



Kent W. Blake
Director
State Regulation and Rates

LG&E Energy LLC
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November 2, 2005

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PUBLIC SERVICE
COMMISSION

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

RE: The Plan of Louisville Gas and Electric Company for the Value Delivery Surcredit Mechanisms
Case No. 2005-00352

Dear Ms. O'Donnell:

Enclosed please find an original and seven (7) copies of Louisville Gas and Electric Company's ("LG&E") response to the Commission Staff's Initial Data Request dated October 21, 2005, in the above-referenced docket.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,

Kent W. Blake

cc: Elizabeth E. Blackford
Michael L. Kurtz

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PLAN OF LOUISVILLE GAS AND ELECTRIC) CASE NO.
COMPANY FOR THE VALUE DELIVERY SURCREDIT) 2005-00352
MECHANISMS)

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S INITIAL DATA REQUEST
DATED OCTOBER 21, 2005

FILED: NOVEMBER 2, 2005

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 1

Responding Witness: Kent W. Blake

- Q-1. Refer to pages 15-16 of the Testimony of Kent W. Blake ("Blake Testimony") and Reference Schedule 1.12 of Blake Exhibit 1. Provide the supporting workpapers for the proposed adjustments to LG&E's demand-side management revenues and expenses, including all calculations and assumptions. Show the revenue and expense amounts by month for the 12 months ended June 30, 2005 and identify the specific accounts in which the amounts were recorded.
- A-1. Please see the attached.

DSM BILLED REVENUE
Reference Schedule 1.12

Billed DSM Revenues														
LGE Electric														
Account		Jul-2004	Aug-2004	Sep-2004	Oct-2004	Nov-2004	Dec-2004	Jan-2005	Feb-2005	Mar-2005	Apr-2005	May-2005	Jun-2005	Total
440030	Residential	386,750.14	349,732.89	348,323.19	236,400.56	205,787.51	258,244.78							1,785,239.07
442040	Small Commercial	22,158.21	20,715.01	21,288.12	17,538.12	15,885.69	16,828.90							114,414.05
442050	Large Commercial	21,486.63	20,425.89	20,832.76	18,711.55	17,097.78	17,556.57							116,111.18
445020	Public Authority	7,082.07	6,793.63	7,646.64	6,677.06	5,966.23	6,074.58							40,240.21
440101	Residential							337,067.62	288,559.29	270,352.67	192,828.51	187,761.95	277,137.40	1,553,707.44
442101	Small Commercial							20,180.98	18,919.98	18,347.58	16,074.89	15,799.68	20,201.29	109,524.40
442201	Large Commercial							22,248.76	19,913.18	20,054.33	16,402.15	16,015.49	19,172.65	113,806.56
445101	Public Authority							7,467.43	7,324.01	6,874.46	4,353.25	5,226.74	6,144.58	37,390.47
		437,477.05	397,667.42	398,090.71	279,327.29	244,737.21	298,704.83	386,964.79	334,716.46	315,629.04	229,658.80	224,803.86	322,655.92	3,870,433.38
LGE Gas														
Account		Jul-2004	Aug-2004	Sep-2004	Oct-2004	Nov-2004	Dec-2004	Jan-2005	Feb-2005	Mar-2005	Apr-2005	May-2005	Jun-2005	Total
480030	Residential	13,863.88	13,537.03	14,160.57	19,102.49	37,640.88	91,175.56							189,480.41
481101	Commercial	(1,439.26)	(1,402.17)	(1,407.53)	(1,682.77)	(2,615.23)	(6,058.46)							(14,605.42)
482020	Public Authority	(166.32)	(162.88)	(187.10)	(239.92)	(505.10)	(1,074.58)							(2,335.90)
489013	Gas Transport	(174.32)	(216.97)	(195.92)	(254.69)	(300.76)	(426.57)							(1,893.91)
480101	Residential							143,871.83	133,543.50	118,667.77	95,873.18	54,498.49	28,014.89	574,469.66
481101	Commercial							(8,760.81)	(8,138.58)	(7,301.39)	(4,086.39)	(2,697.69)	(1,307.88)	(32,292.74)
482101	Public Authority							(1,692.23)	(1,497.03)	(1,298.92)	(786.29)	(369.09)	(199.50)	(5,843.06)
489101	Gas Transport							(20.27)	-	-	-	-	-	(20.27)
		12,083.98	11,755.01	12,370.02	16,925.11	34,219.79	83,615.95	133,398.52	123,885.42	109,959.96	90,989.40	51,422.93	26,332.68	706,958.77

DSM EXPENSE
Reference Schedule 1.12

LGE DSM Analysis
July 2004 - June 2005

DSM Expenses (908005)	Jul-2004	Aug-2004	Sep-2004	Oct-2004	Nov-2004	Dec-2004	Jan-2005	Feb-2005	Mar-2005	Apr-2005	May-2005	Jun-2005	Total
908005 J020 (Electric)	437,477.05	397,667.42	398,090.71	279,327.29	244,737.21	298,704.83	386,964.79	334,716.46	315,629.04	229,658.80	224,803.86	322,655.92	3,870,433.38
908005 J020 (Gas)	12,083.98	11,755.01	12,370.02	16,925.11	34,219.79	83,615.95	133,398.52	123,885.42	109,959.96	90,989.40	51,422.93	26,332.68	706,958.77
908005 J169 (Electric)									(79,754.46)				(79,754.46)
908005 J169 (Gas)									(27,812.30)				(27,812.30)
	449,561.03	409,422.43	410,460.73	296,252.40	278,957.00	382,320.78	520,363.31	458,601.88	318,022.24	320,648.20	276,226.79	348,988.60	4,469,825.39
Electric	437,477.05	397,667.42	398,090.71	279,327.29	244,737.21	298,704.83	386,964.79	334,716.46	235,874.58	229,658.80	224,803.86	322,655.92	3,790,678.92
Gas	12,083.98	11,755.01	12,370.02	16,925.11	34,219.79	83,615.95	133,398.52	123,885.42	82,147.66	90,989.40	51,422.93	26,332.68	679,146.47
	449,561.03	409,422.43	410,460.73	296,252.40	278,957.00	382,320.78	520,363.31	458,601.88	318,022.24	320,648.20	276,226.79	348,988.60	4,469,825.39

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 2

Responding Witness: Valerie L. Scott

- Q-2. Refer to pages 3-4 of the Direct Testimony of Valerie L. Scott ("Scott Testimony") and Reference Schedule 1.13 of Blake Exhibit 1.
- a. Provide the supporting workpapers for the proposed adjustments to eliminate the impact of revenues accrued but not billed associated with Environmental Cost Recovery and the Fuel Adjustment Clause for the 12 months ended June 30, 2005, including all calculations and assumptions.
 - b. Describe how these accrued amounts and these adjustments do or do not relate to the adjustment to eliminate unbilled revenues shown on Reference Schedule 1.20 of Blake Exhibit 1.
- A-2. a. The accruals discussed in Reference Schedule 1.13 consist of two types of transactions. First, there exists a two month lag between the month an expense is incurred and the applicable recovery of the expense through the billing of the Fuel Adjustment Clause ("FAC") or the Environmental Cost Recovery Surcharge ("ECR"). Additionally, differences between actual revenues and historical 12 month average revenues contribute to an over or under billed ECR position. Monthly an accrual is made for each company to reduce revenues when it is in an over billed ECR position and increase revenues when that company is in an under billed ECR position. Please see the attached.

In reviewing the support for the FAC accrual adjustment it was discovered that the Company omitted FAC amounts from November and December 2004. The total amount of the omission was \$1,226,000. Line number 2 of Reference Schedule 1.13 should have been a positive \$957,150 instead of a negative \$268,850. The total accrued revenues on Reference Schedule 1.13 should have been \$7,590,332 instead of the filed \$6,364,332. The change would further reduce the adjusted net operating income and reduce the return on common equity of the Company by a minor amount.

