COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, is to file with the Commission its electronic responses, a paper original, and two copies of the following information. The information requested herein is due on or before August 14, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KU shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KU fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to proposed P.S.C. No. 16, Original Sheet No. 10, General Service Rate ("GS"). Explain the proposed clarification of 12-month-average monthly maximum loads not to exceed 50 kW in the Availability of Service section. The explanation should include, but not be limited to, how many customers would not quality for the GS Schedule were it not for the grandfathering of those served before February 6, 2009, and the impact on KU's qualification of new customers requesting service.

2. Refer to proposed P.S.C. No. 16, Original Sheet No. 15, Power Service ("PS"). Explain the proposed clarification of 12-month-average monthly minimum secondary loads exceeding 50 kW and 12-month-average monthly maximum loads not to exceed 250 kW in the Availability of Service section. The explanation should include, but not be limited to, how many customers would not quality for the PS Rate Schedule were it not for the grandfathering of those served before February 6, 2009, and the impact on KU's qualification of new customers requesting service.

3. Refer to proposed P.S.C. No. 16, Original Sheet No. 20, Time-of-Day Secondary Service. Explain the proposed clarification of 12-month-average monthly minimum average loads exceeding 250 kW and 12-month-average monthly maximum

average loads not to exceed 5,000 kW in the Availability of Service section, as well as the deletion of "Customers initiating service on this rate whose load characteristics subsequently do not meet these criteria will be billed on the appropriate rate."

4. Refer to proposed P.S.C. No. 16, Original Sheet No. 22 Time-of-Day Primary Service. Explain the proposed clarification of 12-month-average monthly minimum average loads exceeding 250 kVA and 12-month-average monthly maximum average loads not to exceed 50,000 kVA in the Availability of Service section, as well as the deletion of "Customers initiating service on this rate whose load characteristics subsequently do not meet these criteria will be billed on the appropriate rate."

5. Refer to proposed P.S.C. No. 16, Original Sheet No. 25, Retail Transmission Service. Explain the proposed clarification of 12-month-average monthly maximum new loads not to exceed 50,000 kVA in the Availability of Service section, as well as the deletion of "Customers initiating service on this rate whose load characteristics subsequently do not meet these criteria will be billed on the appropriate rate."

6. Refer to proposed P.S.C. No. 16, Original Sheet Nos. 35 through 36.2, the Lighting Service ("LS") and Restricted Lighting Service ("RLS") tariffs. Provide and explain all differences in the terms and conditions between the proposed LS and RLS tariffs and the current Street Light, Private Outdoor Lighting, and Dark Sky Friendly lighting tariffs.

7. Refer to P.S.C. Electric No. 15, existing Second Revision of Original Sheet No. 35, Street Lighting Service ("SLS"). Confirm that the 1,000, 2,500, and 6,000

Lumen Ornamental Incandescent lights are not currently in use by any customer and will no longer be available.

8. Refer to KU's response to Item 95.c. of Commission Staff's Second Information Request in Case No. 2009-00548, in which KU addressed its proposal for special contract lighting in that case. Special contract lighting is not included in KU's application in this proceeding. Explain how KU addressed its special lighting contracts since the conclusion of Case No. 2009-00548.[1]

9. Refer to proposed PSC No. 16, Original Sheet Nos. 40 through 40.6, Cable Television Attachment Charges. Identify the companies that have cable attachments on KU's poles.

10. Refer to proposed P.S.C. No. 16, Original Sheet Nos. 50.1 and 51.1, Curtailable Service Rider ("CSR") 10 and CSR 30.

a. Explain the reason for the change from a kW basis to a kVA basis for billing purposes.

b. Provide the effect of all proposed tariff changes on the customer's credits in sufficient detail to show the individual effect of each rate/tariff change for each customer if the proposed changes had been in effect during the test year.

11. Refer to proposed P.S.C. No. 16, Original Sheet No. 61, Redundant Capacity. Provide the impact on the average Primary and Secondary Distribution customers' bills of the change in subsection (1) of the Rate section.

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[1] Case No. 2009-00548, Application of Kentucky Utilities Company for an Adjustment of Base Rates (Ky. PSC July 30, 2010).

12. Refer to proposed P.S.C No. 16, Original Sheet No. 62, Supplemental or Standby Service. Provide the impact on the average customer's bill of the change in contract demand billing under the Rate and Contract Demand section.

