COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC) COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC) AND GAS RATES, A CERTIFICATE OF PUBLIC) CASE NO. CONVENIENCE AND NECESSITY, APPROVAL OF) 2012-00222 OWNERSHIP OF GAS SERVICE LINES AND RISERS,) AND A GAS LINE SURCHARGE)

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company ("LG&E"), pursuant to 807 KAR 5:001, is to file with the Commission an original, one paper copy, and one electronic copy of the following information, with a copy to all parties of record. The information requested herein is due no later than September 12, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

LG&E shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which LG&E fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the application, Hermann Exhibit 1, page 4. LG&E states that it proposes to take ownership of and responsibility for customer-owned gas service risers as they are replaced and customer-owned service lines when a new service is installed or existing services are replaced or repaired. LG&E's proposed program will replace all targeted gas risers (approximately 213,000) over a five-year period.

a. Explain whether LG&E considers the replacement of the riser to also be a repair of the service line.

b. Upon replacement of the riser, explain whether the service line will be pressure-tested and, if so, whether LG&E will assume ownership of the service line at this time. If not, explain when LG&E will assume ownership of the service line.

c. Provide the timeframe and plan for replacing and taking ownership of the remaining (approximately 87,000) customer-owned service line risers.

d. Provide the timeframe and plan for replacing and taking ownership of any remaining customer-owned service lines.

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e. Explain whether the customer will be responsible for any expenses related to the replacement of the service riser and/or the repair, replacement, or new installation of a service line. If yes, provide details as to the expenses for which the customer will be responsible. If no, describe any educational programs that LG&E will implement to inform customers that any repair/replacement will be performed by LG&E at LG&E's expense.

f. Explain whether LG&E or its contractors repaired, replaced, or newly installed service lines as part of, or during, its main replacement program or at any other time. If so, explain how many service lines LG&E or its contractors have repaired, replaced, or newly installed and whether LG&E assumed ownership of those service lines. If LG&E has not assumed ownership of such lines, explain why it hasn't and when it will assume ownership of those lines.

2. Refer to the application, Hermann Exhibit 1, page 6. LG&E states that, after program implementation, it will provide an operator qualified inspector to assure the installer adheres to manufacturer recommendations and Company standards. It also states that LG&E will provide an operator qualified inspector for tasks completed by plumbers.

a. Explain how LG&E will comply with the requirements of 49 CFR
192 Subpart N – Qualification of Pipeline Personnel as it relates to the riser replacement
program and the assumption of ownership of the service line.

b. Explain whether the installer/plumber will fulfill the requirements for operator qualification of individuals performing covered tasks on a pipeline facility.

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c. Explain whether LG&E will qualify these individuals under its qualification program and maintain the proper records.

d. If the installer/plumber is not operator qualified, explain whether the operator qualified inspector provided by LG&E will be on-site at all times to direct and observe the installer/plumber.

e. Explain whether LG&E anticipates hiring any additional inspectors as part of this replacement program.

3. Refer to existing PSC Gas No. 8, Original Sheet No. 98, which states "Company will furnish, install, and maintain at its expense the necessary meter, regulator, and connections appurtenant thereto"

a. Explain whether LG&E currently performs operation and maintenance tasks on service lines, meters, regulators, and appurtenances.

b. If yes, explain what operation and maintenance tasks are currently performed on service lines, meters, regulators, and appurtenances.

4. Refer to the application, Hermann Exhibit 1, page 6, which states that ownership of customer service lines will result in estimated incremental operations and maintenance costs of \$1.1 million in year one and \$6.1 million over the five-year riser replacement program, and estimated incremental capital expenses of \$6.4 million in year one and nearly \$34 million over the five-year riser replacement program, and that these costs will continue thereafter.

a. Explain whether the estimated incremental costs are in addition to or inclusive of the costs associated with the existing operation and maintenance tasks performed in regards to service lines, risers, meters, regulators, and appurtenances.