- b. The accruals discussed in Reference Schedule 1.13 consist of two types of transactions. First, there exists a two month lag between the month an expense is incurred and the applicable recovery of the expense through the billing of the Fuel Adjustment Clause ("FAC") or the Environmental Cost Recovery

Surcharge (“ECR”). Additionally, differences between actual revenues and historical 12 month average revenues contribute to an over or under billed ECR position. Monthly an accrual is made for the company to reduce revenues when it is in an over billed ECR position and increase revenues when the Company is in an under billed ECR position. These accruals are removed in the proforma adjustment detailed in Reference Schedule 1.13. Such accruals are not included in unbilled revenues which are removed in the proforma adjustment detailed in Reference Schedule 1.20. Unbilled revenues as of June 30, 2005 only include amounts to be billed in July 2005 for service rendered in June 2005 and a reversal of amounts billed in July 2004 for service rendered in June 2004. Thus billed revenues plus unbilled revenues plus accrued revenues equal total revenue.

LOUISVILLE GAS AND ELECTRIC COMPANY

To Eliminate ECR and FAC Accruals
For the Twelve Months Ended June 30, 2005

	<u>Electric</u>
1. ECR Accrued Revenue in Account 449	\$ (2,183,451) Page 2
2. FAC Accrued Revenue in Account 449	(268,850) Page 2
3. ECR Accrued Revenue in Accounts 440-445	6,127,942 Page 3
4. FAC Accrued Revenue in Accounts 440-445	<u>2,688,691</u> Page 4
5. Total Accrued Revenues	<u>\$ 6,364,332</u>
6. Adjustment	<u>\$ (6,364,332)</u>

ECR AND FAC ACCRUED REVENUE IN ACCOUNT 449
 Reference Schedule 1.13

Rate Refund		Jul-2004	Aug-2004	Sep-2004	Oct-2004	Nov-2004	Dec-2004	Jan-2005	Feb-2005	Mar-2005	Apr-2005	May-2005	Jun-2005	Total
LGE	Account													
	449105	(862,967.00)	(1,093,993.00)	(585,296.00)	10,105.00	293,894.00	54,686.00	-	-	-	-	-	-	(2,183,451.00)
	449105	(103,889.00)	190,995.00	38,313.00	(35,794.00)	1,745.00	(360,220.16)	-	-	-	-	-	-	(268,850.16)
	J007	(966,856.00)	(902,998.00)	(546,983.00)	(25,689.00)	295,739.00	(305,524.16)	-	-	-	-	-	-	(2,452,301.16)
	J008, J009 & J229													

ECR ACCRUED REVENUE IN ACCOUNTS 440-445
Reference Schedule 1.13

Accrued ECR Revenues														
LGE														
Account		Jul-2004	Aug-2004	Sep-2004	Oct-2004	Nov-2004	Dec-2004	Jan-2005	Feb-2005	Mar-2005	Apr-2005	May-2005	Jun-2005	Total
440111	Residential	-	-	-	-	-	-	31,417.00	-	-	-	-	-	31,417.00
442111	Small Commercial	-	-	-	-	-	-	9,984.00	-	-	-	-	-	9,984.00
442211	Large Commercial	-	-	-	-	-	-	12,933.00	-	-	-	-	-	12,933.00
442311	Large Industrial	-	-	-	-	-	-	13,458.00	-	-	-	-	-	13,458.00
444111	Street Lighting	-	-	-	-	-	-	810.00	-	-	-	-	-	810.00
445111	Public Authority	-	-	-	-	-	-	6,117.00	-	-	-	-	-	6,117.00
440111	Residential	-	-	-	-	-	-	-	107,866.00	(150,809.00)	164,057.00	2,429,483.00	(485,228.00)	2,065,369.00
442111	Small Commercial	-	-	-	-	-	-	-	37,437.00	(54,066.00)	64,514.00	971,244.00	(180,238.00)	838,891.00
442211	Large Commercial	-	-	-	-	-	-	-	47,686.00	(70,312.00)	89,133.00	1,355,101.00	(236,079.00)	1,185,529.00
442311	Large Industrial	-	-	-	-	-	-	-	51,404.00	25,147.00	88,367.00	1,265,894.00	(93,901.00)	1,336,911.00
444111	Street Lighting	-	-	-	-	-	-	-	2,316.00	(2,005.00)	5,269.00	77,812.00	(13,758.00)	69,634.00
445111	Public Authority	-	-	-	-	-	-	-	23,492.00	(33,440.00)	24,751.00	655,646.00	(113,560.00)	556,889.00
		-	-	-	-	-	-	74,719.00	270,201.00	(285,485.00)	436,091.00	6,755,180.00	(1,122,764.00)	6,127,942.00

FAC ACCRUED REVENUE IN ACCOUNTS 440-445
Reference Schedule 1.13

Accrued FAC Revenues														
LGE														
Account		Jul-2004	Aug-2004	Sep-2004	Oct-2004	Nov-2004	Dec-2004	Jan-2005	Feb-2005	Mar-2005	Apr-2005	May-2005	Jun-2005	Total
440104	Residential	-	-	-	-	-	-	(257,000.00)						(257,000.00)
442104	Small Commercial	-	-	-	-	-	-	(77,000.00)						(77,000.00)
442204	Large Commercial	-	-	-	-	-	-	(140,000.00)						(140,000.00)
442304	Large Industrial	-	-	-	-	-	-	(181,000.00)						(181,000.00)
444104	Street Lighting	-	-	-	-	-	-	(5,000.00)						(5,000.00)
445104	Public Authority	-	-	-	-	-	-	(71,000.00)						(71,000.00)
440104	Residential	-	-	-	-	-	-		(421,000.00)	132,819.69	541,562.90	89,187.92	719,000.00	1,061,570.51
442104	Small Commercial	-	-	-	-	-	-		(136,000.00)	44,535.06	203,966.87	33,730.76	232,000.00	378,232.69
442204	Large Commercial	-	-	-	-	-	-		(238,000.00)	80,512.56	379,371.15	62,664.57	414,000.00	698,548.28
442304	Large Industrial	-	-	-	-	-	-		(330,000.00)	116,769.87	535,233.45	87,708.71	527,000.00	936,712.03
444104	Street Lighting	-	-	-	-	-	-		(8,000.00)	2,614.42	10,932.20	1,677.12	7,000.00	14,223.74
445104	Public Authority	-	-	-	-	-	-		(125,000.00)	40,439.56	169,933.43	32,030.92	213,000.00	330,403.91
		-	-	-	-	-	-	(731,000.00)	(1,258,000.00)	417,691.16	1,841,000.00	307,000.00	2,112,000.00	2,688,691.16

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 3

Responding Witness: Kent W. Blake

- Q-3. Refer to page 19 of the Blake Testimony and Reference Schedule 1.23 of Blake Exhibit 1 concerning the adjustments to reflect customer rate switching. Provide the supporting workpapers for the proposed adjustments, including all calculations and assumptions.
- A-3. Please see the attached.

