

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

In the Matter of:

**AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE OF) CASE NO.
KENTUCKY UTILITIES COMPANY FROM) 2014-00227
NOVEMBER 1, 2013 THROUGH APRIL 30, 2014)**

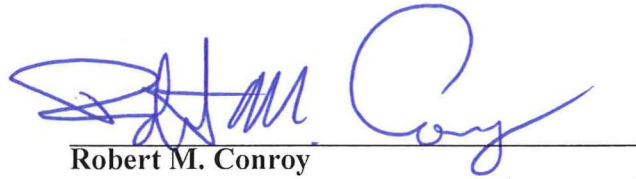
**RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO STAFF'S
SECOND REQUEST FOR INFORMATION
DATE DECEMBER 1, 2014**

FILED: DECEMBER 10, 2014

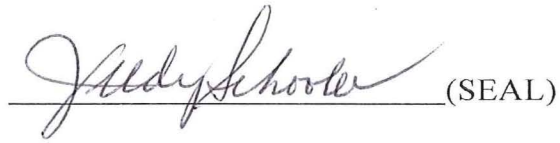
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9th day of December 2014.

 (SEAL)

Notary Public

My Commission Expires:

JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

KENTUCKY UTILITIES COMPANY

**Response to Staff's Second Request for Information
Date December 1, 2014**

Case No. 2014-00227

Question No. 1

Witness: Robert M. Conroy

- Q-1. Refer to testimony of Robert Conroy at the November 12, 2014 hearing in this matter at 12:05:00 through 12:06:36 of the video hearing. Confirm that Mr. Conroy's testimony indicates that, for KU's coal units, the minimum costs to operate the units are paid for by native load customers. If this cannot be confirmed, explain what is meant by Mr. Conroy's testimony.
- A-1. Yes, Mr. Conroy's testimony is confirmed. KU's coal units are operated to serve native load customers and all fuel costs of those units, which have not been allocated to off-system sales or otherwise excluded from Fuel Adjustment Clause ("FAC") recovery due to a forced outage, are recovered from native load customers through the FAC. As noted in the Company's October 31, 2001 AFB Presentation for PSC Informal Conference¹, the minimum blocks of each generating unit are stacked at the bottom and the incremental cost for each source (generation or purchases) is then stacked from lowest to highest on a MW by MW basis. The highest incremental costs are allocated to off-system sales for exclusion from the FAC.

¹ *In the Matter of: An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 2000 to April 30, 2001, Case No. 2000-00497-A; and In the Matter of: An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company from November 1, 2000 to April 30, 2001, Case No. 2000-00498-A.* The Informal Conference was held at the Companies' offices for the purpose of reviewing the detailed AFB data provided to the Commission on September 25, 2001 in response to a Staff request at the hearing of September 4, 2001 in the above referenced cases.

KENTUCKY UTILITIES COMPANY

**Response to Staff's Second Request for Information
Date December 1, 2014**

Case No. 2014-00227

Question No. 2

Witness: Robert M. Conroy

- Q-2. Provide the calculations and supporting work papers for the \$/MWh of fuel costs allocated each to native load and off-system sales for each month of the review period
- A-2. Please see the response to Question No. 1 above. KU does not directly allocate fuel costs to native load. The Company uses its After-the-Fact Billing process ("AFB") to determine the inter-company transactions and to allocate its highest incremental costs of production (generation fuel cost or purchase power energy cost) to off-system sales for exclusion from recovery in the FAC. All other fuel costs and purchase power expenses not otherwise excluded due to forced outages or purchases greater than the Company's highest cost unit are included in the FAC for recovery from native load.

For off-system sales, since 2001 the Company has included in the monthly Form B supporting schedules the \$/MWh of fuel costs allocated to off-system sales. For the period under review, this information is contained on the Detailed Power Transaction Schedule, Form B – Page 2, Sheet 2 of 2. The requested information is summarized on the attachment to this response.