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b. Provide details of the expenses associated with the existing operation and maintenance tasks performed in regards to service lines, risers, meters, regulators, and appurtenances, as well as details of the estimated incremental operation and maintenance expenses and the estimated incremental capital expenses associated with same.

5. Refer to the application, Hermann Exhibit 1, page 7. LG&E states that estimated capital expenses to replace the inventory of program risers over a five-year period are \$118.8 million. Provide details/breakdown of the expenses associated with the replacement of the inventory of program risers.

6. Refer to proposed PSC Gas No. 9, Original Sheet No. 98, which states "Customer shall protect such property of Company from loss or damage." Explain whether the customer is proposed to be responsible for protecting the meter set, through activities such as installation of barriers, and any expenses associated with such.

7. Refer to the application, Conroy Exhibits R2 and R7. Provide this schedule for each of the following electric rate classes: GS, PS-Secondary, PS-Primary, TOD-Secondary, TOD-Primary, RTS, and FLS; and for the following gas rate classes: CGS, IGS, AAGS, and FT.

8. Refer to the application, Conroy Exhibit M2. Pages 1 and 2 state that the source of the referenced costs is Exhibit Conroy C3. Provide the location in Exhibit Conroy C3 of each of the costs shown on these pages.

9. Refer to the application, Conroy Exhibit M3, pages 1-3. For the amounts referenced to Exhibit Conroy C3, provide their location in that exhibit.

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10. Refer to the responses to Items 1, 2, 3.a., 4.a., 5, 22.a., and 32 of Commission Staff's Second Request for Information ("Staff's Second Request"), all of which describe proposed changes which are intended to provide clarity. Explain whether the clarifying changes referenced in each of these responses represent LG&E's existing practice which it desires to make clear in its tariff, or if the changes represent changes in LG&E's current practices or provision of services.

11. Refer to LG&E's response to Item 4.b., pages 1 and 2. Explain why the percentage increases on the annualized winter bills (11.45 percent and 15.24 percent) are so much greater than the annualized summer bills (1.42 percent and 4.64 percent) for 100 percent and 90 percent average power factors, respectively.

12. Refer to the response to Item 6 of Staff's Second Request, page 2 of 5, the LS Underground Service section. The response states that "[t]he language referring to Custom Ordered Styles was deleted. Customers choosing to install their own lighting will be billed base (sic) on LG&E's LE tariff."

a. State whether any current customers will be moved to the Lighting Energy ("LE") tariff as a result of the proposed changes.

b. LG&E's LE tariff states that it is available to "municipalities, county governments, divisions or agencies of the state or Federal governments, civic associations, and other public or quasi-public agencies for service to public street and highway lighting systems" Explain whether LG&E intends for individuals who choose to install their own lighting to be eligible to take service under the LE tariff.

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13. Refer to LG&E's response to Item 6 of Staff's Second Request, pages 3 and 5 of 5, the LS and RLS Term and Conditions sections. Explain why it is necessary to add language prohibiting the temporary suspension of lighting service.

14. Refer to LG&E's response to Item 22.d. of Staff's Second Request.

a. Explain how many days do over/under-deliveries over-lap, and if the impact of imbalances on LG&E's system reliability is mitigated by volumes netting against each other.

b. Explain whether LG&E has discussed this decrease in the imbalance tolerance with Rate FT customers, and if so describe the customer feedback received by LG&E.

15. Refer to LG&E's response to Item 22.e. of Staff's Second Request, with reference to the \$6,971 in Utilization Charges identified. Provide the highest individual test year Rate FT customer imbalance and the corresponding incremental UCDI charge that would be attributable to the change from ten to five percent imbalance tolerance.

16. Refer to the response to Item 22.i. of Staff's Second Request.

a. If the proposed tariff revision regarding the "Minimum Daily Threshold Requirement and Charge" is approved, explain whether LG&E intends to switch approximately eight customers from Rate FT to a firm sales service.

b. If the answer to a. above is yes, provide details concerning the daily and annual usage of the individual customers sufficient to show their ineligibility for Rate FT.

c. If the answer to a. above is no, confirm that LG&E intends to grandfather these customers if the tariff revision is approved.

