



Louisville Gas and Electric Company
220 West Main Street (40202)
P.O. Box 32010
Louisville, Kentucky 40232

July 26, 2004

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JUL 26 2004

PUBLIC SERVICE
COMMISSION

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

**Re: TARIFF FILING OF LOUISVILLE GAS AND ELECTRIC
COMPANY TO REVISE RATES FOR SMALL POWER
PRODUCTION AND COGENERATION – CASE NO. 2004-00201**

Dear Ms. O'Donnell:

Please find enclosed and accept for filing the original and five (5) copies of the Response of Louisville Gas and Electric 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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PUBLIC SERVICE
COMMISSION

In the Matter of:

TARIFF FILING OF LOUISVILLE GAS AND)
ELECTRIC COMPANY TO REVISE RATES)
FOR SMALL POWER PRODUCTION AND)
COGENERATION)

CASE NO.
2004-00201

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

FILED: JULY 26, 2004

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2004-00201

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 LG&E's avoided costs in the manner described in the response and why a capacity component should not be included in the derivation of LG&E'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.