COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION LOUISVILLE GAS AND ELECTRIC COMPANY FOR APPROVAL OF AN AMENDED COMPLIANCE PLAN FOR PURPOSES OF RECOVERING THE COSTS OF NEW AND ADDITIONAL POLLUTION CONTROL FACILITIES AND TO AMEND ITS ENVIRONMENTAL COST RECOVERY SURCHARGE TARIFF	)))))))	CASE NO. 2000-386

SECOND DATA REQUEST OF COMMISSION STAFF TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company ("LG&E") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 5, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the response to the First Data Request of Commission Staff to LG&E dated November 21, 2000 ("1st Staff Request"), Item 1(c). LG&E has proposed that it should be permitted to adjust the debt portion of its weighted cost of capital every

six months, with Commission review of the cost of debt undertaken later during the appropriate 6-month review.

a. Explain why LG&E believes this approach is more reasonable and appropriate than one where the Commission reviews the cost of debt and authorizes a new weighted cost of capital prior to its use in the surcharge mechanism.

b. Explain why the Commission should adopt an approach for LG&E that is different from the approach utilized in the environmental surcharge mechanism approved for American Electric Power Company – Kentucky.

2. Refer to the response to the 1st Staff Request, Item 5. In Case No. 98-426,[1] the Commission determined the reasonable overall cost of capital for LG&E to be 8.47 percent, which produced a rate of return on its electric rate base of 8.00 percent.[2] If this approach were applied to LG&E's environmental surcharge mechanism, the weighted cost of capital would be used to determine a corresponding rate of return for the environmental rate base. The resulting rate of return, grossed up for taxes, would be applied to the environmental rate base to determine the monthly revenue requirement.

a. Explain why this approach should not be adopted for the environmental surcharge mechanism.

[1] Case No. 98-426, Application of Louisville Gas and Electric Company for Approval of an Alternative Method of Regulation of Its Rates and Service.

[2] Case No. 98-426, January 7, 2000 Order at 100.

b. Explain why LG&E's proposal to apply its weighted cost of capital to its environmental rate base is more reasonable and appropriate than the approach used to determine the net operating income found reasonable in Case No. 98-426.

3. Refer to the response to the 1st Staff Request, Item 7(a).

a. Identify the portions of Project Nos. 1 through 5 that are expected to be replaced and retired due to the construction planned for Project No. 6.

b. Assuming the Commission approves LG&E's application as filed, does LG&E intend to include the construction work in progress ("CWIP") balances for Project No. 6 in its monthly surcharge calculations?

c. Based on current estimates, provide the expected CWIP balance for Project No. 6 as of May 1, 2001.

d. If portions of Project Nos. 1 through 5 are to be replaced and retired by construction planned for Project No. 6, and CWIP balances for Project No. 6 are included in the monthly surcharge calculations, explain the adjustments LG&E proposes to make in order to avoid earning a return on both components in the same monthly surcharge calculation.

4. Refer to the response to the 1st Staff Request, Item 8.

a. If LG&E receives the final report on the new depreciation study on January 31, 2001, indicate when LG&E would anticipate submitting the study to the Commission for review and scrutiny.

b. When would LG&E anticipate implementing the results of the new depreciation study? Explain the response.

c. Does LG&E plan to include depreciation expense based on the new rates in its surcharge calculations prior to the Commission's review and/or comment on those rates? Explain the response.

5. Refer to the response to the 1st Staff Request, Item 9. Based on this response, would it be a correct summation of LG&E's position that after May 1, 2001 any additional environmental plant investment, either to Project Nos. 1 through 5 or the new Project No. 6, would earn the overall rate of return? Explain the response.

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DATED 12/21/2000

cc: All Parties