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Ms. Elizabeth O'Donnell, Executive Director
Kentucky Public Service Commission
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PUBLIC SERVICE
COMMISSION

February 23, 2007

**Louisville Gas and
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**RE: An Examination of the Application of the Fuel Adjustment Clause of
Louisville Gas and Electric Company From November 1, 2004 to
October 31, 2006 - Case No. 2006-00510**

Dear Ms. O'Donnell:

Enclosed please find an original and five (5) copies of Louisville Gas and Electric Company's Response to the Commission Staff's Interrogatories and Requests for Production for Documents dated February 8, 2007, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Robert M. Conroy

Enclosures

cc: Michael L. Kurtz, Esq.
Elizabeth E. Blackford, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE OF)
LOUISVILLE GAS AND ELECTRIC) CASE NO. 2006-00510
COMPANY FROM NOVEMBER 1, 2004)
THROUGH OCTOBER 31, 2006)**

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
DATED FEBRUARY 8, 2007**

FILED: FEBRUARY 23, 2007

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Interrogatories and
Requests for Production of Documents Dated February 8, 2007**

Case No. 2006-00510

Question No. 1

Witness: Mike Dotson

Q-1. Refer to page 1 of LG&E's September 2006 Analysis of Coal Purchased for Fuel Clause Backup Report. LG&E purchased 1,567.55 tons of coal from Trinity Coal Marketing (Little Elk Mineral) for \$81.88 per ton, which is considerably higher than other spot purchases made during the same period. Explain the conditions that existed that made the relatively small purchase of higher priced coal necessary.

A-1. During the week of August 7, 2006 the Mill Creek Station experienced a failure of the gearbox on the "A Limestone Mill". The failure significantly reduced the amount of limestone that could be crushed and processed into limestone slurry. The high generation levels that Mill Creek Station was experiencing during the week due to the hot weather reduced the amount of limestone slurry in the limestone storage tanks. Mill Creek Station was concerned that the level of limestone slurry in the limestone storage tanks would become too low to support the operation of the plant scrubbers.

Mill Creek Station had on site a loaded barge of low sulfur stoker coal that was purchased from Trinity Coal Marketing for an industrial customer. Mill Creek Station blended the low sulfur stoker coal with the higher sulfur coal the Station normally burns to reduce the overall sulfur level, thereby using lesser amounts of limestone slurry.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Interrogatories and
Requests for Production of Documents Dated February 8, 2007**

Case No. 2006-00510

Question No. 2

Witness: John Malloy

- Q-2. For each purchase of natural gas by LG&E for generation purposes for the months of January 2006 and August 2006, provide the following information:
- a. Supplier name;
 - b. Quantity purchased in mcf;
 - c. Delivered cost; and
 - d. Cents per MMBtu.
- A-2. Please see attached sheet.

Louisville Gas and Electric Company
Gas Purchases

January 2006

Company	Supplier/Transporter	Mcf	Mmbtu	Price	Cents per Mmbtu
LG&E	LG&E Gas Supply	46,582	47,747	580,076.33	1,214.9073
Total LG&E Purchases - January 2006		46,582	47,747	580,076.33	1,214.9073
KU	Colonial Energy	42,673	44,210	393,610.00	890.3248
KU	NJR Energy Services	17,457	18,085	161,015.00	890.3248
KU	Tennessee Gas Pipeline (Transporter)			10,370.00	
Total KU Purchases - January		60,130	62,295	564,995.00	906.9715
KU Gas charged to LG&E as Purchases in January		10,592	10,972	127,561.59	1,162.6102
LG&E January 2006 Total Purchases		57,174.00	58,718.55	707,637.92	1,205.1352