13. Refer to proposed P.S.C No. 16, Original Sheet No. 66, Temporary and/or Seasonal Electric Service. Provide the effect the text changes in the Conditions section, paragraph 3, will have on current customers.

14. Refer to proposed PSC No. 16, Original Sheet No. 86.10, DSM Cost Recovery Mechanism Monthly Adjustment Factors. State whether the DSM Revenues from Lost Sales factors shown on this page would change as a result of a change in base rates. If yes, explain why no change is being proposed.

15. Refer to proposed P.S.C. No. 16, Original Sheet No. 87. Explain the reason for the text changes in the Definitions section, subsection e.

16. Refer to proposed P.S.C No. 16, Original Sheet Nos. 101.1 and 101.2, the addition of the new Customer Rate Assignment and Customer Rate Migration sections.

a. State whether this proposed section would allow KU to involuntarily switch to other rate classes Schedule GS and PS customers who were customers as of February 6. 2009 but who no longer meet the Availability of Service requirements of their current class.

b. State to what extent KU has experienced an increase of customers being served under a rate schedule for which they are ineligible, customers choosing to migrate to other classes, and customers that are being migrated from one rate schedule to another.

17. Explain why KU is not proposing rate adjustments to its Small Capacity Cogeneration Qualifying Facilities.

18. Refer to page 10, lines 8-10, of the Testimony of Victor A. Staffieri. Provide a general description of the Environmental Protection Agency's ("EPA") Partner of the Year program and a list of the 43 other organizations named 2011 Partner of the Year.

19. Refer to page 4, lines 14-15, of the Testimony of Paul W. Thompson ("Thompson Testimony") concerning the impact of natural gas productions from shale formations on the price of natural gas. Provide support for the statement that wholesale natural gas prices would probably remain at low levels in the long term. Explain whether KU has conducted a long term forecasting analysis of natural gas prices. If so, provide the analysis.

20. Refer to page 7, line 18, through page 8, line 8, of the Thompson Testimony.

a. Provide a breakdown, by Uniform System of Accounts ("USoA") account number, of the $38 million KU has invested since its most recent general rate case to maintain and enhance the performance of its existing generation.

b. Provide a breakdown, by USoA account number, of the nearly $133 million KU has invested since its most recent general rate case in generation infrastructure and reliability projects associated with its generation fleet.

21. Refer to the Thompson Testimony, page 9, at lines 5-13. Provide a detailed explanation as to why Trimble County Unit 2 ("TC2") did not perform as efficiently as projected during its first year of operation. Include in this explanation

support for the statement that KU remains "confident that TC2 will operate effectively and efficiently going forward."

22. Refer to page 9, lines 16-19, of the Thompson Testimony.

a. Provide a breakdown, by USoA account number, of KU's share of the $11 million in increased expenses resulting from the operation and maintenance of TC2.

b. Provide KU's share of the additional capital investment in TC2 between the end of the test year in its most recent general rate case and the March 31, 2012 ending date of the test year proposed in this case.

23. Refer to page 10, lines 1-3, of the Thompson Testimony. Provide, by USoA account number, a breakdown of KU's share of the test year cost incurred due to hiring 19 additional persons to work at TC2 since the end of the test year in KU's most recent general rate case.

24. Refer to page 11, lines 12-17, of the Thompson Testimony.

a. Of the $15 million increase in maintenance expense incurred in the test year compared to the levels reflected in their most recent general rate cases, provide the amount attributed to KU and the amount attributed to its sister company, Louisville Gas and Electric Company ("LG&E").

b. Provide the level of maintenance expense reported by KU due to planned maintenance outages for each of the calendar years from 2006 through 2010.

c. The sentence beginning on line 14 and ending on line 17 indicates that it is expected that the level of maintenance expense incurred in the test year will be incurred again in 2014 and thereafter. Provide the level of maintenance expense expected to be incurred in 2013.

25. Refer to the Thompson Testimony, page 12, at line 7. Provide the steam capacity factors for KU for the five-year period from 2006 through 2010.

26. Refer to pages 12-13 of the Thompson Testimony.

a. Provide the test year cost incurred by KU for the remote monitoring of existing coal-fired generating units by Black & Veatch.

b. Provide the annual cost KU will incur prospectively under the five year monitoring arrangement with Black & Veatch.