For native load, the attachment to this response shows a calculation of the \$/MWh based on the fuel costs and purchase power expenses included in the monthly FAC filings.

Month	NATIVE LOAD				OFF SYSTEM SALES					
	Fuel Dollars		mWh	\$/mWh	Fuel Dollars		mWh	\$/mWh		
November	Total Fuel for Generation (1)	\$ 39,771,973	(2)	1,575,150.000	(3)	\$ 25.25				
	Total Purchased Power (1)	\$ 6,736,207	(4)	294,187.000	(3)	\$ 22.90				
	System Losses			(104,474.198)	(5)					
	Total	\$ 46,508,180		1,764,862.802		\$ 26.35				
	Intra-System OSS for LG&E Economy	\$ (33,755)	(6)	(1,221.000)	(6)	\$ 33,755	(6)	1,221.000	(6)	\$ 27.65
	Intra-System OSS for LG&E Replacement	\$ (448,044)	(6)	(14,366.000)	(6)	\$ 448,044	(6)	14,366.000	(6)	\$ 31.19
	OSS from Generation	\$ (49,718)	(6)	(1,744.000)	(6)	\$ 49,718	(6)	1,744.000	(6)	\$ 28.51
	OSS from Purchased Power	\$ (14,648)	(6)	(543.000)	(6)	\$ 14,648	(6)	543.000	(6)	\$ 26.98
	Split Savings and Adjustments	\$ (720)	(6)	(203.000)	(6)	\$ 720	(6)	203.000	(6)	
	System Losses	\$ (322)	(7)			\$ 322	(7)			
	\$ 45,960,973		1,746,785.802		\$ 547,207		18,077.000		\$ 30.27	
December	Total Fuel for Generation (1)	\$ 47,495,663	(2)	1,836,419.000	(3)	\$ 25.86				
	Total Purchased Power (1)	\$ 6,542,581	(4)	286,782.000	(3)	\$ 22.81				
	System Losses			(121,250.977)	(5)					
	Total	\$ 54,038,244		2,001,950.023		\$ 26.99				
	Intra-System OSS for LG&E Economy	\$ (237,239)	(6)	(9,123.000)	(6)	\$ 237,239	(6)	9,123.000	(6)	\$ 26.00
	Intra-System OSS for LG&E Replacement	\$ (1,160,475)	(6)	(38,300.000)	(6)	\$ 1,160,475	(6)	38,300.000	(6)	\$ 30.30
	OSS from Generation	\$ (100,462)	(6)	(3,519.000)	(6)	\$ 100,462	(6)	3,519.000	(6)	\$ 28.55
	OSS from Purchased Power	\$ (70,286)	(6)	(3,055.000)	(6)	\$ 70,286	(6)	3,055.000	(6)	\$ 23.01
	Split Savings and Adjustments	\$ (1,813)	(6)	(37.000)	(6)	\$ 1,813	(6)	37.000	(6)	
	System Losses	\$ (854)	(7)			\$ 854	(7)			
	\$ 52,467,115		1,947,916.023		\$ 1,571,129		54,034.000		\$ 29.08	
January	Total Fuel for Generation (1)	\$ 62,994,003	(2)	2,052,428.000	(3)	\$ 30.69				
	Total Purchased Power (1)	\$ 14,279,435	(4)	516,578.000	(3)	\$ 27.64				
	System Losses			(145,971.563)	(5)					
	Total	\$ 77,273,438		2,423,034.437		\$ 31.89				
	Intra-System OSS for LG&E Economy	\$ -	(6)	-		\$ -		-		
	Intra-System OSS for LG&E Replacement	\$ (2,720,537)	(6)	(54,875.000)	(6)	\$ 2,720,537	(6)	54,875.000	(6)	\$ 49.58
	OSS from Generation	\$ (3,366)	(6)	(115.000)	(6)	\$ 3,366	(6)	115.000	(6)	\$ 29.27
	OSS from Purchased Power	\$ -	(6)	-		\$ -		-		
	Split Savings and Adjustments	\$ -	(6)	(56.000)	(6)	\$ -		56.000	(6)	
	System Losses	\$ (17)	(7)			\$ 17	(7)			
	\$ 74,549,518		2,367,988.437		\$ 2,723,920		55,046.000		\$ 49.48	
February	Total Fuel for Generation (1)	\$ 49,340,899	(2)	1,657,659.000	(3)	\$ 29.77				
	Total Purchased Power (1)	\$ 12,365,260	(4)	450,232.000	(3)	\$ 27.46				
	System Losses			(123,136.985)	(5)					
	Total	\$ 61,706,159		1,984,754.015		\$ 31.09				
	Intra-System OSS for LG&E Economy	\$ -		-		\$ -		-		
	Intra-System OSS for LG&E Replacement	\$ (1,653,610)	(6)	(39,368.000)	(6)	\$ 1,653,610	(6)	39,368.000	(6)	\$ 42.00
	OSS from Generation	\$ -		-		\$ -		-		
	OSS from Purchased Power	\$ -		-		\$ -		-		
	Split Savings and Adjustments	\$ -		(78.000)	(6)	\$ -		78.000	(6)	
	System Losses	\$ -				\$ -				
	\$ 60,052,549		1,945,308.015		\$ 1,653,610		39,446.000		\$ 41.92	
March	Total Fuel for Generation (1)	\$ 47,373,612	(2)	1,535,594.000	(3)	\$ 30.85				
	Total Purchased Power (1)	\$ 13,014,139	(4)	465,976.000	(3)	\$ 27.93				
	System Losses			(117,982.944)	(5)					
	Total	\$ 60,387,751		1,883,587.056		\$ 32.06				
	Intra-System OSS for LG&E Economy	\$ -		-		\$ -		-		
	Intra-System OSS for LG&E Replacement	\$ (1,331,515)	(6)	(28,961.000)	(6)	\$ 1,331,515	(6)	28,961.000	(6)	\$ 45.98
	OSS from Generation	\$ -		-		\$ -		-		
	OSS from Purchased Power	\$ -		-		\$ -		-		
	Split Savings and Adjustments	\$ -		(15.000)	(6)	\$ -		15.000	(6)	
	System Losses	\$ -				\$ -				
	\$ 59,056,236		1,854,611.056		\$ 1,331,515		28,976.000		\$ 45.95	