**GENERAL ELECTRIC
RATE SWITCH TO LP-TOD TRANSMISSION**

2004	Jul	Aug	Sep
FAC	\$0.00051	\$0.00022	(\$0.00014)
Station Credit	\$100.00	\$100.00	\$100.00
ECR	2.2700%	0.8300%	-0.5100%
MSR	0.0000%	0.0000%	0.0000%
ESM	2.3600%	2.3600%	2.3600%
VDT	0.9000%	0.9000%	0.9000%
Buy-Thru Cost	\$0.00	\$0.00	\$0.00
Demand (kw)			
Minimum Basic	52,000.0	52,000.0	52,000.0
Minimum Peak	45,000.0	45,000.0	45,000.0
Firm	35,000.0	35,000.0	35,000.0
Metered Basic	34,138.0	33,869.0	33,600.0
Metered Peak	34,138.0	33,869.0	33,600.0
Power Factor	100%	100%	100%
Energy (kwh)			
GE	17,458,298	17,648,532	16,995,002
Replacement Power	0	0	0
Station House	2,000	2,000	2,000

LP-TOD Billing

Customer Charge	\$120.00	\$120.00	\$120.00
Basic Demand	\$79,541.54	\$78,914.77	\$78,288.00
Peak Demand	\$307,924.76	\$305,498.38	\$303,072.00
Power Factor Billing	(\$30,997.30)	(\$30,753.05)	(\$30,508.80)
Interruptible Credit	\$0.00	\$0.00	\$0.00
Energy	\$349,165.96	\$352,970.64	\$339,900.04
Fuel Adjustment	\$8,904.75	\$3,883.12	(\$2,379.58)
Station Credit	(\$100.00)	(\$100.00)	(\$100.00)
Buy Through	\$0.00	\$0.00	\$0.00
Environmental	\$16,220.51	\$5,897.43	(\$3,510.80)
Merger Surcredit	\$0.00	\$0.00	\$0.00
Earnings Sharing	\$17,246.41	\$16,907.78	\$16,163.19
Efficiency Savings	(\$6,732.24)	(\$6,600.05)	(\$6,309.40)
Total	\$741,294.39	\$726,739.02	\$694,734.65

Special Contract

Customer Charge	\$74.29	\$74.29	\$74.29
Basic Demand	\$240,240.00	\$240,240.00	\$240,240.00
Peak Demand	\$344,250.00	\$344,250.00	\$344,250.00
Power Factor Billing	(\$46,759.20)	(\$46,759.20)	(\$46,759.20)
Interruptible Credit	(\$31,000.00)	(\$31,000.00)	(\$31,000.00)
Energy	\$349,205.96	\$353,010.64	\$339,940.04
Fuel Adjustment	\$8,904.75	\$3,883.12	(\$2,379.58)
Station Credit	(\$100.00)	(\$100.00)	(\$100.00)
Buy Through	\$0.00	\$0.00	\$0.00
Environmental	\$19,631.32	\$7,167.87	(\$4,305.75)
Merger Surcredit	\$0.00	\$0.00	\$0.00
Earnings Sharing	\$20,872.95	\$20,550.09	\$19,823.05
Efficiency Savings	(\$8,147.88)	(\$8,021.85)	(\$7,738.05)
Total	\$897,172.19	\$883,294.96	\$852,044.80

Special Contract Savings	(\$155,877.80)	(\$156,555.94)	(\$157,310.15)
Total Cumulative Savings	(\$155,877.80)	(\$312,433.74)	(\$469,743.89)

BASE RATE ADJUSTMENT

(\$459,194.97)

(Includes Customer Charge, Basic Demand, Peak Demand, Power Factor Billing, Interruptible Credit, and Energy)

**United Parcel Service
Rate Switch to LP-TOD Primary**

	Jul '04	Aug '04	Sep '04	Oct '04	Nov '04	Dec '04	Jan '05	Feb '05	Mar '05	Apr '05
Adjustment Factors										
Fuel Adjustment Clause	\$0.00051	\$0.00022	(\$0.00014)	(\$0.00010)	(\$0.00004)	(\$0.00031)	\$0.00083	\$0.00046	(\$0.00028)	(\$0.00115)
Environmental Surcharge	2.270%	0.830%	-0.510%	0.490%	0.710%	0.760%	0.900%	1.010%	0.530%	0.670%
Merger Surcredit	3.129%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%
Earning Sharing Mechanism	2.360%	2.360%	2.360%	2.360%	2.360%	2.360%	2.360%	2.360%	2.360%	0.000%
Value Delivery Surcredit	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	1.040%	0.990%	0.990%	0.990%
Billing Determinants (1)										
Demand (KW)										
Basic	36,495.0	37,371.0	36,265.0	34,284.0	33,892.0	32,993.0	32,717.0	33,062.0	32,740.0	32,947.0
Summer Peak	34,422.0	34,675.0	34,514.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Winter Peak	0.0	0.0	0.0	32,187.0	28,777.0	28,915.0	29,030.0	28,339.0	27,487.0	29,791.0
Power Factor	97%	97%	97%	97%	97%	97%	98%	98%	98%	97%
Energy (KWH)	14,256,000	14,256,000	13,968,000	12,614,400	12,182,400	12,153,600	13,910,400	11,116,800	11,059,200	11,606,400
Special Contract Billing (2)										
Customer										
Basic	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Demand (KW)										
Basic	\$229,918.50	\$235,437.30	\$228,469.50	\$215,989.20	\$213,519.60	\$207,855.90	\$206,117.10	\$208,290.60	\$206,262.00	\$207,566.10
Summer Peak	\$263,328.30	\$265,263.75	\$264,032.10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Winter Peak	\$0.00	\$0.00	\$0.00	\$105,251.49	\$94,100.79	\$94,552.05	\$94,928.10	\$92,668.53	\$89,882.49	\$97,416.57
Power Factor Adjustment	(\$33,540.78)	(\$34,047.67)	(\$33,490.11)	(\$21,844.37)	(\$20,918.19)	(\$20,563.74)	(\$21,675.25)	(\$21,669.06)	(\$21,322.40)	(\$20,738.82)
Energy (KWH)	\$285,120.00	\$285,120.00	\$279,360.00	\$252,288.00	\$243,648.00	\$243,072.00	\$278,208.00	\$222,336.00	\$221,184.00	\$232,128.00
Total Base Rate	\$744,946.02	\$751,893.38	\$738,491.49	\$551,804.32	\$530,470.20	\$525,036.21	\$557,697.95	\$501,746.07	\$496,126.09	\$516,491.85
Fuel Adjustment Clause	\$7,270.56	\$3,136.32	(\$1,955.52)	(\$1,261.44)	(\$487.30)	(\$3,767.62)	\$11,545.63	\$5,113.73	(\$3,096.58)	(\$13,347.36)
Environmental Surcharge	\$17,075.32	\$6,266.75	(\$3,756.33)	\$2,697.66	\$3,762.88	\$3,961.64	\$5,123.19	\$5,119.28	\$2,613.06	\$3,371.07
Merger Surcredit	(\$24,071.14)	(\$24,833.49)	(\$23,903.27)	(\$18,046.71)	(\$17,410.79)	(\$17,133.01)	(\$18,735.84)	(\$16,700.76)	(\$16,167.86)	(\$16,522.54)
Earning Sharing Mechanism	\$17,587.21	\$17,380.53	\$16,729.48	\$12,630.57	\$12,185.51	\$11,991.09	\$13,112.89	\$11,688.57	\$11,315.60	\$0.00
Value Delivery Surcredit	(\$6,865.27)	(\$6,784.59)	(\$6,530.45)	(\$4,930.42)	(\$4,756.68)	(\$4,680.79)	(\$5,914.94)	(\$5,018.97)	(\$4,858.82)	(\$4,850.93)
Total Current Special Contract Billing	\$755,942.70	\$747,058.90	\$719,075.40	\$542,893.98	\$523,763.82	\$515,407.52	\$562,828.88	\$501,947.92	\$485,931.49	\$485,142.09
LP-TOD Billing (2)										
Customer										
Basic	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
Demand (KW)										
Basic	\$128,462.40	\$131,545.92	\$127,652.80	\$120,679.68	\$119,299.84	\$116,135.36	\$115,163.84	\$116,378.24	\$115,244.80	\$115,973.44
Summer Peak	\$310,830.66	\$313,115.25	\$311,661.42	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Winter Peak	\$0.00	\$0.00	\$0.00	\$207,284.28	\$185,323.88	\$186,212.60	\$186,953.20	\$182,503.16	\$177,016.28	\$191,854.04
Power Factor Adjustment	(\$29,871.93)	(\$30,236.96)	(\$29,873.37)	(\$22,301.55)	(\$20,714.41)	(\$20,559.66)	(\$21,752.43)	(\$21,519.46)	(\$21,042.80)	(\$20,932.27)
Energy (KWH)	\$285,120.00	\$285,120.00	\$279,360.00	\$252,288.00	\$243,648.00	\$243,072.00	\$278,208.00	\$222,336.00	\$221,184.00	\$232,128.00
Total Base Rate	\$694,661.13	\$699,664.21	\$688,920.85	\$558,070.41	\$527,677.31	\$524,980.30	\$558,692.61	\$499,817.94	\$492,522.28	\$519,143.21
Fuel Adjustment Clause	\$7,270.56	\$3,136.32	(\$1,955.52)	(\$1,261.44)	(\$487.30)	(\$3,767.62)	\$11,545.63	\$5,113.73	(\$3,096.58)	(\$13,347.36)
Environmental Surcharge	\$15,933.85	\$5,833.24	(\$3,503.52)	\$2,728.36	\$3,743.05	\$3,961.22	\$5,132.14	\$5,099.81	\$2,593.96	\$3,388.83
Merger Surcredit	(\$22,462.01)	(\$23,115.63)	(\$22,294.52)	(\$18,252.11)	(\$17,319.04)	(\$17,131.17)	(\$18,768.58)	(\$16,637.23)	(\$16,049.68)	(\$16,609.60)
Earning Sharing Mechanism	\$16,411.52	\$16,178.23	\$15,603.55	\$12,774.33	\$12,121.29	\$11,989.81	\$13,135.80	\$11,644.10	\$11,232.89	\$0.00
Value Delivery Surcredit	(\$6,406.34)	(\$6,315.27)	(\$6,090.94)	(\$4,986.54)	(\$4,731.62)	(\$4,680.29)	(\$5,925.27)	(\$4,999.88)	(\$4,823.31)	(\$4,876.49)
Total LP-TOD Primary Billing	\$705,408.71	\$695,381.10	\$670,679.90	\$549,073.01	\$521,003.69	\$515,352.25	\$563,812.33	\$500,038.47	\$482,379.56	\$487,698.59
Excess Facilities Rider	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15	\$3,272.15
Proposed Total	\$708,680.86	\$698,653.25	\$673,952.05	\$552,345.16	\$524,275.84	\$518,624.40	\$567,084.48	\$503,310.62	\$485,651.71	\$490,970.74
Special Contract Higher by (4)										
Cummulative	\$47,261.84	\$48,405.65	\$45,123.35	(\$9,451.18)	(\$512.02)	(\$3,216.88)	(\$4,255.60)	(\$1,362.70)	\$279.78	(\$5,828.65)
	\$47,261.84	\$95,667.49	\$140,790.84	\$131,339.66	\$130,827.64	\$127,610.76	\$123,355.16	\$121,992.46	\$122,272.24	\$116,443.59

