

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

THE APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR APPROVAL OF AN AMENDED)	
COMPLIANCE PLAN FOR PURPOSES OF)	CASE NO.
RECOVERING THE COSTS OF NEW AND)	2000-439
ADDITIONAL POLLUTION CONTROL FACILITIES)	
AND TO AMEND ITS ENVIRONMENTAL)	
SURCHARGE TARIFF)	

THIRD DATA REQUEST OF COMMISSION STAFF TO
LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) are 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 March 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 Rebuttal Testimony of Robert M. Hewett, pages 2 and 3.

a. When a utility uses pollution control bond debt financing, do the bonds specifically identify the assets being constructed or generally state what kinds of assets can be funded by the bonds? Explain the response and include copies of the asset descriptions contained in each outstanding pollution control bond debt financing by LG&E and KU.

b. Using the most current financial information available, provide the respective blended interest rates for the pollution control bond debts of LG&E and KU. Include supporting calculations and assumptions.

c. If the current blended interest rates for the pollution control bond debt are other than 5.60 percent for LG&E and 5.85 percent for KU, explain why the Commission should not reset the rate of return authorized on the respective existing environmental surcharge rate bases.

2. Refer to the Rebuttal Testimony of Ronald L. Willhite, page 3, and the additional surcharge forms filed by LG&E and KU on February 21, 2001. The February 21, 2001 filing includes a set of surcharge forms and supporting calculations illustrating LG&E's and KU's use of an overall rate of return for the environmental surcharge.

a. Provide a set of these illustrations showing LG&E's apportionment between its electric and gas operations.

b. The Hewett and Willhite Direct Testimonies indicate that LG&E and KU are proposing that the overall rate of return on capital should be applied to the environmental surcharge rate base. However, the illustrative forms filed on February 21, 2001 indicate that the overall rate of return on capital would be applied to the jurisdictional capitalization to determine the allowed net operating income. This allowed net operating income would then be divided by the jurisdictional rate base to determine the equivalent overall rate of return on rate base. Are LG&E and KU proposing that this approach, rather than applying the overall rate of return on capital to the environmental surcharge rate base, be adopted by the Commission? Explain the response.

c. The Willhite Direct Testimony states that the overall rate of return applied to the environmental surcharge rate base should be grossed up for income taxes. However, the illustrative forms filed on February 21, 2001 do not appear to include the recognition of income tax gross up. Explain why the illustrative forms do not reflect an income tax gross up for the overall rate of return.

d. The second page of the cover letter to the February 21, 2001 filing states that S. Bradford Rives will be adopting the direct testimony of Michael D. Robinson, who is no longer with LG&E and KU. Provide the professional experience and background, including degrees earned and professional licenses held, for Mr. Rives.

3. Refer to the Willhite Rebuttal Testimony, page 6. Is the proposal to include a cash working capital allowance for LG&E limited to the operation and maintenance expenses that will be recorded in Account Nos. 506105 and 512101, or are other operation and maintenance expenses included? Explain the response.

4. Refer to the Willhite Rebuttal Testimony, page 6. Concerning the depreciation studies filed with the Commission on February 20, 2001:

a. Did LG&E and KU also file an application with the Commission seeking formal approval of the new depreciation rates?

b. On February 20, 2001, did LG&E and KU provide the parties to these proceedings with copies of the depreciation studies? If no, explain why not.

c. Did the environmental surcharge monthly filings for LG&E and KU for the expense month of January 2001 reflect the new depreciation rates?

d. Since the new depreciation rates would impact the costs recovered in the respective environmental surcharges, did LG&E and KU consider contacting the Commission about the need for formal approval of the new depreciation rates prior to their use in the surcharge calculations? Explain the response.

e. (1) Would LG&E and KU agree that the Commission has not required formal approval of new depreciation rates prior to use for accounting purposes? Explain the response.

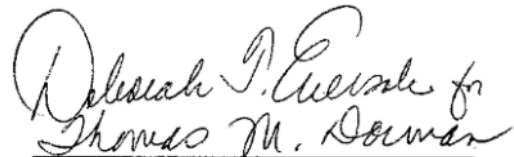
(2) Would LG&E and KU agree that the Commission has also indicated that utilities need to secure prior approval before new depreciation rates can be used for rate-making purposes or risk challenges to those new depreciation rates in rate-making proceedings? Explain the response.

5. Refer to the Willhite Rebuttal Testimony, pages 7 and 8, and RLW Rebuttal Exhibit 1, page 2.

a. Provide a schedule showing the Open Access Transmission Tariff revenues paid by LG&E and KU for use of their own transmission facilities when making

off-system sales. The schedule should cover the months of January 1999 through December 2000. The amounts for LG&E should be shown separately from the amounts for KU.

b. Page 2 of RLW Rebuttal Exhibit 1, first full paragraph, states that the accounting guidance was on an interim basis, pending further action by the Federal Energy Regulatory Commission ("FERC") in Docket Nos. RM95-8-000 and RM94-7-001. Did FERC revise this accounting guidance in either Docket No. RM95-8-000 or RM94-7-001? If yes, provide copies of the FERC's revisions.

A handwritten signature in cursive script, appearing to read "Deborah P. ... for Thomas M. Dorman".

Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

DATED 2/27/2001

cc: All Parties