27. Refer to the Thompson Testimony, page 13, at lines 6-9. Identify the heat rate issues and equipment reliability concerns detected upon the implementation of Black & Veatch's Remote Performance Monitoring service on Ghent Unit 1 and Mill Creek Unit 4. Explain whether these problems have been addressed.

28. Refer to page 14 of the Thompson Testimony. Provide monthly off-system sales margins for the years shown on this page.

29. Refer to page 17, lines 12-15, of the Thompson Testimony. Provide a breakdown, by USoA account number, of the $133 million invested by KU in transmission facilities since the test year of its most recent general rate case.

30. Refer to page 20, lines 5-7, of the Thompson Testimony. Provide the amount of increased costs incurred by KU during the test year associated with complying with the CIP reliability standards.

31. Refer to page 20, lines 15-19, of the Thompson Testimony. Provide, by USoA account number, a breakdown of KU's share of the test year cost incurred due to

adding 27 employees in "Energy Services" since the end of the test year in KU's most recent general rate case to assist with North American Electric Reliability Corporation and CIP compliance efforts.

32. Refer to the Thompson Testimony, page 21, lines 17-18. Explain why the recordable injury rates for independent contractors increased by 50 percent from 2010 to 2011.

33. Refer to the Thompson Testimony, page 22, lines 19-20. Describe the results of the testing conducted on the well and explain if there will be additional testing.

34. Refer to page 5, lines 17-19, of the Testimony of Chris Hermann ("Hermann Testimony"). Provide KU's share of the cost of constructing or upgrading 60 miles of lines to the National Electrical Safety Code heavy loading standard since 2009.

35. Refer to the Hermann Testimony, page 7, lines 4-7. Provide a copy of the quarterly tree trimming surveys and the results of each.

36. Refer to page 7, lines 10-12, of the Hermann Testimony. Provide a breakdown, by USoA account number, of KU's share of the $210.3 million that it and LG&E have invested in distribution reliability and infrastructure since their most recent general rate cases.

37. Refer to the Hermann Testimony, page 11, lines 11-12. Provide a copy of Incident Command System manual.

38. Refer to the Hermann Testimony, page 12, at lines 11-17. Provide a copy of the supplier contract with Brownstown Electric Service Corporation, Brown Wood Preserving, and Howard Industries.

39. Refer to page 20, lines 19-20, of the Hermann Testimony.

a. Explain whether the 51 residential service center customer service agents referenced therein are all new hires not employed elsewhere by KU or LG&E prior to the addition of the new call center in Morganfield, Kentucky.

b. Provide KU's share of the annual cost of these 51 employees.

40. Refer to the Hermann Testimony, page 21, at Lines 7-9, concerning KU's and LG&E's increase of their residential and business service center customer service agents from June 2011 through February 20, 2012 of 25 percent and 59 percent, respectively. Provide the actual numerical increases in residential and business service center customer service agents for the time period mentioned.

41. Refer to the Hermann Testimony, page 21, at Lines 11-21. Concerning the call centers' "recent" operational performance, identify the time period this covers.

a. For residential calls, provide a breakdown of the wait time for the 20 percent of the residential calls that were not answered within 30 seconds.

b. For business calls, provide a breakdown of the wait time for the 20 percent of the business calls that were not answered within 30 seconds.

c. Concerning the 25 percent of residential calls that were not resolved during the first phone call, provide a breakdown of the number of calls needed to finally resolve all customer issues.

d. Concerning the 30 percent of business calls that were not resolved during the first phone call, provide a breakdown of the number of calls needed to finally resolve all customer issues.

42. Refer to page 25 of the Hermann Testimony. Provide a detailed description of the review performed by the Billing Integrity group which resulted in the

creation of the Tariffs and Rates Analyst group and the Business Continuity and Data Integrity group with 10 new employees at an annual cost of $800,000.

43. Refer to page 31, lines 8-9, of the Hermann Testimony.

a. Provide a breakdown, by job function, of the 100 additional employees hired by "Energy Delivery" since the test year in KU's and LG&E's most recent general rate cases.

b. Provide KU's share of the annual cost of these 100 employees.

44. Refer to page 9, lines 17-21, of the Testimony of Kent W. Blake ("Blake Testimony"). Explain why KU made a change in auditors.

45. Refer to line 1, page 1, of Blake Exhibit 1. Provide a detailed description of any expenses directly charged, or allocated to, KU during the test year by LG&E and KU Energy LLC, PPL Corporation or any other affiliate within the PPL system.

