COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR APPROVAL OF ITS 2004 COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE	))))	CASE NO. 2004-00421

FIRST 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 eight copies of the following information, with a copy to all parties of record. The information requested herein is due on February 9, 2005. 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 Direct Testimony of Kent W. Blake ("Blake Testimony"), page 5, where Mr. Blake states that the estimated initial impact on a residential customer using 1,000 kilowatt-hours per month is expected to be an increase of $0.14.

a. Explain whether the phrase "initial impact" means the immediate impact as of July 2005 assuming LG&E's request for Commission approval by July 1, 2005 is granted.

b. Provide the calculations showing the determination of the estimated impact for the 2004 Environmental Compliance Plan ("2004 Plan") of $0.14 and the estimated maximum impact upon completion of all projects in 2009 of $0.32. Include all workpapers, assumptions, and other supporting documentation.

2. Refer to the Direct Testimony of Sharon L. Dodson ("Dodson Testimony"), page 10, lines 5 through 7.

a. Provide the level of SO_2 emission reductions required to ensure that no violations are incurred.

b. Provide the expected reduction in SO_2 emission levels from the proposed modifications to the scrubbers by generating unit.

3. Refer to the Dodson Testimony, pages 10 through 13. Provide copies of the Clean Air Interstate Rule ("CAIR") and the Utility Hazardous Air Pollutant Rule as soon as the rules are issued by the Environmental Protection Agency ("EPA").

4. Refer to the Direct Testimony of John P. Malloy ("Malloy Testimony"), page 6. Mr. Malloy states that LG&E and the Metropolitan Sewer District ("MSD") have reached a verbal agreement regarding the expansion over the flood levee. Has that agreement been formalized into a written agreement? If yes, provide a copy of the agreement. If no, explain why the verbal agreement was not formalized into a written agreement.

5. Refer to the Malloy Testimony, page 6. Provide the status of the horizontal permit application that was expected to be completed and submitted to the Kentucky Division of Waste Management in December 2004.

6. Refer to the Malloy Testimony, page 7, which discusses the one-time, non-recurring expense of approximately $6.0 million for ash transfer.

a. Explain why LG&E expects the actual cost to be $6.0 million while the evaluation performed by Fuller Mossbarger Scott & May Engineers, Inc. estimates the cost to be $4.1 million. Provide any calculations, assumptions, and workpapers that support the increase in the estimated expense.

b. Has LG&E begun the process of transferring the ash from the existing ash treatment basin? If yes, provide the actual costs incurred as of December 31, 2004. If no, when does LG&E anticipate transferring the ash.

c. In Case No. 2002-00147,[1] LG&E, in its post-hearing brief, page 11, stated, "In the alternative, should the Commission determine that the $6.0 million expense should be deferred and recovered over a period greater than one year, a maximum period of four years is not unreasonable." Is this still LG&E's position on this issue?

7. Refer to the Malloy Testimony, page 9.

a. Explain why the capital expenditure of $4.14 million is expressed in 2002 dollars.

b. Provide a schedule of the anticipated additional costs for the project.

c. Since the construction is anticipated to extend through 2015, when does the construction begin?

[1] Case No. 2002-00147, The Application of Louisville Gas and Electric for Approval of its 2002 Compliance Plan for Recovery by Environmental Surcharge, Joint Post-Hearing Brief of LG&E and Kentucky Utilities Company.

8. Refer to the Malloy Testimony, page 9. Project 13 is described as including a multi-year plan from 2007 through 2009. Explain why LG&E is seeking approval of the scrubber refurbishment at the Trimble County Unit 1 at this time.

9. Refer to the Malloy Testimony. Concerning Projects 13 through 15, Mr. Malloy states that refurbishment of existing equipment remains the least cost approach to maintaining the required structural integrity and operational performance of the scrubbers.

a. Given the configuration of LG&E's generating units, list the alternatives available to LG&E to maintain the required structural integrity and operational performance of the scrubbers.

b. Provide the analysis that supports LG&E's claim that the refurbishment projects are the most cost-effective alternative.

10. Refer to the Malloy Testimony. At page 14, Mr. Malloy describes Project 16 as being a cost-effective means of improving the efficiency of the wet scrubber while assisting in the management of the forecasted SO_2 emission allowance shortfall.

a. Given the configuration of LG&E's generating units, list the alternatives available to LG&E to improve the efficiency of the wet scrubbers.

b. Given the configuration of LG&E's generating units, list the alternatives available to LG&E to assist in the management of the forecasted SO_2 emission allowance shortfall.

c. Provide the analysis that supports LG&E's claim that the performance improvements are the most cost-effective alternative.

11. Refer to the Malloy Testimony, pages 13 and 14 and Exhibit JPM-7.

a. Mr. Malloy states that LG&E may transfer to or acquire SO_2 emission allowances from Kentucky Utilities Company ("KU") at the market price for those allowances. Is the pricing of allowance transfers between LG&E and KU at market required by the cost allocation methodologies of the Securities and Exchange Commission or the Federal Energy Regulatory Commission? Explain the response.

b. Did LG&E consider seeking a deviation, pursuant to KRS 278.2207(2), to price allowance transfers with KU at weighted average cost instead of market prices? Explain the response.

c. Provide an SO_2 emission allowance schedule for each LG&E generating unit showing the following information for each calendar year from 1995 through and including 2004:

(1) The balance of allowances at the beginning of the year.

(2) The EPA Allocation.

(3) Total allowances received from other sources. Include a discussion of why LG&E received these additional allowances.

(4) The total SO_2 emissions for the calendar year.

(5) The number of allowances sold or transferred during the year. Include a discussion of why LG&E sold or transferred allowances.

(6) The balance of allowances at the end of the year.

d. When determining the total SO_2 emissions and the number of allowances that must be surrendered, does EPA make its determination for LG&E as a stand alone company or a combined company with KU? Explain the response.

e. Provide a revised version of Exhibit JPM-7 showing the SO_2 allowance bank projections for the period 2004 through 2016. Do not update the assumed allowance price per ton as shown for the period 2004 through 2010, but use the same methodology to present the prices for 2011 through 2016.

12. Refer to the Direct Testimony of Valerie L. Scott ("Scott Testimony"), page 3. Provide an estimate of the additional operating expenses beyond the level currently included in base rates for the increased SO_2 removal.

13. Refer to the Scott Testimony, page 5. Explain in detail the 30 percent and 50 percent "bonus" depreciation that may be available to LG&E. Include copies of the applicable sections of the U. S. Tax Code.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED January 26, 2005

cc: All Parties