Note (1) - Actual monthly usage
(2) - Annualized for billing for July 1, 2004 rate increase
(3) - Excess Facilities based on 0.13% of \$2,517,037; actual Semiole (\$3,090,037 less \$573,000)
(4) - Special Contract terminated with April 2005 billing

Base Rate Adjustment \$150,553.33
(Includes Customer, Demand, Power Factor, Energy)

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 4

Responding Witness: Valerie L. Scott

- Q-4. Refer to page 5 of the Scott Testimony and Reference Schedule 1.30 of Blake Exhibit 1 concerning the adjustment to normalize storm damage expense. The 12 months ended June 30, 2005 and calendar year 2004 both include the last 6 months of 2004. Provide a breakdown of the calendar year 2004 expense that separately identifies the amounts incurred during the first 6 months and the last 6 months of the year.
- A-4. The breakdown of adjustments to normalize storm damage expenses incurred in the 2004 calendar year are as follows: January through June, \$7,621,000 and July through December, \$6,246,000.

The existence of an overlap in calculating average storm damage expense is consistent with the methodology used to normalize storm damage expense and injuries and damages expense in Case No. 2003-00433. In that case, use of the test year ended September 30, 2003 resulted in a 3 month overlap.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 5

Responding Witness: Valerie L. Scott

- Q-5. Refer to page 5 of the Scott Testimony and Reference Schedule 1.31 of Blake Exhibit 1 concerning the adjustments for injuries and damages expense. The 12 months ended June 30, 2005 and calendar year 2004 both include the last 6 months of 2004. Provide a breakdown of the calendar year 2004 expense that separately identifies the amounts incurred during the first 6 months and the last 6 months of the year.
- A-5. The breakdown of adjustments for injuries and damages expenses incurred in the 2004 calendar year are as follows: January through June, \$946,905 and July through December, \$764,250.

	Electric	Gas	Total
Jan – Jun 2004	\$ 738,829	\$208,076	\$ 946,905
Jul – Dec 2004	<u>\$ 587,604</u>	<u>\$176,646</u>	<u>\$ 764,250</u>
Total	\$1,326,433	\$384,722	\$1,711,155

The existence of an overlap in calculating average injuries and damages expense is consistent with the methodology used to normalize storm damage expense and injuries and damages expense in Case No. 2003-00433. In that case, use of the test year ended September 30, 2003 resulted in a 3 month overlap.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 6

Responding Witnesses: Martyn Gallus / Kent W. Blake

- Q-6. Refer to page 20 of the Blake Testimony and Reference Schedule 1.32 of Blake Exhibit 1 concerning the adjustment to normalize Off-System Sales ("OSS") to a 5-year level (2001 - June 30, 2005). The testimony cites the high plant availability and wholesale power prices during the period ended June 30, 2005 as the basis for the adjustment.
- a. The testimony identifies the Equivalent Forced Outage Rates ("EFOR") for the combined LG&E and Kentucky Utilities Company ("KU") systems during calendar year 2004 and the 12 months ended June 30, 2005. There is an overlap of 6 months in these two periods. Provide the EFOR for the combined systems for calendar year 2004 that separately identifies the levels during the first 6 months and the last 6 months of the year.
 - b. Provide the EFORs for the combined systems for each of the years 2001, 2002 and 2003.
 - c. Explain why 5 years was selected as the length of time on which to base the proposed adjustment.
 - d. Provide LG&E's OSS margins and the combined systems' EFORs for the years 1998, 1999, and 2000.
- A-6. The adjustment to normalize OSS was based on the principle that this item can fluctuate significantly from year to year; the period ended June 30, 2005, included an unusually high level of OSS margins which have not been experienced historically and are not expected to continue. The Company noted two reasons for this in the cited testimony. Other factors contributed to this including the existence of term coal supply agreements at prices below current market levels.
- a. The EFOR for the combined LG&E and KU systems during the requested periods are shown below.

Period	EFOR
January – June 2004	3.0%
July – December 2004	2.6%
January – December 2004	2.8%

- b. The EFOR for the combined LG&E and KU systems during the requested periods are shown below.

Period	EFOR
2001	5.4%
2002	10.5%
2003	4.7%

- c. The Commission has traditionally allowed a 10-year or 5-year time period for purposes of normalizing income statement items that can fluctuate significantly from year to year (see page 41 of the Commission's order in Case No. 2003-00433). The Company did not believe that a 10-year time period was reasonable given the impact on off-system sales of the KU and LG&E merger in 1998. Therefore, the Company utilized a five-year time period.
- d. LG&E's OSS margins and the combined systems' EFORs are shown below for the years 1998, 1999, and 2000.

Period	LG&E's OSS Margin	EFOR
1998	\$24,532,679	6.2%
1999	\$30,439,631	6.8%
2000	\$49,691,441	4.1%

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 7

Responding Witness: Kent W. Blake

- Q-7. Refer to pages 20-21 of the Blake Testimony and Reference Schedule 1.40 of Blake Exhibit 1 concerning the adjustments to annualize revenues and expenses based on actual customers at June 30, 2005. Provide the supporting workpapers for the proposed adjustments, including all calculations and assumptions.
- A-7. Please see the attached.

