



Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

MAR 15 2010

PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Lonnie E. Bellar
Vice President
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March 15, 2010

**RE: *Application of Kentucky Utilities Company for an Adjustment of Its
Base Rates – Case No. 2009-00548***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Kentucky Utilities Company to the Data Requests of The Kentucky Cable Telecommunications Association dated March 1, 2010, in the above-referenced matter.

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

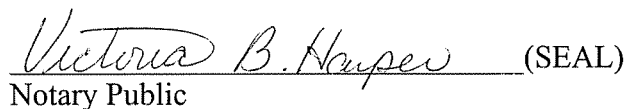
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is Director – Utility Accounting and Reporting for E.ON U.S. Services, Inc., and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.


Shannon L. Charnas

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

 (SEAL)
Notary Public

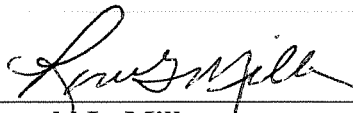
My Commission Expires:

Sept 20, 2010

VERIFICATION

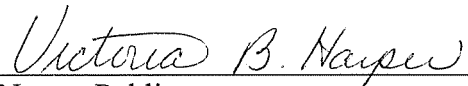
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Ronald L. Miller**, being duly sworn, deposes and says that he is Director – Corporate Tax for E.ON U.S. Services, Inc., 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.



Ronald L. Miller

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

 (SEAL)

Notary Public

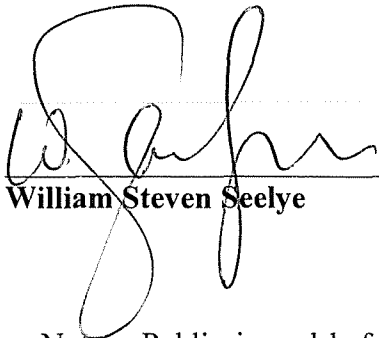
My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, 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.



William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

 (SEAL)

Notary Public

My Commission Expires:

Sept 20, 2010

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES) CASE NO.
COMPANY FOR AN ADJUSTMENT OF) 2009-00548
ITS BASE RATES)

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO THE
DATA REQUEST OF
THE KENTUCKY CABLE TELECOMMUNICATIONS ASSOCIATION
DATED MARCH 1, 2010

FILED: March 15, 2010

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 1

Responding Witness: Shannon L. Charnas

Q-1. Please provide the embedded costs in KU Accounts 364, 365, and 369 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-1. Please see the table below for original cost.

<u>Account</u>	<u>Oct 31, 2009</u>	<u>Dec 31, 2009</u>
364.00	\$244,022,288	\$249,862,383
365.00	240,864,386	248,040,961
369.00	83,132,396	83,147,151

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 2

Responding Witness: Shannon L. Charnas

- Q-2. Please provide the data in all subaccounts of KU Accounts 364, 365, and 369 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
-
- A-2. See attached CD, in folder titled Question No. 2.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 3

Responding Witness: Shannon L. Charnas

- Q-3. Please provide continuing property records from Account 364, and all relevant sub-accounts of Account 364, as of Oct. 31, 2009 and year-end 2009. If the requested data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
- A-3. Please see the response to Question No. 2.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 4

Responding Witness: Shannon L. Charnas

Q-4. Please provide all records from Account 364 that reflect KU's investment in appurtenances as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-4. Please see the response to Question No. 2 for account 364.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 5

Responding Witness: William Steven Seelye

- Q-5. Do any of the “installed costs” shown on page 1 of Seelye Exhibit 8 include the cost of any appurtenances? If so, what is the amount of investment in appurtenances, both overall and for each pole size?
-
- A-5. No. The average installed costs used to calculate the attachment charge represent bare pole costs.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 6

Responding Witness: William Steven Seelye

- Q-6. With respect to the data requested in Request No. 5, please provide separate totals for (i) investment in major appurtenances and (ii) investment in minor appurtenances if records are kept in such a way as to make this feasible. For purposes of this question, major appurtenances include, but are not limited to, anchors, guys, and cross arms. Minor appurtenances include, but are not limited to, aerial cable clamps, pole top pins, and all other appurtenances and hardware that are not poles or major appurtenances.
- A-6. See response to Question No. 5.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 7

Responding Witness: William Steven Seelye

- Q-7. Are the “installed cost” figures shown on page 1 of Seelye Exhibit 8 based on gross or net investment? In other words, are they embedded cost figures or depreciated figures?
-
- A-7. Consistent with the use of a levelized carrying charge rate – as opposed to a non-levelized carrying charge rate – the installed cost figures represent gross plant in service values.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 8

