



a PPL company

Jeff DeRouen, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

July 25, 2011

RE: *In the Matter of: The Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge - Case No. 2011-00162*

Dear Mr. DeRouen:

Enclosed please find an original and fifteen (15) copies of Louisville Gas and Electric Company's (LG&E) response to the Attorney General's (AG) Initial Data Requests dated July 12, 2011, in the above-referenced matter.

Also enclosed are an original and fifteen (15) copies of a Petition for Confidential Protection regarding certain information contained in response to Question Nos. 2(a-c) and 6(a).

The verification page for Gary H. Revlett is being filed under a separate cover letter.

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

Sincerely,

Robert M. Conroy

cc: Parties of Record

RECEIVED
JUL 25 2011
PUBLIC SERVICE
COMMISSION

**Louisville Gas and
Electric Company**
State Regulation and Rates
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR CERTIFICATES)	
OF PUBLIC CONVENIENCE AND NECESSITY)	
AND APPROVAL OF ITS 2011 COMPLIANCE)	CASE NO. 2011-00162
PLAN FOR RECOVERY BY ENVIRONMENTAL)	
SURCHARGE)	

LOUISVILLE GAS AND ELECTRIC COMPANY

**RESPONSE TO THE
ATTORNEY GENERAL'S (AG)
INITIAL DATA REQUESTS**

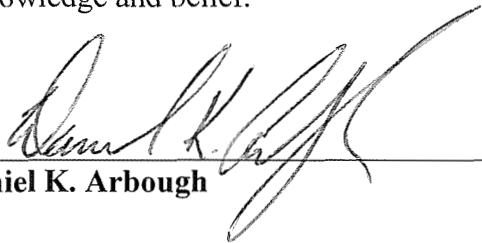
DATED JULY 12, 2011

FILED: JULY 25, 2011

VERIFICATION

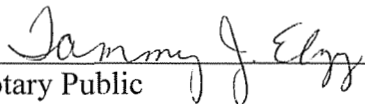
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer for Louisville Gas and Electric Company and an employee of 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.



Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of July 2011.

 (SEAL)

Notary Public

My Commission Expires:

November 9, 2014

VERIFICATION

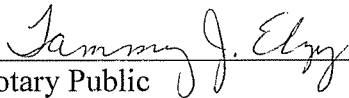
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Louisville Gas and Electric Company and an employee of 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.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of July 2011.

 (SEAL)

Notary Public

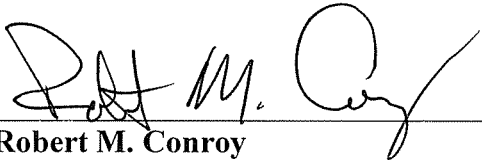
My Commission Expires:

November 9, 2014

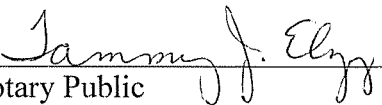
VERIFICATION

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 22nd day of July _____ 2011.


Notary Public _____ (SEAL)

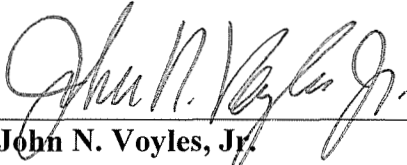
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November 9, 2014

VERIFICATION

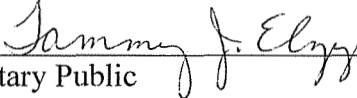
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **John N. Voyles, Jr.**, being duly sworn, deposes and says that he is Vice President, Transmission and Generation Services for Louisville Gas and Electric Company and an employee of 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.



John N. Voyles, Jr.

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of July 2011.



Notary Public (SEAL)

My Commission Expires:

November 9, 2014

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 1

Witness: Robert M. Conroy

- Q-1. Company testimony indicates that by 2020, LG&E's O & M costs will rise to \$60 million.
- a. Is this figure solely in regard to new environmental plant? If so, please state whether this estimate is on an annualized basis, or if it is not on annualized basis, identify the basis.
 - b. If the \$60 million figure pertains to both new and existing O & M costs, please provide a break-out depicting existing O & M costs contrasted with projected O & M costs relating to new plant.
- A-1.
- a. In LG&E's Application, Exhibit 1-2011 Plan, page 2 of 2, the estimated annual O&M costs through 2020 are shown by Project No. and by Generating Station for the new environmental plant proposed in the 2011 ECR Plan. The estimated annual O&M costs are on an annual basis. The annual values for 2020 total approximately \$60 million.
 - b. Not applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 2

