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PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**Kentucky Utilities Company**  
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March 12, 2009

**RE: *AN EXAMINATION OF THE APPLICATION OF THE FUEL  
ADJUSTMENT CLAUSE OF KENTUCKY UTILITIES COMPANY  
FROM NOVEMBER 1, 2006 THROUGH OCTOBER 31, 2008  
CASE NO. 2008-00520***

Dear Mr. Derouen:

On February 11, 2009, Kentucky Utilities Company ("KU") filed its Response to the Information Requested in Appendix B of the Commission's Order dated January 23, 2009, in the above-referenced matter. Since that filing, events have occurred which require that KU file updates to some of its responses.

KU's original response to Question No. 11 contained information about a legal proceeding between KU and OMU that was awaiting a decision. The court rendered a decision on February 19, 2009. An original and five copies of KU's updated response to Question No. 11 is filed herewith to include the results of that decision, as well as post-trial events.

Also, since the filing on February 11, it has been discovered that pages 17, 18, and 19 of KU's Response to Question No. 14, which contains scheduled, actual and forced outages for Haefling Units 1, 2 and 3 for the period May 2008 through October 2008, inadvertently failed to include data for October 2008. Therefore, enclosed are an original and five copies of revised pages 17, 18 and 19 of KU's response to Question No. 14 reflecting the October data.

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
March 12, 2009  
Page Two

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy". The signature is stylized with a large, sweeping initial "R" and a prominent "C" at the end.

Robert M. Conroy

Enclosures

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Charles R. Schram**, being duly sworn, deposes and says that he is the Director of Engineering Planning, Analysis and Forecast for E.ON U.S. Services Inc., 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.

*Charles R. Schram*  
**CHARLES R. SCHRAM**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12<sup>th</sup> day of March 2009.

*Victoria B. Harper*  
(SEAL)  
Notary Public

My Commission Expires:  
*Sept 20, 2010*



March 11, 2009 Supplemental Response to Information Requested in  
Appendix B of Commission's Order  
Dated January 23, 2009

Case No. 2008-00520

Question No. 11

Witness: Charles R. Schram

Q-11. List all firm power commitments for KU for the years 2009 and 2010 for (a) purchases and (b) sales. This list shall identify the other party (buyer or seller), the amount of commitment in MW, and the purpose of the commitment (e.g., peaking, emergency).

A-11. a. Firm Purchases

The firm purchases from Owensboro Municipal Utilities ("OMU") for the review period are shown below. KU has described the status of the litigation associated with the OMU contract and OMU's notice of termination of the contract in numerous responses to requests for information issued in the Commission's six-month and two-year investigations of the operation of KU's fuel adjustment clause and in other updates provided to the Commission. On September 5, 2008, the U.S. District Court ruled in KU's favor as a matter of law on three issues. First, the Court ruled that KU does not owe additional monies to OMU under past invoices for facilities charge fund payments. Second, the Court ruled that KU is entitled to proportional ownership of NO<sub>x</sub> allowances allocated to the Elmer Smith Generating Station. Third, the Court ruled that OMU is not entitled to sell excess power to entities other than KU while the contract remains in effect. In October, the Court dismissed OMU's remaining claims against KU regarding pricing for backup power provided to OMU by KU. KU's counterclaim against OMU for operation and maintenance practices at Elmer Smith Generating Station went to trial beginning October 21, 2008. On February 19, 2009 the U.S. District Court for the Western District of Kentucky entered a final judgment in the OMU litigation, following the bench trial that occurred in fourth quarter 2008. The Court entered a monetary judgment in KU's favor in the total amount of \$9,195,852.32, plus interest, reflecting amounts due from OMU for back-up power invoices (\$4,053,458.32) that had not been paid and as refunds for overcharges billed to KU for NO<sub>x</sub> allowances (\$5,142,394.00). The Court, however, did not award KU any damages on its counterclaim that OMU had breached the contract by failing to operate and maintain its units in a good and workmanlike manner.

On March 5, 2009, OMU filed a motion to alter, amend or vacate the portion of the February 19 ruling which awarded interest to KU. OMU is seeking to have the Court reverse its ruling awarding interest to KU. That same day, KU filed a motion to correct a wording error in the opinion relating to NOx issues. KU's motion should not have any impact on the amount of the NOx judgment awarded.