**LOUISVILLE GAS AND ELECTRIC COMPANY
Adjustment to Annualize Year-End Customers**

Electric Rate Class		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Average Customers for 13 Months Ending 6-30-05	Customers Served at 6-30-05	Excess Year End Over Average (2) - (1)	12 Months Ended 6-30-05 kWh	Average kWh per Customer (4) / (1)	Year End kWh Adjustment (5) x (3)	12 Months Ended 6-30-05 Revenue	Average Revenue per Customer (7) / [(1) x 12]	Adjustment to Revenue (8) x (3) x 11
Residential	Space Heating	40,762	40,058	(704)	671,944,795	16,485	(11,605,440)	\$ 42,000,200	\$ 85.86	(664,900)
	Residential	303,423	306,945	3,522	3,134,970,975	10,332	36,389,304	202,769,816	55.69	2,157,542
	Water Heating	5,728	5,654	(74)	15,385,192	2,686	(198,764)	905,726	13.18	(10,729)
	Sub-total	349,913	352,657	2,744	3,822,300,962	10,924	24,585,100	245,675,742	\$ 58.51	1,481,914
General Service	Water Heating	121	123	2	184,548	1,525	3,050	12,554	8.65	190
	Single Phase	26,754	26,632	(122)	431,711,310	16,136	(1,968,592)	32,965,414	102.68	(137,797)
	Space Heating	1,002	995	(7)	33,823,647	33,756	(236,292)	2,298,191	191.13	(14,717)
	Three Phase	13,351	13,461	110	858,149,103	64,276	7,070,360	61,756,696	385.47	466,419
	Sub-total	41,228	41,211	(17)	1,323,868,608	32,111	4,868,526	97,032,855	196.13	314,095
Large Commercial	Secondary	2,625	2,633	8	2,007,228,257	764,658	6,117,264	111,538,804	3,540.91	311,600
	Primary	40	41	1	133,416,680	3,335,417	3,335,417	6,368,081	13,266.84	145,935
	Secondary STOD	33	34	1	70,074,520	2,123,470	2,123,470	3,068,513	7,748.77	85,236
	Primary STOD	1	1	-	4,459,420	4,459,420	-	171,535	14,294.62	-
	Sub-total	2,699	2,709	10	2,215,178,877	820,741	11,576,151	121,146,934	3,740.49	542,772
Large Commercial Time of Day	Secondary	56	55	(1)	312,612,813	5,582,372	(5,582,372)	15,697,587	23,359.50	(256,955)
	Primary	11	11	-	274,160,959	24,923,724	-	12,151,056	92,053.45	-
	Sub-total	67	66	(1)	586,773,772	8,757,817	(5,582,372)	27,848,643	34,637.62	(256,955)
Large Power	Secondary	339	340	1	545,478,198	1,609,080	1,609,080	28,841,017	7,089.73	77,987
	Primary	39	39	-	113,097,638	-	-	5,248,219	-	-
	Sub-total	378	379	1	658,575,836	1,742,264	1,742,264	34,089,236	7,515.26	77,987
LP TOD	Secondary	13	14	1	43,018,378	3,309,106	3,309,106	2,151,008	13,788.51	151,674
	Primary	45	45	-	1,427,359,418	31,719,098	-	56,888,034	105,348.21	-
	Transmission	4	4	-	294,287,425	73,571,856	-	10,715,395	223,237.39	-
	Primary-Interruptible	1	1	-	255,231,976	255,231,976	-	10,785,902	898,825.19	-
	Trans Interruptible	2	2	-	219,957,951	109,978,976	-	8,142,748	339,281.15	-
	Sub-total	65	66	1	2,239,855,148	34,459,310	3,309,106	88,683,086	113,696.26	151,674
Public Street Lighting		40,323	42,673	2,350	50,978,511	1,264	2,970,400	5,582,858	11.54	298,309
Street Lighting		118	118	-	3,729,279	31,604	-	151,371	106.90	-
Outdoor Lighting		51,942	52,613	671	56,753,990	1,093	733,403	7,110,948	11.41	84,217
Lighting Service		243	1,209	966	489,347	2,014	1,945,524	51,856	17.78	188,930
Traffic Lighting		885	884	(1)	9,397,017	10,618	(10,618)	510,325	48.05	(529)
	Sub-total	93,511	97,497	3,986	121,348,144	1,298	5,638,709	13,407,358	11.95	570,928
Grand Total		487,861	494,585	6,724				\$ 627,883,854		\$ 2,882,415
Deduct Expenses at 48.95% Operating Ratio										(1,410,942)
Net Before Tax Adjustment to Operating Income										<u>\$ 1,471,473</u>

Determination of Operating Ratio:

Total Operating Expenses	502,071,012
Less Wages and Salaries	<u>70,275,946</u>
Operating Expenses Net of Wages and Salaries	431,795,066
Total Electric Operating Revenues	882,059,250
Operating Ratio	48.95%

Louisville Gas and Electric Company
 Adjustment of Gas Revenues to reflect Year-end Customers
 Over Average Number of Customers in Test Period
 13 Month Period Ended June 30, 2005

	AVERAGE CUSTOMERS 13 MONTHS ENDED 6/30/2005	CUSTOMERS SERVED AT 6/30/2005	YEAR-END OVER/ (UNDER) AVERAGE (COL. 2 - 1)	WEATHER NORMALIZED MCF (4)	AVERAGE MCF PER CUSTOMER (COL. 4 / 1)	YEAR-END MCF ADJUSTMENT (COL. 3 x 5)	NET REVENUE ADJUSTED FOR PRESENT RATES AND TEMPERATURES	AVERAGE REVENUE PER MCF	ADJUSTMENT TO REVENUE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
RGS	293,188	295,467	2,279	22,241,047	75.9	172,993.6	\$ 60,550,789	\$ 2.7225	\$ 470,975
CGS	24,685	24,681	(4)	10,938,196	443.1	(1,772.4)	\$ 21,103,739	\$ 1.9294	\$ (3,420)
IGS	220	217	(3)	1,304,717	5,930.5	(17,791.5)	\$ 1,935,302	\$ 1.4833	\$ (26,390)
COM G-6	4	4	-	111,364	27,841.0	-	\$ 37,204	\$ 0.3341	\$ -
IND G-6	14	15	1	252,088	18,006.3	18,006.3	\$ 186,694	\$ 0.7406	\$ 13,335
TOTAL	318,111	320,384	2,273	34,847,412		171,436	83,813,729		454,500
EXPENSES AT OPERATING RATIO OF		57.42%							\$ 260,994
ADJUSTMENT TO NET OPERATING INCOME BEFORE TAXES									\$ 193,506

Louisville Gas and Electric Company
 GAS OPERATING RATIO
 13 MONTHS ENDED June 30, 2005

TOTAL EXPENSES	\$ 328,063,360
LESS GAS SUPPLY EXPENSES	\$ 278,335,278
LESS WAGES AND SALARIES	\$ -
LESS PENSIONS AND BENEFITS	\$ -
LESS REGULATORY COMMISSION EXPENSE	\$ -
NET EXPENSES	\$ 49,728,082

TOTAL GAS OPERATIONS REVENUES (AS BILLED)	\$ 366,797,148
LESS GSC REVENUE	\$ 280,199,541
NET REVENUE	\$ 86,597,607

OPERATING RATIO 57.4243%

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 8

Responding Witness: Valerie L. Scott

- Q-8. Refer to page 7 of the Scott Testimony and Reference Schedule 1.43 of Blake Exhibit 1 concerning the adjustment to annualize the administrative expenses associated with the Midwest Independent System Operator's ("MISO") "Day 2" market.
- a. Provide the supporting workpapers for the proposed adjustment, including all calculations and assumptions. Identify the specific accounts in which the amounts were recorded.
 - b. The adjustment is based on annualizing the expenses incurred for the 5 months from April through August of 2005. Provide the expense incurred for the month of September 2005 and identify the specific accounts in which the amounts were recorded.
- A-8. a. Please see the attached.
- b. The amount booked to account #557202 for Schedule 16 charges was \$28,305.67 for September 2005. Schedule 17 charges booked to accounts #557203 and #557201 amounted to \$154,574.25 for September 2005.