Witness: Counsel

- Q-2. Provide copies of all correspondence, memoranda and e-mails regarding any and all alternatives to the proposed environmental compliance plan set forth in the company's petition in the instant matter:
- a. by and among the employees, officers and directors of LG&E / KU; and
 - b. between the company's employees and any and all external consultants.
 - c. For purposes of this question, the term "company" includes any and all subsidiaries, affiliates and holding companies within the PPL corporate family.
- A-2. a. To the extent that the request for the production of documents is overly broad and unduly burdensome and seeks the production of documents that are irrelevant to the issues in this case or are privileged, objections are made to the request. Without waiver of these objections, counsel for LG&E is undertaking a reasonable and diligent search for responsive and non-privileged documents and will produce documents responsive to this request through a rolling production beginning July 25, 2011. Please note that LG&E anticipates seeking confidential protection for portions of certain documents being provided hereunder. Also a privilege log concerning documents responsive to this request, but which LG&E is not providing on the ground that they are exempt from production, will be subsequently provided in a supplemental response. This log will be supplemented as appropriate with the production of other documents or completion of the search. Counsel for LG&E will update counsel for the AG on a weekly basis on the status of the production of further documents.
- b. See the response to (a).
 - c. No response appears to be required.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 3

Witness: John N. Voyles, Jr.

- Q-3. The goal of KU's Project 29 (Brown, Amended) is to convert Brown's main ash pond from wet to dry storage. Please discuss whether any of LG&E's ash ponds will or may require any work of a similar nature in order to satisfy the requirements of the CCR regulation, and/or any other regulation. In your discussion please distinguish between actions that will or may have to be taken based upon EPA's pending determination regarding whether CCRs are a hazardous or a non-hazardous waste.
- A-3. Mill Creek and Cane Run Stations already utilize dry storage landfills. Trimble County station is in the process of permitting a dry storage landfill previously approved by the KPSC in the 2009 Environmental Compliance Plan. As such, we do not expect to convert any of the LG&E ash ponds to dry storage landfills similar to KU's Project 29. The wet storage ash ponds at all facilities will be impacted in the future by the pending CCR rule and appropriate actions will be taken to comply with those regulations, whether hazardous or non-hazardous determination in made by the EPA.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 4

Witness: John N. Voyles, Jr.

Q-4. State whether the company anticipates any additional compliance work having to be done which was not outlined in the petition and accompanying testimony. If yes, please describe in detail.

A-4. The Compliance Plan contained in the filing is based on the Company's interpretation of the current and proposed regulations discussed in the Application and Testimony. The Companies continuously review their obligations related to environmental compliance and evaluate the need for additional compliance measures when proposed regulations are known. The EPA is required by provisions of a number of CAAA statutes to regularly review scientific data on emissions and determine whether further actions are warranted. This process has occurred many times in the last 30 years, resulting in changes to the emission requirements for all industry. The EPA is continuing to evaluate primary and secondary NAAQS, as well as the potential development of greenhouse gas emission standards. While the timing of some of these reviews are specified in the CAAA of 1990, it is not possible to predict what, if any, changes will be required as a result of those reviews by the EPA. In addition to new requirements under the CAAA, EPA has also indicated their intent to issue future new effluent discharge regulations under the Clean Water Act (CWA) and potential new requirements for coal combustion residuals. These non-air related rules will also have the potential for affecting our operations in the future.

Based on the EPA's requirements under the CAAA statutes discussed above, future compliance measures will likely be necessary; however, the Companies cannot at this time with reasonable certainty develop details associated with compliance work necessary for future regulations that have not been issued. The Companies, however, must comply with the environmental regulations identified in their Applications by the corresponding deadlines.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 5

Witness: John N. Voyles, Jr. / Gary H. Revlett

- Q-5. Regarding the construction plans detailed in projects 26 and 27, identify which are due to compliance with forthcoming environmental regulations / rules, and which are being implemented to settle or otherwise resolve prior violations and/or prior alleged violations.
- A-5. The testimony of Mr. Voyles and Mr. Revlett discuss in detail the environmental regulatory requirements that cause the need for the Projects contained in the Company's environmental compliance plan. Specific references to the environmental regulations are contained in Column 5 of Exhibit JNV-1 and explained in detail in Mr. Revlett's testimony.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 6