Once those pending motions are ruled upon, all previous rulings by the Court, including the ruling allowing OMU to terminate the contract early and the ruling that KU does not owe OMU in excess of \$15 million in Facilities Charge Fund payments, will be subject to appeal. To date, OMU has not paid any monies to KU in satisfaction of the two judgments. KU is currently assessing its post-trial options.

<u>Utility</u>	<u>MW</u>	<u>Purpose</u>
OMU (1/1/09-6/30/09)	~ 182 MW	Baseload
OMU (7/1/09-12/31/09)	~ 163 MW	Baseload
OMU (1/1/10-05/31/10)	~ 182 MW	Baseload
Dynegy (6/1/09-9/30/09)	~ 165 MW	Baseload

KU will purchase their participation ratio (2.5%) of the released capacity for OVEC in 2009. The KU amounts by month are shown:

	<u>Companies'</u> <u>Amt (MW)</u>	<u>KU Portion</u> <u>(MW)</u>	<u>Purpose</u>
OVEC (Jan 2009)	~ 181	~ 56	Baseload
OVEC (Feb 2009)	~ 168	~ 52	Baseload
OVEC (Mar 2009)	~ 157	~ 48	Baseload
OVEC (Apr 2009)	~ 147	~ 45	Baseload
OVEC (May 2009)	~ 166	~ 51	Baseload
OVEC (Jun 2009)	~ 176	~ 54	Baseload
OVEC (Jul 2009)	~ 174	~ 54	Baseload
OVEC (Aug 2009)	~ 174	~ 54	Baseload
OVEC (Sep 2009)	~ 169	~ 52	Baseload
OVEC (Oct 2009)	~ 158	~ 49	Baseload
OVEC (Nov 2009)	~ 151	~ 46	Baseload
OVEC (Dec 2009)	~ 161	~ 49	Baseload

OVEC released capacity for 2010, although not determined at this time, is expected to be similar to 2009.

b. Sales - None

Schedule vs. Actual

Kentucky Utilities Company  
 Haefling 1 - Gas CT - 12 MW  
 May 2008 through October 2008

MONTH	MAINTENANCE				HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	SCHEDULED	TO	ACTUAL	SCHEDULED	ACTUAL	

May		No Outages > or = 6 Hours					
Jun		No Outages > or = 6 Hours					
Jul		No Outages > or = 6 Hours					
Aug		No Outages > or = 6 Hours					
Sep	F		9/29/2008 11:53	9/30/2008 13:19	25:26		Unit would not synchronize to system
Oct	S	10/7/2008 8:00	10/7/2008 8:00	592:00	592:00		Fuel oil system upgrade

Schedule vs. Actual

Kentucky Utilities Company  
 Haefling 2 - Gas CT - 12 MW  
 May 2008 through October 2008

MONTH	MAINTENANCE				HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	Scheduled	TO	Actual	Scheduled	Actual	
May	No Outages > or = 6 Hours						
Jun	No Outages > or = 6 Hours						
Jul	F	7/10/2008 8:25	7/22/2008 7:49		287:24		Unit would not synchronize to system
Aug	No Outages > or = 6 Hours						
Sep	F	9/29/2008 11:53	9/30/2008 13:21		25:28		Unit would not synchronize to system
	F	9/30/2008 13:21			10:39		Unit would not synchronize to system
Oct	F		10/3/2008 12:17		60:17		Unit would not synchronize to system
	S	10/7/2008 8:00			592:00	592:00	Fuel oil system upgrade



Schedule vs. Actual

Kentucky Utilities Company  
 Haefling 3 - Gas CT - 12 MW  
 May 2008 through October 2008

MONTH	MAINTENANCE				HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	Scheduled FROM	TO	Actual FROM	TO	Scheduled	Actual	
May	No Outages > or = 6 Hours						
Jun	S	6/16/2008 12:00	→	6/16/2008 12:00	→	348:00	348:00 GT lube oil coolers
Jul	S	→	7/10/2008 8:14	→	7/10/2008 8:14	224:14	224:14 GT lube oil coolers
Aug	No Outages > or = 6 Hours						
Sep	No Outages > or = 6 Hours						
Oct	S	10/7/2008 8:00	→	10/7/2008 8:00	→	592:00	592:00 Fuel oil system upgrade