46. Refer to Blake Exhibit 1, Reference Schedule 1.04. Explain why, for April and May 2011, the amounts in column 3 are more than the total of the amounts shown in columns 1 and 2 for the same months.

47. Refer to Blake Exhibit 1, Reference Schedule 1.09, and pages 5-6 of the Testimony of Lonnie E. Bellar ("Bellar Testimony").

a. Explain why the last three months of the test year were selected to form the basis for the proposed adjustment of off-system sales margins as opposed, for example, to the last four months or the last six months.

b. Provide the kWh sales level for the first quarter of 2012 that resulted in off-system sales margins of $141,329 shown on line 1 of Reference Schedule 1.09.

c. On a quarterly basis, for calendar years 2007 through 2011 provide KU's level of off-system sales in kWh and the resulting off-system sales margins.

48. Refer to Blake Exhibit 1, Reference Schedule 1.11. Explain the reasons for, and the type of, bill adjustments that comprise the $5,567,308 shown here. Provide a breakdown by rate class of these adjustments.

49. Refer to Blake Exhibit 1, Reference Schedule 1.12, page III-10 of Exhibit JJS-KU to the Direct Testimony of John J. Spanos ("Spanos Testimony") and page 4 of the Testimony of Shannon L. Charnas ("Charnas Testimony").

a. The amount of annualized depreciation expense on line 3 of Reference Schedule 1.12, $189,864,002, is roughly $518,000 greater than the amount shown on page III-10 of Exhibit JJS-KU. Explain whether this is solely due to the three month difference between the period covered in Mr. Spanos' depreciation study and the end of the proposed test year.

b. Based on test year end plant in service, provide a schedule at the same sub-account level as on page III-10 of Exhibit JJS-KU, which shows the derivation of the annualized depreciation expense amount on line 3 of Reference Schedule 1.12.

c. Provide a detailed description of the "assets set up for retirement obligations" referenced on line 19 of the Charnas Testimony, which result in the amount of $3,077,746 shown on line 5 of Reference Schedule 1.12.

50. Refer to pages III-4 through III-10 of Exhibit JJS-KU to the Spanos Testimony. In Case No. 2011-00375,[2] KU indicated that it would retire its coal-fired generation facilities at Green River and Tyrone.

a. Explain whether all of the original costs for each component of the facilities to be retired are included on pages 4-10. If they are not, for each component that is not included, provide a list identifying each component by account number, account title and original cost.

b. Using the account numbers and account titles listed on pages 4-10, identify each component of the facilities to be retired, its original cost and salvage value that are included on pages 4-10.

c. Provide the date that each component of plant identified and listed in the response to parts a. and b. of this request were first devoted to public service.

d. For each component identified and listed in response to part b. of this request:

1) Provide the net salvage value that was included in accumulated depreciation on the date that the component was removed from the schedule of plant in service.

2) Provide the date that the component was removed from service and the date that it was removed from the plant schedule.

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[2] Case No. 2011-00375, Joint Application of Louisville Gas And Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity and Site Compatibility Certificate for the Construction of a Combined Cycle Combustion Turbine at the Cane Run Generating Station and the Purchase of Existing Simple Cycle Combustion Turbine Facilities from Bluegrass Generation Company, LLC in Lagrange, Kentucky (Ky. PSC Sept. 15, 2011).

3) Provide the total cost of removal that was charged to the accumulated depreciation account.

e. For each component identified and listed in response to Item b., provide the total net salvage included in accumulated depreciation as of December 31, 2011.

51. In Case No. 2011-00375 KU stated that it will not remove and restore the sites to a natural state at the Green River and Tyrone stations. Instead, it intends to stabilize these facilities to insure that they do not create a hazard to the general public.

a. Provide a detailed schedule of the estimated costs to remove these facilities and restore the location to a natural state.

b. Provide a detailed schedule of the estimated costs to stabilize these facilities.

c. Provide a detailed list of all salvage values for each component of each facility.

52. Refer to Blake Exhibit 1, Reference Schedule 1.13 and page 4 of the Testimony of Valerie L. Scott.

a. Page 2 of 4 of Reference Schedule 1.13 at line 4 shows percentages of how KU's test year labor breaks down between the amounts expensed and capitalized. Provide the percentages of the amounts of KU's labor costs expensed and capitalized for each of the calendar years 2007 through 2011.

b. Page 2 of 4 of Reference Schedule 1.13 shows KU's test year operating labor was $100,908,714. This compares to $83,757,324 in operating labor during the test year ended October 31, 2009 in KU's most recent general rate case.

