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

May 5, 2005

RECEIVED
MAY 6 2005
PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RE: ***The Application of Louisville Gas and Electric Company for Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge***
Case No. 2004-00421

Dear Ms. O'Donnell:

Enclosed please find an original and eight (8) copies of an Errata Sheet for the Testimony of Robert M. Conroy filed December 20, 2004, and Errata Sheets and revised pages for the Rebuttal Testimony of Robert G. Rosenberg filed April 27, 2005, in the above-referenced docket.

Should you have any questions concerning the enclosed, please do not hesitate to contact me at (502) 627-3324.

Sincerely,

Robert M. Conroy
Manager, Rates

cc: Hon. Elizabeth E. Blackford
Hon. Michael L. Kurtz

Errata for Robert M. Conroy Testimony Filed December 20, 2004
Case No. 2004-00421

Page	Lines	Edit
4	13	Change "those purchases from LG&E." to "those purchases from KU."

Filed: May 5, 2005

ERRATA

Commonwealth of Kentucky
Before the Public Service Commission

Rebuttal Testimony of Robert G. Rosenberg
Louisville Gas and Electric Company
Case No. 2004-00421
and
Kentucky Utilities Company
Case No. 2004-00426

Page 18, line 8:

Let us assume that over the 2002-2003 period an investment experiences a risk premium of 10.0 percent. While in the 2003-2004 period, this investment experiences a risk premium of 2.0 percent. Clearly, the average of the 10.0 percent and 2.0 percent risk premiums is **6.0** percent.

Change to:

Let us assume that over the 2002-2003 period an investment experiences a risk premium of 2.0 percent. While in the 2003-2004 period, this investment experiences a risk premium of 10.0 percent. Clearly, the average of the 2.0 percent and 10.0 percent risk premiums is **6.0** percent.

risk premium in a non-intuitive way (i.e., that is an approach that would not likely be employed by investors). For example, the return achieved over the 1993-1994 period is given many times the weight compared with the return achieved in the 2003-2004 period. I see no reason why investors would use such an unusual weighting scheme in trying to estimate the expected risk premium.

Q. Why is Dr. Weaver's risk premium weighting scheme unlikely to be employed by investors?

A. I will explain why using a simple hypothetical example. Let us assume that over the 2002-2003 period an investment experiences a risk premium of 2.0 percent. While in the 2003-2004 period, this investment experiences a risk premium of 10.0 percent. Clearly, the average of the 2.0 percent and 10.0 percent risk premiums is **6.0** percent. However, Dr. Weaver, whose risk premium averaging methodology inexplicably gives more weight to risk premiums early in the period, would calculate an average risk premium under these circumstances of **5.0** percent, as shown below:

Investment made at end of:	Risk Premium Measured Through End of: 2003	2004
2002	2.0%	5.9%
2003		10.0%
Dr. Weaver's Annual Average	2.0%	8.0%
Dr. Weaver's Average Risk Premium	5.0%	

To further demonstrate that Dr. Weaver's averaging method, non-intuitively, gives greater weight to older risk premium observations, we can change the above

ERRATA

Commonwealth of Kentucky
Before the Public Service Commission

Rebuttal Workpapers of Robert G. Rosenberg
Louisville Gas and Electric Company
Case No. 2004-00421
and
Kentucky Utilities Company
Case No. 2004-00426

Rebuttal Workpapers, Page 16 of 67:

* Excludes MGE
** Includes MGE

Change to:

** Excludes MGE
* Includes MGE

**ADJUSTING DR WEAVER'S DCF ANALYSIS
FOR MISSING MGE DATA**

	Unadjusted Dividend Yield	Growth Rate	Adjusted Dividend Yield	Cost of Equity
Zacks	4.55 **	4.31	4.75	9.06
Reuters	4.55 **	4.26	4.74	9.00
Thomson	4.55 **	4.43	4.75	9.18
Value Line	4.49 *	4.42	4.69	9.11
Average				9.09

** Excludes MGE

* Includes MGE