Witness: Counsel / Lonnie E. Bellar

- Q-6. Reference the testimony of Mr. Bellar at page 14. Please identify precisely how long LG&E has been working on the matters at issue in application.
- a. Provide copies of any and all documents, emails, correspondence, memorandum, reports, letters, studies, analyses, conclusions, or opinions that relate to the preparation of the application, whether prepared by LG&E or any other entity involved, including but not limited to KU, an affiliate company, PPL, an independent contractor, or any agent of the aforementioned entities. In complying with this and all other specific requests set forth in the Attorney General's Initial Requests, please pay careful attention to the definition of "document" as set forth in instruction no. 10 of the attached instructions.
 - b. If not provided in the prior response, provide copies of all Board of Directors' meeting minutes, emails, correspondence, memorandum, reports, letters and/or any and all other documents that discuss the preparation of the application.
- A-6. LG&E cannot identify a precise date when work on this application began since review of and compliance with environmental regulations is an on-going process. However, in early to mid 2010 the Companies began developing projects to be contained in an amended environmental compliance plan that resulted in this Application.
- a. To the extent that the request for the production of documents is overly broad and unduly burdensome and seeks the production of documents that are irrelevant to the issues in this case or are privileged, objections are made to the request. Without waiver of these objections, counsel for LG&E is undertaking a reasonable and diligent search for responsive and non-privileged documents and will produce documents responsive to this request through a rolling production beginning July 25, 2011. Please note that LG&E is seeking confidential protection for portions of certain documents being provided hereunder. Also a privilege log concerning documents responsive to this request, but which LG&E is not providing on the ground that they are exempt from production, will be subsequently provided in a supplemental response. This log will be supplemented as appropriate with the production of other documents or completion of the search. Counsel for LG&E will update counsel for the AG on a weekly basis on the status of the production of further documents.
 - b. See the response to (a).

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 7

Witness: John N. Voyles, Jr.

- Q-7. Reference the testimony of Mr. Bellar at page 14. If it has not been provided, please provide a copy of the Bleak and Veatch report.
- A-7. Exhibit JNV-2 discusses the analysis and contains reports provided by Black and Veatch.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 8

Witness: Lonnie E. Bellar

- Q-8. Reference the testimony of Mr. Bellar at page 15. Please explain in complete detail why the utilities "cannot afford to wait for the rules to become final before they act to comply" given the fact that some of the rules may change as the company admits at pages 7 – 8 of Mr. Bellar's testimony.
- A-8. The Companies evaluated the proposed rules and assessed the deadlines included in those rules in the context of the time required to complete the regulatory process, construction timelines, and current maintenance and outage schedules of the plants. The Companies have moved with all reasonable and deliberate speed to file with the Commission an Application that contains proposed projects that will ensure LG&E's compliance with the various proposed environmental regulations. Based on the proposed compliance dates, it may be necessary for the Companies to make commitments as early as December 2011 in order to ensure compliance with the environmental regulations in a least cost manner to customers. However, the Companies continue to monitor the schedules, timelines, and the markets for materials and labor for any flexibility in the process that could result in savings for the customer.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 9

Witness: Lonnie E. Bellar

Q-9. Reference the testimony of Mr. Bellar at page 10. What is meant with the statement that “the approved stipulation in the Company’s most recent base rate case thus eliminated the controversy often associated with this issue [the determination of an ROE for the company]”?

A-9. Please see the response to KPSC Question No. 17.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 10

Witness: Daniel K. Arbough

Q-10. Reference the testimony of Mr. Bellar at page 13. Explain in complete detail how "LG&E expects to finance the costs of the new facilities with a combination of new debt and equity."

A-10. Please see the response to KPSC Question No. 13.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 11

Witness: Daniel K. Arbough

Q-11. Provide copies of all financial modeling, studies, analyses, reports and studies used by the company in reaching its result for its determination to finance the projects, which have not already been provided in the company's application.

A-11. There are no studies, analyses or reports used in reaching this determination.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 12

Witness: Lonnie E. Bellar

Q-12. Has the company conducted any studies, analyses, reports or otherwise on the effect of the proposed rate increase on the affordability of its customers to pay their bills? If so, please provide copies of all such documents.