The increase between the two test years is $17,151,390, an increase of 20.5 percent over a period of 29 months, which equates to an annual rate of increase of 8.5 percent. Provide a detailed discussion of the reasons for an increase of this magnitude, including, but not limited to increases in the number of employees.

53. Refer to Blake Exhibit 1, Reference Schedule 1.23 and pages 7-8 of the Bellar Testimony. In KU's most recent general rate case, its estimate of rate case expenses was $1,325,000. Provide the reasons for the increased estimate of $2,030,000, a 53 percent increase, for the current case.

54. Refer to Blake Exhibit 10 and pages 4-5 of the Blake Testimony. The exhibit contains projected capital expenditures by KU for the years 2012 through 2016 as reflected in its 2011 10K filing with the Securities and Exchange Commission ("SEC").

a. Provide the projected annual capital expenditures for KU as reflected in its SEC 10K filings for each of the years 2006 through 2010 and its actual annual capital expenditures for the years 2007 through 2011.

b. The "Generating facilities" and "Transmission facilities" headings in the first column in the exhibit have, respectively, "(a)" and "(b)" after the word "facilities" but there is no explanation, footnote, etc. for these letters. Explain their purpose and state whether something is missing from the exhibit.

55. Refer to page II-11 of Exhibit JJS-KU to the Spanos Testimony. The first sentence under the heading <u>Schedules of Annual Transactions in Plant Records</u> states that "The property group used to illustrate the retirement rate method is observed for the

experience band 2002-2011 during which there were placements during the years 1997-2011."

a. Explain whether the use of a 10-year experience band is an industry standard or is solely a matter of judgment by Mr. Spanos.

b. Explain whether it is coincidence that this 10-year experience band reflects placements for a period of 15 years or if this is a generic standard of some sort.

56. Refer to page II-27 of Exhibit JJS-KU to the Spanos Testimony. Provide a general explanation for why the life spans for the steam production Ghent units are consistently shorter than the life spans for the steam production Brown units.

57. Refer to page II-28 of Exhibit JJS-KU to the Spanos Testimony. Explain the reasoning for the cost of removal and salvage percentages being based on annual and three-year moving average bases as opposed to some other basis.

58. In its two most recent base rate cases, Case Nos. 2008-00251 and 2009-00548,[3] KU proposed adjustments to its revenues and expenses based on the normalization of weather. Explain why KU did not propose a weather normalization adjustment in its application in this case.

59. Refer to the Testimony of William E. Avera ("Avera Testimony") pages 9-11. Provide the rating agency reports from Standard & Poor's Corporation, Moody's Investors Service and Fitch Ratings Ltd. that discuss and or award KU's current credit rating scores, as well as the reports cited in footnotes 4 through 9, and any other reports issued by the three rating agencies related to KU in 2011 or 2012.

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[3] Case No. 2008-00251, Application of Kentucky Utilities Company for an Adjustment of Electric Base Rates (Ky. PSC Feb. 5, 2009) and Case No. 2009-00548.

60. Refer to the Avera Testimony, page 11. KU indicates that investors and rating agencies are aware that it can only recover its actual costs and that it earns no return on fuel, purchased power or natural gas supply costs and that it is exposed to disallowances in its energy procurement.

a. In addition to actual cost recovery, explain whether KU is proposing to earn a return in conjunction with the items listed above and how that would be accomplished.

b. Explain whether any of the ratings agencies stated or implied to KU that it needs to earn returns on the items listed above in order to maintain its financial integrity or mitigate any perceived risk.

c. The fuel, purchased power, or natural gas procurement process is well established in Kentucky and should be well understood by KU. Explain what actions this Commission has taken to heighten either company or investor concerns regarding disallowances and how this relates to exposure to fluctuations in power and gas supply costs.

61. Refer to the Avera Testimony, pages 12 through 14. Provide copies of the reports referenced in footnotes 10-23.

62. Refer to the Avera Testimony, page 21, and Exhibit WEA-2. PPL is listed as one of the companies in the utility proxy group. Since KU is a PPL company, explain why the inclusion of PPL in the proxy group doesn't introduce some circularity into the ROE estimates.

63. Refer to the Avera Testimony, pages 23 and 24. Explain whether Value Line made remarks similar to those made in reference to natural gas utility stocks for electric utility stocks.