August 2006

Company	Supplier/Transporter	Mcf	Mmbtu	Price	Cents per Mmbtu
LG&E	LG&E Gas Supply	214,161	219,515	1,733,015.62	789.4747
LG&E	BP Energy	156,390	160,300	1,154,639.00	720.2988
LG&E	Chevron Natural Gas	201,240	206,271	1,496,333.29	725.4211
LG&E	Cinergy Marketing & Trading	21,561	22,100	186,645.00	844.5475
LG&E	ConocoPhillips	206,049	211,200	1,484,986.00	703.1184
LG&E	Enbridge	4,878	5,000	35,250.00	705.0000
LG&E	Marathon	14,829	15,200	114,667.00	754.3882
LG&E	NJR Energy Services	58,537	60,000	446,300.00	743.8333
LG&E	Oneok Energy	308,178	315,882	2,478,301.20	784.5655
LG&E	Sequent Energy	36,293	37,200	279,228.00	750.6129
LG&E	Tenaska Marketing	99,512	102,000	793,322.00	777.7667
LG&E	Texas Gas Pipeline (Transporter)			716,048.80	
LG&E	Accounting adjustments			19,540.88	
LG&E	Prior period adjustment of purchases	20,488	21,000	106,478.91	507.0424
Total LG&E External Purchases - August		1,127,954	1,156,153	9,311,740.08	805.4072
LG&E External Gas Purchases charged to KU in August		786,548	806,211	6,394,635.24	793.1714
Net LG&E Purchases in August		341,406	349,942	2,917,104.84	833.5967
KU	Adams Resources Marketing	11,512	11,800	97,763.00	828.5000
KU	Chevron Natural Gas	70,439	72,200	613,252.00	849.3795
KU	Cinergy Marketing & Trading	67,399	69,084	578,239.24	837.0089
KU	Colonial Energy	331,415	339,700	2,698,094.00	794.2579
KU	Marathon	4,878	5,000	51,500.00	1,030.0000
KU	NJR Energy Services	508,417	521,127	4,142,819.99	794.9732
KU	Sequent Energy	26,537	27,200	257,753.00	947.6213
KU	Tenaska Marketing	233,171	239,000	1,981,200.00	828.9540
KU	Tennessee Gas Pipeline (Transporter)			90,898.65	
KU	Tetco Gas Pipeline (Transporter)			2,654.43	
KU	Prior period adjustment of purchases			(269,627.41)	
Total KU Purchases - August		1,253,767	1,285,111	10,244,546.90	797.1721
KU Gas charged to LG&E as Purchases in August		318,555	326,518	2,957,241.63	905.6902
LG&E August 2006 Total Purchases		874,122	895,975	7,607,362.09	849.0596

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Interrogatories and
Requests for Production of Documents Dated February 8, 2007**

Case No. 2006-00510

Question No. 3

Witness: John P. Malloy

- Q-3. Refer to Item 14, page 1 of LG&E's response to the Commission's December 18, 2006 Order.
- a. Explain whether LG&E has set a date by which a decision is to be made concerning the future of Paddy's Run Unit 12.
 - b. Explain whether the decision on Unit 12 will affect the status on Paddy's Run Units 11 and 13.
- A-3.
- a. The Companies have begun to perform life assessment studies for all the units in the fleet which have more than thirty years of service. Paddy's Run Unit 12 is currently under evaluation for further capital investments. A decision will be reached by March 31, 2007 as to how to proceed with this unit. LG&E will supplement this response with the results of this evaluation and its decision prior to the hearing.
 - b. No. The future of each unit will be evaluated separately.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Interrogatories and
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Case No. 2006-00510

Question No. 4

Witness: John P. Malloy

- Q-4. Refer to Item 14, page 18 of LG&E's response to the Commission's December 18, 2006 Order. In October 2006 an inspection of Trimble County Unit 10 was required by General Electric which resulted in a prolonged outage for the unit.
- a. Explain whether it was determined if the problem was caused by a manufacturing defect.
 - b. If the problem was caused by a manufacturing defect, explain whether General Electric assumed responsibility for the full cost of the repairs.
- A-4. a. Yes. It was determined that the problem was caused by a manufacturing defect.
- b. General Electric ("GE") issues Technical Information Letters ("TIL") whenever they find a repetitive problem on any of their products or units. In this case, the TIL regarded cracks in the compressor high pressure blades. The Companies followed the recommendation which required inspections for blade damage. Trimble County 10 was commissioned on 7/1/2004 and the warranty expired on 7/1/2005 and therefore the unit is no longer covered by GE for manufacturing defects.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Commission Staff's Interrogatories and
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Case No. 2006-00510

Question No. 5

Witness: Mike Dotson

- Q-5. Refer to Item 15, page 5 of LG&E's response to the Commission's December 18, 2006 Order. Explain whether LG&E expects that the shortfalls in 2005 and 2006 coal deliveries will be made up by Charolais Coal, No. 1, LLC. If the deliveries are not to be made up, explain why not.
- A-5. LG&E expects the shortfall in tonnage to be made up by Charolais Coal. The Charolais Coal Agreement contained a contract reopener clause for pricing and other terms and conditions. Negotiations began with Charolais mid year 2006 based on the reopener. LG&E reached final agreement in late October 2006 on a new Coal Supply Agreement with Charolais for new tonnage, in addition to the shortfall tonnage. The tonnage and pricing will be made up during years 2007, 2008 and 2009. A contract was signed by LG&E on December 21, 2006.