



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

April 6, 2005

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

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*  
and

*The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of its 2004 Compliance Plan for Recovery by Environmental Surcharge - Case No. 2004-00426*

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten (10) copies of Louisville Gas and Electric Company's ("LG&E") and Kentucky Utilities Company's ("KU") Requests for Information to the Kentucky Utility Industrial Customers Inc. ("KIUC") in the above-referenced matters.

Should you have any questions or need any additional information, please contact me at 502-627-3324.

Sincerely,

Robert M. Conroy  
Manager, Rates

cc: Parties of Record

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

and

**In the Matter of:**

**THE APPLICATION OF KENTUCKY UTILITIES            )**  
**COMPANY FOR A CERTIFICATE OF PUBLIC            )**  
**CONVENIENCE AND NECESSITY TO CONSTRUCT    )** **CASE NO. 2004-00426**  
**FLUE GAS DESULFURIZATION SYSTEMS AND        )**  
**APPROVAL OF ITS 2004 COMPLIANCE PLAN FOR    )**  
**RECOVERY BY ENVIRONMENTAL SURCHARGE        )**

**LOUISVILLE GAS AND ELECTRIC COMPANY'S AND**  
**KENTUCKY UTILITIES COMPANY'S**  
**REQUESTS FOR INFORMATION TO**  
**THE KENTUCKY UTILITY INDUSTRIAL CUSTOMERS INC. ("KIUC")**

Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") submit their requests for information to the Kentucky Utility Industrial Customers Inc ("KIUC").

As used herein, "Documents" include all correspondence, memoranda, notes, maps, drawings, surveys or other written recorded materials, whether external or internal, of every kind or description, in the possession of or accessible to KIUC, its witnesses, consultants or its counsel.

Please identify by name, title, position and responsibility the person or persons answering each of these requests for information for KIUC at the bottom of each response.

## **Testimony of Richard A. Baudino**

1. In reference to the selection of a sample of comparison companies described on pages 19-20:

- (a) For each of the selection criteria, state the specific source used, including date of publication.
- (b) Indicate whether any company that met the selection criteria was excluded from the group and, if so, explain why.
- (c) Indicate if any company that did not meet the criteria was included in the comparison group and, if so, explain why.
- (d) Provide a worksheet showing the selection process employed by Mr. Baudino starting with the universe of companies he examined and showing why companies were deleted in reaching his comparison group.
- (e) Provide a copy of the C.A. Turner publication cited on page 19, line 13.
- (f) Explain the criteria used to determine whether a company had, per line 21 of page 19, "recent experience with significant earnings fluctuations."
- (g) Separately for Moody's and Standard & Poor's, indicate exactly which bond ratings a company had to have in order to be included in the comparison group. Explain why this range of bond ratings would produce a group of companies of similar risk to LG&E and KU.

2. In reference to page 23, line 13, indicate why dividend growth rates were based on five years of data while earnings growth rates were based on six years of data.

3. In reference to the statement on page 25, line 18-21, explain why Mr. Baudino believes it is not appropriate to include negative earnings growth rates as a proxy for long-term growth expectations.

4. In reference to Exhibit \_\_\_(RAB-5):

(a) For the calculation of growth in dividends per share, state the specific year the calculation begins and the specific year the calculation ends.

(b) For the calculation of growth in earnings per share, state the specific year the calculation begins and the specific year the calculation ends.

(c) In calculating the earnings and dividends growth rates, if different periods were used for different companies, explain why this was so and indicate the periods used for each company in the comparison group.

(d) In reference to the sustainable growth calculation, provide all data used in the calculation of the payout ratio and the expected return.

(e) Provide a copy of the publication from which the Zacks growth rates were taken.

5. In reference to the ValueScreen growth rate data on Exhibit \_\_\_(RAB-6), page 2:

(a) Provide a list of companies included in the growth rate calculation.

(b) Indicate if any companies were excluded from the Value Line universe for that calculation. If so, provide the names of the companies excluded and the reasons for the exclusion.

(c) Provide the individual-company dividend yields used to get the average dividend yield for the market required return.