64. Refer to the Avera Testimony, page 31, and Exhibit WEA-2. Provide Dividend per Share ("DPS") growth projections and corresponding Discounted Cash Flow ("DCF") cost of equity estimates for Exhibit WEA-2, page 3 of 3.

65. Refer to the Avera Testimony, page 35. Since the sustainable growth approach requires an expected earned return on equity and the subject of the testimony is to set a return on equity, explain why this is not, in part, a circular argument.

66. Refer to the Avera Testimony, pages 36 through 40. Provide calculations for WEA-2, page 3 of 3, DCF average and midpoint cost of equity estimates excluding all DCF proxy estimates over 14 percent.

67. Refer to the Avera Testimony, pages 45 through 46 and Exhibit WEA-6.

a. Provide the article referenced on page 46 in footnote 45.

b. Explain why it was necessary to weight the firms in the calculations as opposed to performing the calculations on an unweighted basis.

c. Explain the nature of the relationship between firm size and return.

d. Explain how analysts use this relationship in a non-regulated environment where product and service prices are set by the market.

e. Explain why 30 year treasury bonds, as opposed to 20 year treasury bonds, were used in the model.

f. Provide the calculation for the dividend as explained in footnote (a) of Exhibit WEA-6, page 2.

g. Provide the IBES growth rates referenced in footnote (b) of Exhibit WEA-6, page 2, and show how the 10.8 percent growth rate was calculated.

h. Provide Table C-1 referenced in footnote (i) of Exhibit WEA-6, page 2.

68. Refer to the Avera Testimony, pages 47 and 48. The discussion regarding the use of historical information in the Capital Asset Pricing Model ("CAPM") ROE calculations and footnote 47 seems to suggest that the use of CAPM is inappropriate in today's financial climate. Explain whether KU is recommending that the CAPM derived ROE results not be considered, even though a CAPM analysis is part of the testimony.

69. Refer to the Avera Testimony, page 49. Provide the article referenced in footnote 48.

70. Refer to the Avera Testimony, page 71. Provide the trackers approved and currently in use for each proxy group company.

71. Refer to the Bellar Testimony at pages 5-6. Provide updates to the proposed off-system sales margin adjustment as monthly results become available. This should be considered an on-going request.

72. Refer to the Bellar Testimony at pages 8–11 wherein he discusses the proposed changes to the CSR tariffs.

a. State whether KU has discussed the proposed changes with its three CSR customers. If so, provide the customers' responses.

b. Mr. Bellar provides recent PJM demand response auction prices on page 11 and states that the proposed CSR credits "strike a reasonable balance between capacity-market prices and the desire to encourage demand response." State whether KU believes that physical curtailments are necessary usually during high usage times when market prices would be at higher peak prices. If no, explain.

c. Mr. Bellar states on page 11 that KU proposes to eliminate the "system reliability event" restriction on its ability to request a physical curtailment. State when would a physical curtailment be needed absent a system reliability event.

73. Refer to the Testimony of Robert M. Conroy ("Conroy Testimony") at pages 3-4 wherein Mr. Conroy discusses the proposed change to the fuel adjustment clause ("FAC") calculation related to the calculation of system losses. State whether KU's FAC calculation was purposely set up to jurisdictionalize the system losses or if the system losses have been jurisdictionalized in error since the FAC was established.

74. In Case No. 2012-00222[4], LG&E is proposing an adjustment to revenues and expenses concerning the FAC and the inclusion of Interchange In energy as a component of Sales. Explain why a similar adjustment is not being proposed for KU.

75. Provide an electronic copy in spreadsheet format of all of the Conroy exhibits with the formulas intact and unprotected and with all columns and rows accessible.

76. Refer to the Conroy Testimony at page 14 wherein Mr. Conroy states that "KU continues to use the same spreadsheet models developed and utilized in the prior base rate proceedings to perform the cost of service study." State whether this statement indicates that all revenue and expense amounts in the cost of service study

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[4] Case No. 2012-00222, Application of Louisville Gas and Electric Company for an Adjustment of its Electric Rates, filed July 10, 2012.

filed in this proceeding have been allocated using the same allocation factors as used in the prior base rate proceeding. If no, provide the changes in the allocation factors and reasons for the changes.