Responding Witnesses: Shannon L. Charnas/ William Steven Seelye

- Q-8. What was the total amount of the depreciation reserve for Account 364 as of Oct. 31, 2009 and year-end 2009? If the requested data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
-
- a. What is the depreciation reserve related to the gross investment in the 35 foot poles shown in Seelye Exhibit 8? For this question and questions 8(b) and 8(c) below, please provide all figures as of Oct. 31, 2009 as well as year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.
- b. What is the depreciation reserve related to the gross investment in the 40 foot poles shown in Seelye Exhibit 8?
- c. What is the depreciation reserve related to the gross investment in the 45 foot poles shown in Seelye Exhibit 8?
- A-8. The total amount of the depreciation reserve for Account 364 as of October 31, 2009 is \$126,557,999. The total amount of the depreciation reserve for Account 364 as of December 31, 2009 is \$125,808,109.
- a. The requested information is not available.
- b. The requested information is not available.
- c. The requested information is not available.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 9

Responding Witness: William Steven Seelye

- Q-9. Please explain fully how KU counted the number of two-user and three-user poles listed on page 1 of Seelye Exhibit 8. The explanation should include, but not be limited to: (i) whether the "Quantity" figures are a reflection of continuing property records, (ii) whether they are a reflection of any survey or audit, (iii) the details of any such survey or audit, and (iv) whether poles with more than three attachments are included in the three-user pole category. Please attach all data and supporting documentation used in deriving the "Quantity" figures.
- A-9. Because KU does not have records concerning the number of two-user and three-user poles, the two categories were estimated on the basis of the percentages of each category on LG&E's system.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 10

Responding Witness: William Steven Seelye

- Q-10. Please explain fully how KU counted the relative number of poles of each height listed on page 1 of Seelye Exhibit 8. The explanation should include, but not be limited to: (i) whether the "Quantity" figures are a reflection of continuing property records, (ii) whether they are a reflection of any survey or audit, and (iii) the details of any such survey or audit. Please attach all data and supporting documentation used in deriving the "Quantity" figures.
- A-10. The "Quantity" and "Installed Cost" figures are from the Company's continuing property records. See response to Question No. 2 for the requested data and supporting documentation.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 11

Responding Witness: William Steven Seelye

- Q-11. Do the installed cost figures include any amounts from General Ledger 106 that are not yet reflected in General Ledger 101 for Account 364? To the extent that KU's installed cost figures include any amounts from General Ledger 106, are all of the poles that are represented by the amounts from General Ledger 106 counted in the "quantity" figures? In other words, do the pole counts listed under "Quantity" on page 1 of Seelye Exhibit 8 include all of the poles whose value is included in the "Installed Cost" column? Please provide all data backing up your response.
- A-11. General Ledger Account 106 costs are not included in the average installed costs for Account 364 used to calculate the attachment charge.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 12

Responding Witness: William Steven Seelye

Q-12. Please explain whether there is any lag between the inclusion of investment in General Ledger 106 and the time when such new poles are counted, and if so the length of that lag.

A-12. See response to Question No. 11.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 13

Responding Witness: William Steven Seelye

- Q-13. Please explain why KU has provided records as of Oct. 31, 2009, rather than the end of the year. Please state whether any figures included in Seelye Exhibit 8 are calculated or derived using year-end data. If any figures in Exhibit 8 are derived as of any date other than Oct. 31, 2009, please identify and explain why data as of that date was used.
- A-13. October 31, 2009, is the end of the test year. However, contrary to the designation on Seelye Exhibit 8, the "Quantity" and "Installed Cost" figures were obtained from the Company's continuing property records as of November 30, 2009.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 14

Responding Witness: William Steven Seelye

Q-14. Generally, please provide all data required to derive every figure included on page 1 of Seelye Exhibit 8, and provide all back up documentation, to the extent those data have not already been produced pursuant to the requests above.

A-14. See response to KU KPSC-2 Question No. 77.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 15

Responding Witness: William Steven Seelye

Q-15. Please explain fully the “Depreciation – Sinking Fund” item included on page 2 of Seelye Exhibit 8. Please provide all data and supporting documentation required to derive the “Depreciation – Sinking Fund” figure.

A-15. The “Depreciation – Sinking Fund” is a figure calculated based upon an equal payment series used to find the required end-of-year payments to accumulate a desired future amount. Importantly, adding a Sinking Fund Factor to the Return results in an equal payment series Capital Recovery Factor. The factor is calculated by the following equation:

$$S = \frac{i}{(1 + i)^n - 1}$$

Where S = Sinking Fund Factor
 i = Proposed Rate of Return (in this case 8.32%)
 n = number of years in service

This equation yielded a Sinking Fund Factor of 0.54% for the test year based upon a 35 year service life for each pole constructed.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 16

Responding Witness: William Steven Seelye

- Q-16. Please explain the derivation of the “Composite Federal and State Income Taxes rate” of 36.93%, included on page 2 of Seelye Exhibit 8. Please state whether this rate is merely the sum of the income tax rates facially applicable to KU, or whether it is reduced in light of deductions, credits, and the like to derive an effective tax rate. If the former, please explain fully why it is appropriate for KU to include in its carrying charge a tax rate higher than the rate KU actually pays.
- A-16. See Testimony of S. Bradford Rives, Exhibit 1, Reference Schedule 1.41.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 17

Responding Witness: Ronald L. Miller

Q-17. Please provide the effective tax rate for KU for the year 2009, and provide all data – including but not limited to data on deductions, exclusions, and credits – necessary to derive an effective tax rate for KU for 2009.