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d. Explain whether LG&E has communicated this proposed tariff addition to the eight customers who may be subject to being switched to firm sales service as referenced in this response.

e. Provide the highest individual test year Rate FT customer variance from required usage and the corresponding Minimum Daily Threshold Charge attributable to this customer if this charge had been available during the test year.

17. Refer to the response to Item 22.j. of Staff's Second Request indicating that Rate FT customers are "generally" served from high pressure mains. Explain whether any Rate FT customers are served from non-high pressure mains, and, if so, whether the proposed Rate FT tariff should be revised to include the "Gas Line Tracker" for such customers.

18. Refer to the response to Item 22.m. of Staff's Second Request, the change from 10 A.M. to 8 A.M. for the nomination deadline. Explain whether LG&E has discussed this change with Rate FT customers and pool managers, and, if so, describe the feedback received by LG&E.

19. Refer to the response to Item 26.e. of Staff's Second Request. Confirm that only three of the inquiries listed involve customers with estimated annual usage that would qualify them for the proposed Gas Transportation Service/Firm Balancing Service ("TS-2") Rider and the 25,000 Mcf threshold.

20. Refer to the response to Item 26.m. of Staff's Second Request. Explain whether LG&E has considered making telemetry an option rather than a requirement for potential TS-2 customers, and provide a description of all other methods of metering or

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meter reading besides the use of telemetry equipment by which customers could manage imbalances.

21. Refer to the response to Items 26.m. and 27.a. of Staff's Second Request. Confirm that an existing Gas Transportation Service/Standby ("TS") customer electing to become a TS-2 customer and acting as its own pool manager would experience an increase in fixed monthly charges, if approved as proposed, from the current \$153 administrative charge to \$975 (\$600 TS-2 administrative charge + \$300 monthly telemetry charge + \$75 PS-TS-2 Administrative Charge).

22. Considering the proposed increase in the monthly charge for TS/TS-2 customers, provide a calculation of the gas cost savings per Mcf that would be required in order for a customer using 25,000 Mcf per year to find transportation service pursuant to this rider to be cost effective.

23. Refer to the response to Item 27.c. of Staff's Second Request, the reference to the required pool membership in Duke Energy Kentucky, Inc.'s ("Duke Kentucky") Rate Schedule Full Requirements Aggregation Service ("FRAS") applicable to Rate FT-L.

a. Explain whether LG&E is aware that the eligibility threshold for Duke Kentucky's Rate FT-L is 20,000 Ccf, or 2,000 Mcf per year.

b. Explain whether the characteristics of customers using 2,000 Mcf per year make pool membership relatively more important for purposes of imbalance management and system reliability than for customers using 25,000 Mcf per year.

c. Explain whether LG&E is aware that, in Columbia Gas of Kentucky, Inc.'s ("Columbia") Delivery Service Rate Schedule ("DS") referenced in response to

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Item 85 of Staff's Second Request, there is no requirement for pool management or aggregation services.

d. Explain whether LG&E is aware that there is no administrative charge for aggregation service Suppliers or Rate FT-L customers with respect to FRAS pursuant to Duke's FRAS tariff.

24. Refer to the response to Item 29 of Staff's Second Request. Explain whether LG&E plans to make semi-annual filings with GLT rates to be effective January 1 and recalculated rates with a true-up factor effective June 1 each year.

25. Refer to the response to Items 30.b. and c. of Staff's Second Request.

a. Explain how the ability to implement interim reductions as well as increases with 20 days' notice, with the decision being within the control of LG&E, would necessarily result in a *de facto* monthly GSC rate.

b. Potential increases in under-collections without offsetting overcollections could be controlled by LG&E through a tariff change allowing but not requiring interim increases as well as reductions. Explain why imposing carrying charges on under-collections is preferable in managing the effect of the downward volatility in gas cost recovery that LG&E anticipates resulting from its proposal.