- (d) Indicate the pricing period used to derive the dividend yield for the market required return.
  - (e) Provide the individual-company growth rates used to get the average earnings, book value and dividend growth rates taken from the Value Line source.
  - (f) Provide the Value Line projection of retention growth for each of the companies in the analysis.
  - (g) Are companies with zero or negative projected growth in earnings, book value or dividends per share included in the analysis? (Answer separately for growth in earnings, book value and dividends.)
  - (h) Are companies with zero dividend yield included in the analysis?
  - (i) Provide a computer disc including all the Value Line data.
  - (j) Indicate what years were used in the calculation of the growth rate in earnings, dividends and book value.
  - (k) Provide the raw data and the formula used to calculate the growth in earnings, dividends and book value.
6. In reference to Exhibit \_\_\_(RAB-7):
- (a) Explain why only a 20-year Treasury bond yield was used on this exhibit, while both a 20-year Treasury bond yield and a 5-year Treasury bond yield were used in the calculation on Exhibit \_\_\_(RAB-6).
  - (b) Provide the analysis on Exhibit \_\_\_(RAB-7) calculated using a 5-year Treasury bond yield in place of a 20-year Treasury bond yield.

7. Provide a computer disc with all of Mr. Baudino's data, calculations, spreadsheets, etc., with cell formulas in tact.

**Testimony of Stephen J. Baron:**

8. Provide all workpapers used by Mr. Baron to prepare the exhibits to his testimony.

9. With respect to Baron Exhibit\_\_(SJB-2), provide a detailed explanation of how the subsidies shown on the exhibit are calculated for each customer class and provide the detailed calculations of these subsidies.

10. Provide the detailed calculations showing the derivation of the customer class revenues shown on column (4) of Baron Exhibit\_\_(SJB-3).

11. Identify the source of and provide the detailed support for the fuel that was removed from revenue in the calculation of non-fuel revenue for each customer group shown on column (4) of Baron Exhibit\_\_(SJB-3).

12. With respect to Baron Exhibit\_\_(SJB-4), provide a detailed explanation of how the adjustments shown on column (6) are calculated for each customer class and provide the detailed calculations of these adjustments.

13. Identify the Kentucky Utilities (KU) rate schedules that comprise each customer class shown on Exhibit\_\_(SJB-3).

14. Show the revenue for each KU rate schedule included in the revenue shown on column (1) of Exhibit\_\_(SJB-3).

15. The notes on Exhibit\_\_(SJB-3) indicate that, "Revenues reflect 9/2003 Test Year from Docket 2003-00434, after increase, and test year FAC after roll-in. Includes Year End Annualization adjustment. Includes additional adjustment to reflect DSM Rider as of 1/1/2005."

Provide a derivation of the revenues shown on column (1) of Exhibit \_\_ (SJB-3) identifying each of the components listed in the notes to the exhibit.

**Testimony of Lane Kollen**

16. In reference to Mr. Kollen's testimony, does the KIUC agree that there are no allowances allocated to the gas generating units by the US EPA? If not, please explain.

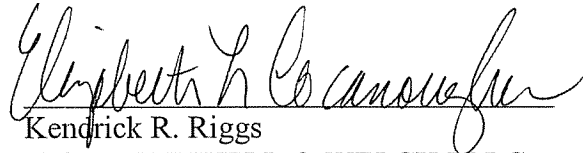
17. In reference to Mr. Kollen's testimony, does the KIUC agree that the only allowances in inventory are those allocated to the Company by the US EPA or those purchased by the Company? If not, please explain.

18. In reference to Mr. Kollen's testimony, does the KIUC agree that the value of emission allowances in inventory is based on the weighted average cost of current vintage allowances in inventory? If not, please explain.

19. KU's most recent ECR filing, for the expense month of February 2005, includes emission allowance expense based on the average cost of emission allowances in inventory of \$20.05 per allowance. Using this value, please quantify the revenue requirement impact of Mr. Kollen's recommendation detailed on pages 20 and 21 of his testimony.

Dated: April 6, 2005

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kendrick R. Riggs".

Kendrick R. Riggs

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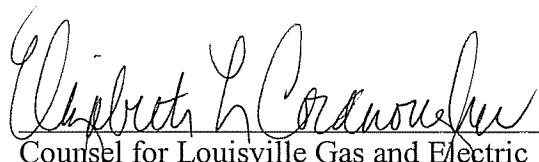


**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing Requests for Information was served via first class U.S. mail, postage prepaid, this 6th day of April 2005, upon the following persons:

Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Office  
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