A-17. See the response to AG-1 Question No. 48.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 18

Responding Witness: William Steven Seelye

- Q-18. Please explain fully the "Property Tax and Insurance" item on page 2 of Seelye Exhibit 8. Please provide all data and supporting documentation required to derive the "Property Tax and Insurance" figure.
-
- A-18. The 0.22% property tax and insurance percentage is a conservative estimate of property tax and insurance applicable to poles. If actual property taxes during the test year of \$11,424,756 plus property insurance during the test year of \$2,774,423 are divided by gross plant in service of \$4,171,331,502 at the end of the test year then the percentage would be 0.3404%, which is slightly higher than the estimate used to calculate the CATV attachment charges.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 19

Responding Witness: William Steven Seelye

Q-19. Generally, please provide all data required to derive every figure included on page 2 of Seelye Exhibit 8, and provide all backup documentation, to the extent those data have not already been produced pursuant to the requests above.

A-19. See response to KU KPSC-2 Question No. 77.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 20

Responding Witness: Shannon L. Charnas

Q-20. Please provide the costs in KU Account 593 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-20. See attached on CD in folder titled, Question No. 20.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 21

Responding Witness: Shannon L. Charnas

Q-21. Please provide the data for all subaccounts of KU Account 593 as of Oct. 31, 2009 and year-end 2009. If data is not available for year-end 2009, please provide it as of Oct. 31, 2009 and year-end 2008.

A-21. See response to Question No. 20.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 22

Responding Witness: William Steven Seelye

- Q-22. Please provide the underlying data (and explain the provenance of that data) necessary to derive the \$635,116 in "Tree Trimming" expense included under the labor costs listed at the top of page 3 of Seelye Exhibit 8.
-
- A-22. The Tree Trimming labor costs of \$635,116 are the test-year labor expenses from the Company's general ledger for Sub-Account 593004 for tree trimming during the test year.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 23

Responding Witness: William Steven Seelye

- Q-23. Please explain fully why the pole-related labor costs used by KU to derive a pole-costs-to-overall-costs ratio should include such tree-trimming costs, given that the tree-trimming costs apparently are not includable in the "Labor Charged to 593001 – Maint of Poles, Towers and Fixtures Subaccount."
- A-23. Consistent with the methodology approved by the Commission in Case No. 90-158, expenses charged to Sub-Account 593004 related to tree-trimming are included in the expenses applicable to the CATV attachment charge. Consequently, it is appropriate to include tree-trimming labor expenses in the labor cost ratio used to allocate administrative and general expenses.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 24

Responding Witness: William Steven Seelye

Q-24. Please provide the underlying data necessary to derive the "Total Labor" figure included on page 3 of Seelye Exhibit 8.

A-24. The total labor expenses are from the Company's general ledger for all accounts during the test year.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 25

Responding Witness: William Steven Seelye

Q-25. Please provide the underlying data necessary to derive the "Total Administrative and General Expenses" figure included on page 3 of Seelye Exhibit 8.

A-25. Total Administrative and General Expenses are from the Company's general ledger for all accounts during the test year.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 26

Responding Witness: William Steven Seelye

Q-26. Is there any overlap between the expense categories "Maintenance of Pole, Towers, and Fixtures Subaccount 593001" and "Tree Trimming of Electric Distribution Routes 593004," both listed at page 3 of Seelye Exhibit 8? Please explain your answer.

A-26. No. These are separate subaccounts.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 27

Responding Witness: William Steven Seelye

- Q-27. Does the expense category "Tree Trimming of Electric Distribution Routes 593004" include tree-trimming expenses incurred in connection with Overhead Conductors and Devices (booked in Account 365) and Services (booked in Account 369)? If so, please explain why this expense category should not be divided by the net book value of Accounts 364, 365, and 369, instead of just Account 364 (as KU has done at page 3 of Seelye Exhibit 8), to derive the appropriate carrying-charge adder.
- A-27. In calculating the CATV attachment charge the Company followed the methodology approved by the Commission in its prior rate orders. Particularly, the Company did not deviate from the methodology that was approved in Case No. 90-158. However, a strong argument could be made that the charge should also include guy wires, certain other appurtenances, an allocation of general plant, and other additional costs. If the methodology is to be modified in the manner suggested in the question, then the Commission should also consider including these other costs in the calculation of the attachment charges.

KENTUCKY UTILITIES COMPANY

CASE NO. 2009-00548

**Response to Data Request of
The Kentucky Cable Telecommunications Association
Dated March 1, 2010**

Question No. 28

Responding Witness: William Steven Seelye

Q-28. Generally, please provide all data required to derive every figure included on page 3 of Seelye Exhibit 8, and provide all backup documentation, to the extent those data have not already been produced pursuant to the requests above.

A-28. See response to KU KPSC-2 Question No. 77.