April

Total Fuel for Generation (1)	\$ 36,497,401	(2)	1,139,244.000	(3)	\$ 32.04				
Total Purchased Power (1)	\$ 13,652,354	(4)	455,190.000	(3)	\$ 29.99				
System Losses			(94,904.251)	(5)					
Total	\$ 50,149,755		1,499,529.749		\$ 33.44				
Intra-System OSS for LG&E Economy	\$ -		-			\$ -		-	
Intra-System OSS for LG&E Replacement	\$ (30,857)	(6)	(655.000)	(6)		\$ 30,857	(6)	655.000	(6) \$ 47.11
OSS from Generation	\$ -		-			\$ -		-	
OSS from Purchased Power	\$ -		-			\$ -		-	
Split Savings and Adjustments	\$ -		-			\$ -		-	
System Losses	\$ -		-			\$ -		-	
	\$ 50,118,898		1,498,874.749		\$ 33.44	\$ 30,857		655.000	\$ 47.11

(1) Includes, where applicable, the forced outage and non-economy power purchase exclusions.

(2) Monthly FAC Form A, page 2 of 6, Section A.

(3) Monthly FAC Form A, page 3 of 6, section A.

(4) Monthly FAC Form A, page 2 of 6, section B.

(5) Monthly FAC Form A, page 3 of 6, section B.

(6) Monthly FAC Form B, page 2, sheet 2 of 2.

(7) Monthly FAC Form A, page 2 of 6, section C.