77. Refer to page 20 of the Conroy Testimony. Mr. Conroy states that allocation factors YECust05 and YECust06 were used to allocate plant costs associated with meter reading, billing costs, and customer service expenses on the basis of a customer weighting factor based on discussions with KU's meter reading, billing and customer service departments.

a. Explain how these discussions were used to determine the allocation factors.

b. Provide examples of questions asked and how the answers were used to calculate the factors.

78. Refer to the Conroy Testimony at page 38 wherein he discusses the proposal to eliminate the Load Reduction Rider. Mr. Conroy states that there have been no customers requesting to participate in the rider since it was made a permanent tariff. State whether there were participating customers when it was a pilot program. If yes, provide the number who participated and the reasons they are no longer participating.

79. Refer to the Conroy Testimony at pages 40-43 wherein he describes how the proposed increases in the Redundant Capacity charges and Supplemental/Standby Service charges were calculated. State whether the methodology used to calculate the increases is the same as that used in prior base rate proceedings. If no, provide and explain the differences.

80. Refer to pages 44-45 of the Conroy Testimony. Mr. Conroy states that no customers have ever participated in its Real Time Pricing tariff, that the availability to participate is limited to those having done so by November 31, 2010, and that KU proposes to eliminate the tariff. State whether KU incurs any costs to keep the tariff active. If yes, provide a breakdown of the costs. If no, explain why KU is not requesting a change to the availability section of the tariff so that customers may participate which would enable KU to provide additional tariff options to its customers.

81. Refer to Conroy Exhibit P1, page 3 of 18. This page shows that there are no customers on Low Emission Vehicle tariff. Describe the efforts KU has made in advertising this rate to its customers.

82. Refer to Conroy Exhibit P5. Explain why KU is using an adjustment for customer switching to calculate Actual kWh in column (4) in its Adjustment to Reflect Year End Number of Customers, and whether the level of rate switching experienced during the test year is significantly greater than in the past.

83. Refer to Conroy Exhibit P5, page 3 of 7.

a. Customers 11, 12, 13, 14, 16, and 17 are shown as being "New in June 2011". However, the "Customer Months" in column 2 are shown as something other than "10" which would be the remaining months in the test year for a new June 2011 customer. Explain the amounts in the "Customer Months" column for those customers.

b. Customer 15 is shown as being "New in July 2011". However, the "Customer Months" in column 2 is shown as something other than "9" which would be the remaining months in the test year for a new July 2011 customer. Explain the amount in the "Customer Months" column for this customer.

84. Refer to Conroy Exhibit P5.

a. Refer to page 6 of 7. Column (4) is calculated by subtracting column (2) from, and adding column (3) to, column (1). Explain whether this results in column (4) representing a pre-switching rather than post-switching customer count. If yes, explain why the year-end customer adjustment should be calculated using a pre-switching count. If not, explain. If a correction is necessary, provide a revised Exhibit P5 and revisions of all exhibits that would be affected by this change.

b. Likewise, if column (8) represents a pre-switching as opposed to post-switching energy usage, explain why this is correct. If any corrections are necessary, provide revisions to Exhibit P5 and all affected exhibits.

85. Refer to Conroy Exhibit C1.

a. Explain how the minimum system demand figure was calculated or whether it is simply the low point on the system load curve.

b. Explain how the winter and summer peak hours are calculated.

c. This exhibit provides the application of the modified BIP methodology which is based on combined system results for KU and LG&E. Provide the information presented in Conroy Exhibit C1 for the KU and LG&E systems individually.

86. Refer to Conroy Exhibit C3.

a. Refer to pages 17-20 of 52. Explain the reasoning for using the PROFIX functional vector for accounts 551, 553, and 554.

b. Refer to pages 49-52 of 52. Explain in detail how each of the following functional vectors was calculated: F015, F019, F020, F021, F022, F023, F024, and F027.

87. Refer to Conroy Exhibit C4, pages 23-24 of 38, the Operating Revenues section.

a. Explain where the first row of numbers on these pages, the Sales amounts by rate class, can be found in either Conroy Exhibit R4 or R5. If they cannot be found in those exhibits, explain how they were calculated.

b. Explain why the rows for "Franchise Fees and HEA" and "Other Accrued Revenue" are blank.

c. Explain what is meant by "Forfeited Refundable Advances".

