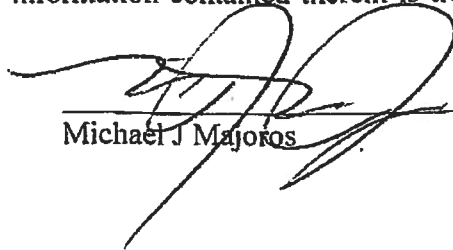
Sworn to and subscribed before me on this
24th day of October, 2012.

Randy A. Futral
Notary Public



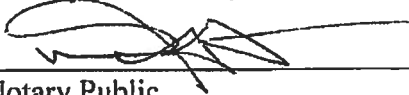
VERIFICATION

The undersigned, Michael J. Majoros of Snavely King Majoros & Associates, Inc., being duly sworn, deposes and states that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief.



Michael J Majoros

Sworn to and subscribed before me on this
24th day of October, 2012.



Notary Public

DONNA ANN JEFFRIES
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires July 14, 2015