26. Refer to the response to Item 31.a. of Staff's Second Request. Explain whether LG&E has considered adding a clarifying statement to its proposed language addition that such a customer could be served pursuant to a special contract.

27. Refer to the response to Item 31.b. of Staff's Second Request. Confirm that LG&E will assume ownership of gas service lines in the event of repairs in addition to events of replacement and installation of new gas service lines.

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28. Refer to page 9, lines 15-21 of the Testimony of Paul W. Thompson, and the responses to Items 37 and 38 of Staff's Second Request.

a. Given the experience during the first year of operation of Trimble County Unit 2 ("TC2"), explain why LG&E and its sister company, Kentucky Utilities Company ("KU"), expect the test-year level of operation and maintenance costs associated with TC2 to reflect the "going-forward operation and maintenance expenses associated with operating the generating unit"

b. The response to Item 37 identifies several matters that were addressed during a spring 2012 planned outage of TC2 while the attachment to the response to Item 38 shows the level of expenses, by account, incurred for the operation of TC2 during the test year. Explain whether any of the specific expenses are expected to decline as a result of the activities performed during the outage

29. Refer to the response to Item 39 of Staff's Second Request. Confirm that the costs shown in the attachment for the 19 additional people hired to work at TC2 since the test year in LG&E's last rate case are included in the expenses provided in the response to Item 38 of Staff's Second Request.

30. Refer to the response to Item 40 of Staff's Second Request. In the same format used in the attachment to the response, provide the maintenance expense incurred by LG&E in calendar year 2011 and the test year. Also, provide the actual maintenance expense incurred in the first half of 2012 and the projected expense for the remainder of 2012.

31. Refer to the response to Item 63.c. of Staff's Second Request. Explain the increase in off-system sales and margins in 2011 as compared to 2009 and 2010.

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32. Refer to the responses to Items 64, 94, and 95 of Staff's Second Request, all of which relate to depreciation with 94 and 95 specifically relating to the depreciation and planned retirement of the Cane Run generating units.

a. The response to Item 94.b. indicates that each generating unit is expected to have a net negative 10 percent salvage value when retired. The response to Item 95.c. states that no estimate of salvage has been developed since there is currently no intention to take the facilities down to a natural state. Given LG&E's plan to stabilize rather than dismantle and remove these generating facilities, explain why the depreciation rates for these units should include a component for negative net salvage.

b. For each of the Cane Run utility plant items for which a proposed depreciation rate and related expense is shown in the response to Item 64, provide the depreciation rate and depreciation expense based on an expected salvage value of zero when the units are retired

33. Refer to LG&E's response to Item 83.b. of Staff's Second Request. Given that the response states that "physical curtailments would generally be necessary during times of high usage which usually results in relatively high market peak prices," explain whether it is still LG&E's position that its proposed Curtailable Service Rider credits are reasonable.

34. Refer to the response to Item 84 of Staff's Second Request. The second paragraph of the response refers to "the inputted avoided cost of gas supply." LG&E's gas Demand-Side Management ("DSM") tariff, Original Sheet No. 86.1, defines DSM Incentive program benefits as "the present value of Company's avoided costs over the expected life of the program, *and will include both capacity and energy savings*"

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(emphasis added). To the extent that the calculation of net resource benefits involves avoided cost of gas supply, provide an example calculation showing the components of capacity and energy savings, which could involve either LG&E's own Gas Cost Recovery rate or some other wholesale gas cost expressed in either dollars per Mcf or Ccf, or provide a specific reference to the location in volume 2 of the application in Case No. 2011-00134¹ where such a calculation is shown.

35. Refer to the response to Item 85 of Staff's Second Request, the reference to Columbia's DS tariff. Explain whether LG&E is aware that there is no requirement for telemetry in Columbia's DS tariff for customers using 25,000 Mcf annually.