MISO Summary

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
Sch 16 - FTR Admin Fee						
LG&E	37,402	49,359	8,645	22,090	48,206	95,406
KU	61,549	72,460	8,740	18,718	43,449	142,750
Total	98,951	121,819	17,385	40,808	91,655	238,155
Sch 17- DA/RT Admin Fee						
LG&E	180,249	220,700	235,570	291,431	287,897	636,519
KU	271,821	289,298	315,245	415,387	398,360	876,365
Total	452,070	509,998	550,815	706,818	686,257	1,512,883
Total Sch 16 & 17						
LG&E	217,650	270,058	244,216	313,521	336,103	731,924
KU	333,371	361,759	323,985	434,104	441,809	1,019,114
Total	551,021	631,817	568,200	747,625	777,912	1,751,038

NOTE:

Amount represents charges per the most recent settlement statements, or estimated amounts for days with no settlement statement, as of each month end allocated based upon an allocation methodology .

Schedule 16 administrative costs for native load are allocated between companies based on the percent of FTR volume.

Schedule 16 administrative costs are not allocated to OSS.

Schedule 17 administrative costs for native load are allocated between companies based on the percent of load.

Schedule 17 administrative costs for OSS are allocated between companies based on the percent of generation contributed.

LGE	Acct #	Jan-2005		Feb-2005		Mar-2005		Apr-2005		May-2005		Jun-2005		Jul-2005		Aug-2005		2005 YTD		
		MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	
DAY 1	Schedule 7,8,14,18 - OSS	456051	(382,519.93)	(243,019.07)	(309,344.91)	4,060.19	(506.47)	(96.47)	(1,442.32)	-	(811.52)	-	(933,680.50)	-	(811.52)	-	(933,680.50)	-	(933,680.50)	
	Schedule 1 - OSS	456052	(23,338.49)	(14,876.83)	(19,125.41)	249.49	(37.59)	(6.72)	(157.74)	-	(72.89)	-	(57,366.18)	-	(72.89)	-	(57,366.18)	-	(57,366.18)	
	Schedule 2 - OSS	456053	(50,728.80)	(29,610.98)	(38,405.46)	510.38	(22.85)	(3.86)	(340.23)	-	(112.59)	-	(118,714.39)	-	(112.59)	-	(118,714.39)	-	(118,714.39)	
	Transmission Elec OSS - MISO	565006		2,619,869.25	1,461,731.06	48	(177,313.33)	2,208	8,951.87	951	(1,576.09)	2,802	4,407.94	2,437	(664,416.72)	8,446	3,251,653.98	8,446	3,251,653.98	
	MISO Schedule 10 - OSS	566102	26,145.00	10,681.62	34,644.30		(55,021.34)		370.99		112.85		324.05		39.37		19,296.84		19,296.84	
	MISO FERC Fees - OSS	566104	19,216.00	19,216.00	19,216.00		19,216.00		19,216.00		19,216.00		13,115.05	0	67,482.64		195,893.69		195,893.69	
	Subtotal Day 1 OSS		(411,226.22)	(2,362,259.99)	(1,148,715.58)	48	(208,298.61)	2,208	27,971.95	951	17,645.71	2,802	15,906.75	2,437	(597,891.71)	8,446	2,355,083.44	8,446	2,355,083.44	
	Schedule 7,8,14,18 - NL	456002	(205,621.37)	(185,901.93)	(177,030.14)	(136,877.75)	(149,541.46)	(157,835.29)	(184,353.93)	-	17,498.94	-	(1,179,662.93)	-	17,498.94	-	(1,179,662.93)	-	(1,179,662.93)	
	Schedule 1 - NL	456020	(14,632.61)	(14,110.41)	(14,915.87)	(12,159.80)	(12,957.63)	(11,913.36)	(13,277.21)	-	(14,071.52)	-	(108,038.41)	-	(14,071.52)	-	(108,038.41)	-	(108,038.41)	
	Schedule 2 - NL	456021	(45,638.57)	(42,584.93)	(44,928.15)	(45,024.35)	(52,421.98)	(46,749.76)	(54,576.79)	-	(55,536.20)	-	(387,460.73)	-	(55,536.20)	-	(387,460.73)	-	(387,460.73)	
	MISO Schedule 10 - NL	566101	226,705.08	160,344.32	173,594.35	1,202	171,230.89	1,532	224,546.81	1,873	269,728.00	2,070	291,587.89	1,991	264,734.95	8,668	1,782,472.29	8,668	1,782,472.29	
	MISO Schedule 18 - NL	566109	4,132.28	4,288.06	3,059.50	3,235.52	3,305.10	4,296.05	5,064.72	-	5,556.31	-	32,937.54	-	5,556.31	-	32,937.54	-	32,937.54	
	MISO FERC Fees - NL	566103	41,480.00	41,480.00	41,480.00	41,480.00	41,480.00	34,895.00	34,895.00		34,895.00		158,894.15	0	158,894.15		436,084.15		436,084.15	
	Subtotal Day 1 NL		6,424.81	(36,484.89)	(18,740.31)	1,202	21,884.51	1,532	54,410.84	1,873	92,420.64	2,070	79,339.68	1,991	377,076.63	8,668	576,331.91	8,668	576,331.91	
DAY 2	Regular Sales-OSS	447016	-	-	-	(213,068)	(7,702,928.14)	(315,127)	(10,926,539.67)	(218,730)	(8,652,569.82)	(95,939)	(4,066,144.55)	(182,460)	(8,487,489.41)	(1,025,324)	(39,835,671.59)	(1,025,324)	(39,835,671.59)	
	Brokered Sales-OSS	447109	-	-	-	(17,016)	(546,317.30)	(27,566)	(926,226.43)	(31,168)	(1,657,684.08)	(20,706)	(1,498,254.04)	(34,874)	(2,463,106.38)	(131,330)	(7,091,588.23)	(131,330)	(7,091,588.23)	
	Purchases-OSS	555006	-	-	-	4,604	266,928.12	6,189	393,881.47	3	66.41	86	7,870.21	-	12,882	668,746.21	12,882	668,746.21	12,882	668,746.21
	Brokered Purch.-OSS	447209	-	-	-	18,862	575,797.88	29,397	879,988.98	37,084	1,788,876.66	23,775	1,517,214.55	38,449	2,443,987.70	147,567	7,205,865.77	147,567	7,205,865.77	
	Sch 17- DA/RT Admin Fee-OSS	557201	-	-	-	-	19,333.21	-	29,253.15	-	20,391.80	-	12,935.54	-	101,780.09	-	101,780.09	-	101,780.09	
	RSG Make Whole Payment-OSS	557205/456025	-	-	-	-	(1,080,491.40)	-	(2,521,998.06)	-	(8,929,413.45)	-	(3,036,921.95)	-	(970,778.82)	-	(16,539,603.68)	-	(16,539,603.68)	
	RSG Distribution Amount - OSS	557205	-	-	-	-	1,453.93	-	2,917.92	-	9,615.32	-	6,839.50	-	13,151.09	-	33,977.76	-	33,977.76	
	Revenue Neutrality Uplift - OSS	557205	-	-	-	-	1,809.11	-	5,009.84	-	13,691.53	-	13,370.13	-	14,623.18	-	48,503.79	-	48,503.79	
	Other-OSS	557205	-	-	-	-	435.54	-	(3,407.43)	-	(5,404.74)	-	(4,651.54)	-	(43,118.21)	-	(56,146.38)	-	(56,146.38)	
	Day 2 OSS		-	-	-	(206,618)	(8,463,979.05)	(305,107)	(13,067,120.23)	(212,811)	(17,412,430.37)	(92,784)	(7,047,742.15)	(178,885)	(9,472,864.46)	(996,205)	(55,464,136.26)	(996,205)	(55,464,136.26)	
	Generation fuel for MISO sales		23,464	517,422.93	65,249	2,185,407.28	75,774	3,619,345.96	21,515	929,365.67	35,778	1,590,687.18	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02
	Internal replacement purch from KU-fuel		184,985	3,916,307.09	242,047	6,269,678.49	142,609	4,929,110.27	74,963	1,822,481.62	146,587	3,212,058.92	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39
	Subtotal Day 2 OSS		-	-	-	1,831	(4,030,249.03)	2,189	(4,612,034.46)	5,572	(8,863,974.14)	3,694	(4,295,694.86)	3,480	(4,669,218.36)	16,766	(26,471,370.85)	16,766	(26,471,370.85)	
	Purchases-NL	555007	-	-	-	4,151	207,639.06	1,652	22,996.70	6,906	588,002.55	61,228	5,110,300.38	36,397	4,285,207.91	110,334	10,214,146.60	110,334	10,214,146.60	
	Sch 16 - FTR Admin Fee-NL	557202	-	-	-	-	37,401.56	-	49,358.65	-	8,645.35	-	22,090.33	-	48,205.55	-	165,701.44	-	165,701.44	
	Sch 17- DA/RT Admin Fee-NL	557203	-	-	-	-	160,915.58	-	191,446.41	-	215,178.48	-	278,495.36	-	268,030.85	-	1,114,066.68	-	1,114,066.68	
	RSG Make Whole Payment-NL	557204	-	-	-	-	(164,548.73)	-	(194,932.84)	-	346,144.81	-	(13,702.39)	-	16,249.44	-	(10,789.71)	-	(10,789.71)	
	RSG Distribution Amount - NL	557204	-	-	-	-	316,168.53	-	412,627.77	-	1,096,153.04	-	1,076,178.84	-	1,495,322.69	-	4,396,450.87	-	4,396,450.87	
	Revenue Neutrality Uplift - NL	557204	-	-	-	-	393,424.24	-	727,787.09	-	1,618,464.33	-	2,091,398.33	-	1,594,102.62	-	6,425,176.61	-	6,425,176.61	
	Other-NL	557204	-	-	-	-	(59,943.67)	-	16,524.18	-	(73,670.93)	-	(2,093,940.08)	-	(649,723.62)	-	(2,860,754.12)	-	(2,860,754.12)	
	Day 2 NL		-	-	-	4,151	891,056.57	1,652	1,225,807.96	6,906	3,798,917.63	61,228	6,470,820.77	36,397	7,057,395.44	110,334	19,443,998.37	110,334	19,443,998.37	
	FAC Revenue (100% of NL purch)		-	-	-	-	(207,639.06)	-	(22,996.70)	-	(588,002.55)	-	(5,110,300.38)	-	(4,285,207.91)	-	(10,214,146.60)	-	(10,214,146.60)	
	Subtotal Day 2 NL		-	-	-	4,151	683,417.51	1,652	1,202,811.26	6,906	3,210,915.08	61,228	1,360,520.39	36,397	2,772,187.53	110,334	9,229,851.77	110,334	9,229,851.77	
DAY 3	MISO Schedule 21 - NL	456002		(238,378.27)	(79,459.23)	(42,055.87)	(35,502.06)	(21,883.46)	(38,731.54)		(38,996.54)		(455,006.97)		(38,996.54)		(455,006.97)		(455,006.97)	
	MISO Schedule 22 - NL	566117		185,762.88	(93,298.60)	27,030.93	27,511.38	42,724.14	58,278.82		(37,768.55)		210,241.00		(37,768.55)		210,241.00		210,241.00	
	Subtotal Day 3 NL		-	(52,615.39)	(52,428.30)	(15,024.94)	(7,990.68)	(4,159.32)	(20,452.72)		(20,452.72)		(284,765.97)		(20,452.72)		(284,765.97)		(284,765.97)	
	LGE Subtotal		(404,801.41)	2,273,159.71	957,217.44	7,232	(3,548,270.56)	7,581	(3,334,831.09)	15,302	(5,522,152.03)	69,794	(2,820,580.76)	44,305	(2,194,611.00)	144,214	(14,594,869.70)	144,214	(14,594,869.70)	
	Less Subtotal Day 2 OSS		-	-	-	(1,831)	4,030,249.03	(2,189)	4,612,034.46	(5,572)	8,863,974.14	(3,694)	4,295,694.86	(3,480)	4,669,218.36	(16,766)	26,471,370.85	(16,766)	26,471,370.85	
	LGE Total MISO less Day 2 OSS Profit		(404,801.41)	2,273,159.71	957,217.44	5,401	481,978.47	5,392	1,277,203.37	9,730	3,341,822.11	66,100	1,475,314.10	40,825	2,474,607.36	127,448	11,876,501.15	127,448	11,876,501.15	