A-12. No, LG&E has not performed such a study. LG&E recognizes the hardship many of its low-income customers face. LG&E helps those customers by offering many different payment options and assistance programs, such as the following:

- 1) LG&E and its customers are major contributors to the WinterHelp. LG&E matches customer contributions year-round, in amounts ranging from \$0.25 (during non-winter months) up to \$2 (during some winter months), for each \$1 donated by customers.
- 2) LG&E also works very closely with the Association of Community Ministries in Louisville during the LIHEAP Subsidy and Crisis season. Customer Commitment, Residential Call Centers and Business Office customer representatives communicate frequently with assistance agencies in providing information for customers in need throughout the LG&E service territory.
- 3) LG&E Customer Care Reps receive referral training and information to help customers in need to find assistance.
- 4) LG&E offers several different payment options, such as budget billing, Automatic Bank Club, and mutually agreeable payment arrangements.
- 5) The LG&E WeCare Program provides weatherization services to its low-income customers. Services include energy education, air and duct sealing and insulation, attic and wall insulation, heating and a/c tune-ups, programmable thermostats, and energy-efficient refrigerators.
- 6) LG&E also offers a residential energy audit to its customers for \$25, for which customers receive energy conservation products worth over \$100.
- 7) LG&E collects a 15 cent per electric meter charge as part of the Home Energy

Assistance (HEA) program, equaling approximately \$1,160,000 annually. Funds are administered by Affordable Energy Corporation. In addition to the meter charge, for 2010, LG&E contributed approximately \$180,000 shareholder dollars to the HEA program.

- 8) Project Warm and LG&E have a continuing partnership in participating in the annual Winter Blitz. In 2010, teams of volunteers completed first level weatherization for approximately 250 homes. In addition to hosting the event at a LG&E facility, LG&E employees and other community groups volunteered their time in this effort to repair and weatherize homes in the community.
- 9) As of October 1, 2010, LG&E residential customers receiving a pledge or notice of low-income energy assistance from an authorized agency will not be assessed a late payment charge for a period of 12 months.
- 10) In addition, LG&E regularly provides conservation tips in its customer newsletter "Power Source."

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 13

Witness: Lonnie E. Bellar

Q-13. Has the company conducted any studies, analyses, reports or otherwise on the effect of the proposed rate increase on the economic impact relative to:

- a. Job retention;
- b. Job recruitment;
- c. Exiting of industrial customers;
- d. Exiting of commercial customers;
- e. General effect on the local economy?

If so, please provide copies of all such documents.

- A-13. a. No.
- b. No.
- c. No.
- d. No.
- e. No.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 14

Witness: Lonnie E. Bellar

Q-14. Based on the company's request of a 10.63% ROE in the application and pre-filed testimony, and assuming the Commission grants same, how much profit will the company earn on a yearly basis over the next ten years, broken down by each year?

A-14. The Company assumes the Attorney General's request refers to the return on equity component of the revenue requirement associated with the investments included in this application. The Company has not performed such a calculation. Such amount can be calculated as follows: $10.63\% \times \text{equity \% of capitalization structure} \times \text{the average rate base (cost less accumulated depreciation and deferred taxes)} \times \text{jurisdictional allocation factor}$. Please see the information contained in the response to KPSC Question No. 49.

It is not reasonable to calculate profit in the ECR over a ten year period without giving consideration to a number of variables that will impact such a calculation. Over the previous ten year period, LG&E has eliminated three previously approved ECR Plans in base rate cases and the authorized rate of return has changed multiple times. As the Attorney General is aware, the Company's overall return is a function of multiple variables and is filed monthly with the Commission. In addition, as evidenced in the Company's previous general rate case filings, a return on equity of 10.63% with respect to environmental compliance plans does not ensure that the Company will earn the overall authorized rate of return.

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Initial Data Requests Dated July 12, 2011

Case No. 2011-00162

Question No. 15

Witness: Daniel K. Arbough

- Q-15. Has the company, through its ultimate holder PPL or any other affiliate within the PPL corporate group, represented to the financial and/or investment communities that that the ECR mechanism is a profit center for PPL? Has the company used any words of any similar nature whatsoever in any representation(s) to the financial and/or investment communities that could reasonably be construed to imply such? If so, provide copies of any and all documents.
- A-15. No. Neither the Company, PPL nor any other affiliate within the PPL corporate group, has represented to the financial and/or investment communities that the ECR mechanism is a "profit center" for PPL. The ECR mechanism is critical in facilitating timely recovery of pre-approved environmental capital investment. PPL's communications to the financial and investment communities have focused on the importance of timely recovery of environmental investment in light of the significant levels of environmental capital expenditures that are expected to be required over the next few years.