36. Refer to the response to Item 94.e. of Staff's Second Request, which does not contain the requested information. Under Generally Accepted Accounting Principles, financial statements must report asset removal costs recovered through depreciation which are not Asset Retirement Obligations ("ARO") as a regulatory liability.

a. Provide the total amount of asset removal costs LG&E reported as a regulatory liability in its financial statements as of December 31, 2011.

b. Provide the total amount of AROs LG&E reported in its financial statements as of December 31, 2011.

¹ Case No. 2011-00134, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New Demand-Side Management and Energy-Efficiency Programs (Ky. PSC Nov. 9, 2011).

c. Provide the regulatory liability reported as of December 31, 2011 that was accrued on the Cane Run units. Provide the workpapers demonstrating how the amounts were determined.

d. Provide the amount of AROs reported as of December 31, 2011 that were accrued on the Cane Run units. Provide the workpapers demonstrating how the amounts were determined

37. Refer to pages III-4 and III-5 of Exhibit JJS-LG&E to the Spanos Testimony. In this proceeding, LG&E has determined that actual net salvage for the Cane Run units is equal to negative 10 percent of their original costs. Explain why LG&E estimates the net salvage to be more than negative 10 percent for each Steam Production Plant Unit listed on these pages.

38. Refer to page III-5 of Exhibit JJS-LG&E to the Spanos Testimony, page III-5 of the depreciation study attached to the testimony submitted by Mr. Spanos in Case No. 2007-00564,² and Exhibit 8 of the Settlement Agreement filed by LG&E on January 13, 2009 in Case No. 2007-00564.

a. State whether LG&E has used the depreciation rates in Exhibit 8 of the Settlement Agreement to calculate its depreciation accruals since the Commission's approval of the Settlement Agreement.

b. If the response to part a. of this request is affirmative, explain why the book depreciation reserve shown on page III-5 of Exhibit JJS-LG&E for account 316, Cane Run Unit as of December 31, 2011, includes a negative 10 percent net salvage accrual when the net salvage assigned to this account on page III-5 of the

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² Case No. 2007-00564, Application of Louisville Gas and Electric Company to File a Depreciation Study (Ky. PSC Feb. 5, 2009).

depreciation study filed in Case No. 2007-00564 was negative 5 percent, which formed the basis for the depreciation rates included in the Settlement Agreement.

39. Refer to the response to Item 96.d. of Staff's Second Request.

a. Explain whether Interchange Out energy has been, and is currently, included with intersystem sales as indicated on Form A, page 3 of 5, section B, the first row titled "Inter-system Sales including interchange-out".

b. State whether the response indicates that:

1) The individual monthly Interchange In and Interchange Out energy amounts are not available;

 Only the net Interchange energy amount is available and LG&E is requesting to include that amount with Purchases under section A on page 3 of Form A; and

3) Under LG&E's proposal, the titles on page 3 of the Form A would need to change to show net Interchange energy is included in Purchases in section A and to delete "including interchange-out" after "Inter-system Sales" in section B of the form.

40. Refer to the response to Item 108 of Staff's Second Request, the revised electric billing determinants in Exhibit R5, pages 1-14, Excel spread sheet for Conroy Exhibit R5, Time of Day Secondary Service Rate CTODS, Adjustment to Reflect Rate Switching to CTODS, rows 236 through 238 under column D. Explain why it is correct to use 81,741 kVA for the base, intermediate, and peak demand adjustments rather than the kVA for the three adjustments totaling 81,741.

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41. Refer to the response to Item 108 of Staff's Second Request, the revised gas billing determinants in the Exhibit R10-Summary of IncreaseREV Excel spread sheet for Conroy Exhibit R10. Provide the calculation of \$332,763 in Miscellaneous Revenues in cell B32.

42. Refer to the response to Item 108 of Staff's Second Request, the revised gas billing determinants in the Exhibit R11-Proposed Increase DetREV Excel spread sheet for Conroy Exhibit R11. Explain the composition of the proposed Billing Adjustments at present rates in row 15 in the amount of (\$19,383); and in row 46 in the amount of (\$3,102).

