



LG&E Energy LLC  
220 West Main Street (40202)  
P.O. Box 32030  
Louisville, Kentucky 40232

July 26, 2004

Elizabeth O'Donnell, Executive Director  
Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40601

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JUL 26 2004

**PUBLIC SERVICE  
COMMISSION**

***Re: TARIFF FILING OF KENTUCKY UTILITIES COMPANY  
TO REVISE RATES FOR SMALL POWER PRODUCTION  
AND COGENERATION – CASE NO. 2004-00200***

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and five (5) copies of the Response of Kentucky Utilities Company to the Information Requested in the Commission's Order dated July 16, 2004, in the above-referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Respectfully,

Robert M. Conroy  
Manager, Rates

Enclosures



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

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JUL 26 2004

PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

TARIFF FILING OF KENTUCKY UTILITIES )  
COMPANY TO REVISE RATES FOR SMALL ) CASE NO. 2004-00200  
POWER PRODUCTION AND COGENERATION )

RESPONSE TO  
AN ORDER OF THE  
PUBLIC SERVICE COMMISSION  
DATED JULY 16, 2004

**FILED: July 26, 2004**

**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2004-00200**

**Response to an Order of the Public Service Commission Dated July 16, 2004**

**Question No. 1**

**Responding Witness: Keith Yocum**

Q-1. Refer to the response to Item 1(b) of the Commission's June 3, 2004 Order. Provide a detailed explanation for why it is appropriate to determine KU's avoided costs in the manner described in the response and why a capacity component should not be included in the derivation of KU's rates for the purchase of power from qualifying cogeneration or small power production facilities.

A-1. Small power production facilities of less than one MW would not delay the installation of future capacity. Therefore, such facilities would not provide any capacity benefit to existing customers. It is also assumed that this power would be non-firm and non-dispatchable in nature and not a reliable resource on which the Utility would be able to call upon in a time of need.

If a small power production facility were to provide the Utility with a firm product (including liquidated damages for failure to deliver) then a capacity component could be considered.