88. Refer to Conroy Exhibit C4, page 27-28 of 38.

a. Explain how the FAC01 allocation vector was calculated.

b. Explain why, for the row "Annualize FAC roll-in to base rates", the amount in the "Residential Rate RS" column should not equal $1,007,423 which is the difference between the $2,112,852 amount in the "Total 12 Mos. Ended" column for the Residential Rate on Conroy Exhibit P2, page 3 of 3, and the ($1,105,429) in the "Increased Revenue" column for the Residential Rate RS on Conroy Exhibit P1, page 1 of 18.

c. Explain why the individual class allocations for the "Year end adjustment" on these pages do not reconcile with those on Conroy Exhibit P5, page 1 of 7.

d. KU uses the allocation vector FAC01 to allocate the "Annualize FAC roll-in to base rates" and "Adjustment to reflect changes to FAC calculations" pro-forma adjustments to the rate classes. In Case No. 2012-00222, LG&E used the allocation vector REV01 for the same pro-forma adjustments. Explain the reason for the use of different allocation vectors between the companies.

89. Refer to Conroy Exhibit C4, pages 33-34. Explain why the "Proposed Increase" amounts on these pages for the PS-Primary, TOD Primary, and FLS-Transmission classes do not reconcile with the "Increase" amounts shown for those classes on Conroy Exhibit R4, page 3 of 3.

90. Refer to Conroy Exhibit C4, pages 35-36. Provide the workpapers supporting the Customer Allocation Factors C02 and C03.

91. Refer to Conroy Exhibit C5, page 5 of 5, and Exhibit C6, page 5 of 5. Explain the basis for the allocation of 85 percent to Primary and 15 percent to Secondary.

92. Refer to Conroy Exhibit R4.

a. State where on this schedule, and in what USoA account, revenue from all riders is recorded.

b. Refer to page 1 of 3.

(1) Provide a reconciliation of the $1,319,060,381 Total Jurisdictional "Revenue Adjusted to as Billed Basis" on this page to the $1,342,076,920 Jurisdictional "Operating Revenues" on Blake Exhibit 1, page 1 of 3.

(2) Explain why the Total Jurisdictional "Adjustment to Remove Fuel Adjustment Clause Billings" of $9,300,699 does not reconcile with the $9,342,991 shown in last column on Conroy Exhibit P2, page 1 of 3.

c. Refer to page 2 of 3.

(1) Explain how amounts in the "Adjustment to Reflect Removal of Base Rate ECR Revenues" column were calculated and how they relate to Blake Exhibit 1, Reference Schedule 1.04.

(2) Explain how the amounts in the "Adjustment to Reflect Elimination of ECR Plans" column were calculated and how they relate to Blake Exhibit 1, Reference Schedule 1.04.

93. Refer to Conroy Exhibit R5.

a. Refer to page 1 of 16. Explain the reason for the 433 and 1,366 that appear in lower half of the page under the "Present Rates" column and how they are used in the calculations.

b. Refer to page 9 of 16. Explain why the $500 shown under the "Calculated Revenue at Present Rates" column for "Prorated and corrected basic service charge billings" does not appear in the "Calculated Revenue at Proposed Rates" column.

c. Refer to page 13 of 16. KU is proposing an increase of 14.73 percent for the "9,500L Contemp Décor UG RC-484" light, a 20 percent increase for the "22,000L Contemp Décor UG RC-485" light, and a 15.6 percent increase for the "50,000L Contemp Décor UG RC-486" light. The average increase for the lighting classes is 5.41 percent. Explain the reason for the proposed higher increases to the three referenced lights.

d. Refer to page 15 of 16. KU is proposing an increase of 55 percent for the "20,000L MV Special Lighting RC-408" light. The average increase for the lighting classes is 5.41 percent.

1) Explain the reason for the proposed higher increase for this light and how an increase of this magnitude satisfies the principal of gradualism.

2) State the number of customers that would be affected by this proposal. Include in your response the largest number of these lights billed to a single customer.

94. Refer to Conroy Exhibit M4, page 1 of 3.

a. State whether the installed costs shown on this schedule are gross or net investment costs. If gross costs, explain why net costs were not used.

b. In KU's most recent rate proceeding, Case No. 2009-00548, the calculation of the CATV attachment charges included a two-user pole cost as well as a three user pole cost. Explain why only a three user pole cost is included in the calculation in this proceeding.

95. Refer to Conroy Exhibit M6. Provide a breakdown which details the costs incurred for labor, transportation, supplies, and equipment.

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DATED JUL 3 1 2012

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