NOTE: Positive values represent Expenses and Negative values represent Revenues.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 9

Responding Witnesses: Martyn Gallus / Valerie L. Scott

- Q-9. Refer to pages 8-9 of the Scott Testimony and Reference Schedule 1.44 of Blake Exhibit 1 concerning the adjustment to annualize the MISO revenue neutrality uplift charges associated with the operation of its "Day 2" market.
- a. Provide the supporting workpapers for the proposed adjustment, including all calculations and assumptions. Identify the specific accounts in which the amounts were recorded.
 - b. The adjustment is based on annualizing the expenses incurred for the 5 months from April through August of 2005. Provide the expense incurred for the month of September 2005 and identify the specific accounts in which the amounts were recorded.
- A-9. a. Please see the attached.
- b. The amount of the revenue neutrality uplift booked to accounts #557204 and #557205 for September 2005 was (\$ 1,771,182.68). Typically the revenue neutrality uplift is an expense. However, for the month of September it was a revenue. This was caused by MISO recalculating the Company's share of over-collected losses from the inception of Day 2 using a different methodology. This change in methodology resulted in a one-time reduction of revenue neutrality uplift charges in September for the cumulative effect of the change and was offset by corresponding changes to other line items on the MISO settlement statement which in turn impacted the Company's cost of providing service.

MISO Summary

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
Revenue Neutrality Uplift						
LG&E	395,233	732,797	1,632,156	2,104,768	1,608,726	2,760,186
KU	661,848	1,125,841	2,344,019	3,052,319	2,324,457	4,131,708
Total	1,057,082	1,858,637	3,976,175	5,157,087	3,933,183	6,891,894

NOTE:

Amount represents charges per the most recent settlement statements, or estimated amounts for days with no settlement statement, as of each month end allocated based upon an allocation methodology.

Revenue neutrality uplift charges for native load are allocated between companies based on the percent of load.

Revenue neutrality uplift charges for OSS are allocated between companies based on the percent of generation contributed.