43. Refer to the response to Item 112 of Staff's Second Request. The response states that the Supplemental/Standby Service charge had previously been adjusted based on the proposed changes to demand charges but that, in this case, LG&E used cost based charges. Explain the reason for the change.

44. Refer to the response to Item 113 of Staff's Second Request. Explain what LG&E believes to be the reason(s) for the lack of customer participation in Rate RTP.

45. Refer to the response to Item 114 of Staff's Second Request.

a. In reference to Item 114.a., explain whether the level of rate switching experienced by LG&E during the test year is significantly greater than in the past. The response should include the level of switching experienced in the last five years.

b. Refer to the response to Item 114.d. and the revised Exhibit P5 Excel spread sheet, page 7 of 8. Explain why cell C228, Actual Number of Customers

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for the 13-Month Period for Residential Customers including VFD and former RRP, is not calculated by the sum of cells B5 through B10, as opposed to cell F228 being the sum of cells B5 through B10. It appears that cell C228 should be 4,572,488 and that cell F228 should be the sum of cells C228, D228, and E228, for a total of 4,572,285 customers after rate switching. If a correction is necessary, provide a revised Exhibit P5 and revisions of all exhibits that would be affected by this change.

c. Refer to the response to Item 114.e., revised Exhibit P5 Excel spread sheet, page 7 of 8. Provide the response requested in b. above for cells H228 and K228, concerning the appropriate cell for the sum of Actual Energy Delivery for the 13-month period, cells F8 through F10.

46. Refer to the response to 118 of Staff's Second Request.

a. The response to Item 118.a. states that the "Annualized FAC roll-in to base rates" amount was allocated to each rate class based on the "calculated difference in FAC revenues on Conroy Exhibit P2, page 3 of 3." Explain why it would not have been more appropriate to use, for each rate class, the net difference between the "Twelve Month Total" column on Conroy Exhibit P2, page 3 of 3, and the "Increased Revenue" column on Conroy Exhibit P1, page 1 of 24, given that the total of the two columns net to the total being allocated of \$3,930,286.

b. Refer to the response to Item 118.c. of Staff's Second Request, and to the response of KU to Item 88.d. of Staff's Second Request for Information in Case No. 2012-00221.³ KU's response indicates that the two allocation vectors are the

³ Case No. 2012-00221, Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, filed July 10, 2012.

same, but that the naming convention was not synchronized. Clarify whether LG&E's response to 118c should be the same as KU's response to 88.d.

47. Refer to Item 123 of Staff's Second Request. Explain the impact of using the As Adjusted Demands as LG&E agrees the Cost-of-Service Study should have done, as opposed to the demand numbers used by LG&E. Provide corrected exhibits if correction is warranted.

48. Refer to Item 125 of Staff's Second Request. Considering the fact that the installed cost for the indicated light has not changed, explain the reasonableness of the proposed increase of the \$13.99 rate, and generally for all lights whose rates are increasing due to the consolidation of lighting rate schedules, for customers affected by these rate increases.

49. Refer to Item 126 of Staff's Second Request. Confirm that all of the items shown on Conroy Exhibit R8 are costs currently incurred at the level shown, including the Eagle Talon Data Acquisition System.

50. Refer to the response to Item 127 of Staff's Second Request.

a. Provide a definition of "levelized carrying charge" and "nonlevelized carrying charge."

b. Explain whether LG&E is familiar with the Commission's clarification of Administrative Case 251⁴ in Case No. 2000-00359⁵ in which the Commission found that calculation of CATV charges should use either net pole costs or

⁴ Administrative Case 251, The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments (Ky. PSC Sept. 17, 1982).

⁵ Case No. 2000-00359, Application of Cumberland Valley Electric, Inc. to Adjust Its Rates (Ky. PSC Feb. 26, 2001).

a rate of return adjusted for the ratio of net plant to gross plant applied to the gross average pole costs. If yes, explain how LG&E's calculation complies with the methodology set out in Case No. 2000-00359.

Jeff Derquer

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cc: Parties of Record

DATED

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