LGE	Acct#	Jan-2005		Feb-2005		Mar-2005		Apr-2005		May-2005		Jun-2005		Jul-2005		Aug-2005		2005 YTD		
		MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	
DAY 1	Schedule 7,8,14,18 - OSS	456051	(382,519.93)	(243,019.07)	(309,344.91)	4,060.19	(506.47)	(96.47)	(1,442.32)	-	(811.52)	-	(811.52)	-	(811.52)	-	(811.52)	-	(933,680.50)	
	Schedule 1 - OSS	456052	(23,338.49)	(14,876.83)	(19,125.41)	249.49	(37.59)	(157.74)	(157.74)	-	(72.89)	-	(72.89)	-	(72.89)	-	(72.89)	-	(57,366.18)	
	Schedule 2 - OSS	456053	(50,728.80)	(29,610.98)	(38,405.46)	510.38	(22.85)	(340.23)	(340.23)	-	(112.59)	-	(112.59)	-	(112.59)	-	(112.59)	-	(118,714.39)	
	Transmission Elec OSS - MISO	565006		2,619,869.25	1,461,731.06	48	(177,313.33)	2,208	8,951.87	951	(1,576.09)	2,802	4,407.94	2,437	(664,416.72)	8,446	3,251,653.98	8,446	3,251,653.98	
	MISO Schedule 10 - OSS	566102	26,145.00	10,681.62	34,644.30		(55,021.34)		370.99		112.85		324.05		39.37		17,296.84		17,296.84	
	MISO FERC Fees - OSS	566104	19,216.00	19,216.00	19,216.00		19,216.00		19,216.00		19,216.00		13,115.05	0	67,482.64		195,893.69		195,893.69	
	Subtotal Day 1 OSS		(411,226.22)	(2,362,259.99)	(1,148,715.58)	48	(208,298.61)	2,208	27,971.95	951	17,645.71	2,802	15,906.75	2,437	(597,891.71)	8,446	2,355,083.44	8,446	2,355,083.44	
	Schedule 7,8,14,18 - NL	456002	(205,621.37)	(185,901.93)	(177,030.14)	(136,877.75)	(149,541.46)	(157,835.29)	(184,353.93)	-	17,498.94	-	(1,179,662.93)	-	(1,179,662.93)	-	(1,179,662.93)	-	(1,179,662.93)	
	Schedule 1 - NL	456020	(14,632.61)	(14,110.41)	(14,915.87)	(12,159.80)	(12,957.63)	(11,913.36)	(13,277.21)	-	(14,071.52)	-	(108,038.41)	-	(108,038.41)	-	(108,038.41)	-	(108,038.41)	
	Schedule 2 - NL	456021	(45,638.57)	(42,584.93)	(44,928.15)	(45,024.35)	(52,421.98)	(46,749.76)	(54,576.79)	-	(55,536.20)	-	(387,460.73)	-	(387,460.73)	-	(387,460.73)	-	(387,460.73)	
	MISO Schedule 10 - NL	566101	226,705.08	160,344.32	173,594.35	1,202	171,230.89	1,532	224,546.81	1,873	269,728.00	2,070	291,587.89	1,991	264,734.95	8,668	1,782,472.29	8,668	1,782,472.29	
	MISO Schedule 18 - NL	566109	4,132.28	4,288.06	3,059.50	3,235.52	3,305.10	4,296.05	5,566.31	-	5,566.31	-	5,566.31	-	5,566.31	-	5,566.31	-	5,566.31	
	MISO FERC Fees - NL	566103	41,480.00	41,480.00	41,480.00	41,480.00	41,480.00	41,480.00	34,895.00	0	158,894.15	0	158,894.15	0	158,894.15	0	158,894.15	0	158,894.15	
	Subtotal Day 1 NL		6,424.81	(36,484.89)	(18,740.31)	1,202	21,884.51	1,532	54,410.84	1,873	92,420.64	2,070	79,339.68	1,991	377,076.63	8,668	476,331.91	8,668	476,331.91	
DAY 2	Regular Sales-OSS	447016	-	-	-	(213,068)	(7,702,928.14)	(315,127)	(10,926,539.67)	(218,730)	(8,652,569.82)	(95,939)	(4,066,144.55)	(182,460)	(8,487,489.41)	(1,025,324)	(39,835,671.59)	(1,025,324)	(39,835,671.59)	
	Brokered Sales-OSS	447109	-	-	-	(17,016)	(546,317.30)	(27,566)	(926,226.43)	(31,168)	(1,657,684.08)	(20,706)	(1,498,254.04)	(34,874)	(2,463,106.38)	(131,330)	(7,091,588.23)	(131,330)	(7,091,588.23)	
	Purchases-OSS	555006	-	-	-	4,604	266,928.12	8,189	393,881.47	3	66.41	86	7,870.21	-	-	12,882	668,746.21	12,882	668,746.21	
	Brokered Purch.-OSS	447209	-	-	-	18,862	575,797.68	29,397	879,988.98	37,084	1,788,876.66	23,775	1,517,214.55	38,449	2,443,987.70	147,567	7,205,865.77	147,567	7,205,865.77	
	Sch 17- DA/RT Admin Fee-OSS	557201	-	-	-	-	19,333.21	-	29,253.15	-	20,391.80	-	12,935.54	-	19,866.39	-	101,780.09	-	101,780.09	
	RSG Make Whole Payment-OSS	557205/456025	-	-	-	(1,080,491.40)	(2,521,998.06)	-	(8,929,413.45)	-	(3,036,921.95)	-	(970,778.82)	-	(16,539,603.68)	-	(16,539,603.68)	-	(16,539,603.68)	
	RSG Distribution Amount - OSS	557205	-	-	-	1,453.93	2,917.92	-	6,839.50	-	13,151.09	-	33,977.76	-	33,977.76	-	33,977.76	-	33,977.76	
	Revenue Neutrality Uplift - OSS	557205	-	-	-	1,809.11	5,009.84	-	13,691.53	-	13,370.13	-	14,623.79	-	48,503.79	-	48,503.79	-	48,503.79	
	Other-OSS	557205	-	-	-	435.54	(3,407.43)	-	(5,404.74)	-	(4,651.54)	-	(43,118.21)	-	(56,146.38)	-	(56,146.38)	-	(56,146.38)	
	Day 2 OSS		-	-	-	(206,618)	(8,463,879.05)	(305,107)	(13,067,120.23)	(212,811)	(17,412,430.37)	(92,784)	(7,047,742.15)	(178,885)	(9,472,864.46)	(996,205)	(55,464,136.26)	(996,205)	(55,464,136.26)	
	Generation fuel for MISO sales		23,464	517,422.93	65,249	2,185,407.28	75,774	3,619,345.96	21,515	929,365.67	35,778	1,590,687.18	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02
	Internal replacement purch from KU-fuel		184,985	3,916,307.09	242,047	6,269,678.49	142,609	4,929,110.27	74,963	1,822,481.62	146,587	3,212,958.92	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39
	Subtotal Day 2 OSS		-	-	-	1,831	(4,030,249.03)	2,189	(4,612,034.46)	5,572	(8,863,974.14)	3,694	(4,295,894.86)	3,480	(4,669,218.36)	16,766	(26,471,370.85)	16,766	(26,471,370.85)	
	Purchases-NL	555007	-	-	-	4,151	207,639.06	1,652	22,996.70	6,906	588,002.55	61,228	5,110,300.38	36,397	4,285,207.91	110,334	10,214,146.60	110,334	10,214,146.60	
	Sch 16 - FTR Admin Fee-NL	557202	-	-	-	-	37,401.56	-	49,358.65	-	8,645.35	-	48,205.55	-	165,701.44	-	165,701.44	-	165,701.44	
	Sch 17- DA/RT Admin Fee-NL	557203	-	-	-	-	160,915.58	-	191,446.41	-	215,178.48	-	268,030.85	-	1,114,066.68	-	1,114,066.68	-	1,114,066.68	
	RSG Make Whole Payment-NL	557204	-	-	-	-	(164,548.73)	-	(194,932.84)	-	346,144.81	-	(13,702.39)	-	(10,789.71)	-	(10,789.71)	-	(10,789.71)	
	RSG Distribution Amount - NL	557204	-	-	-	-	316,168.53	-	412,627.77	-	1,096,153.04	-	1,076,178.84	-	4,396,450.87	-	4,396,450.87	-	4,396,450.87	
	Revenue Neutrality Uplift - NL	557204	-	-	-	-	393,424.24	-	727,787.09	-	1,618,464.33	-	2,091,398.33	-	1,594,102.62	-	6,425,176.61	-	6,425,176.61	
	Other-NL	557204	-	-	-	-	(59,943.67)	-	16,524.18	-	(73,670.93)	-	(2,093,940.00)	-	(649,723.62)	-	(2,860,754.12)	-	(2,860,754.12)	
	Day 2 NL		-	-	-	4,151	891,056.57	1,652	1,225,807.96	6,906	3,798,917.63	61,228	6,470,820.77	36,397	7,057,395.44	110,334	19,443,998.37	110,334	19,443,998.37	
	FAC Revenue (100% of NL purch)		-	-	-	-	(207,639.06)	-	(22,996.70)	-	(588,002.55)	-	(5,110,300.38)	-	(4,285,207.91)	-	(10,214,146.60)	-	(10,214,146.60)	
	Subtotal Day 2 NL		-	-	-	4,151	683,417.51	1,652	1,202,811.26	6,906	3,210,915.08	61,228	1,360,520.39	36,397	2,772,187.53	110,334	9,229,851.77	110,334	9,229,851.77	
DAY 3	MISO Schedule 21 - NL	456002		(238,378.27)	(79,459.23)		(42,055.87)		(35,502.06)		(21,883.46)		(38,731.54)		(38,996.54)		(495,006.97)		(495,006.97)	
	MISO Schedule 22 - NL	566117		185,762.88	(93,298.60)		27,030.93		27,511.38		42,724.14		58,278.82		(37,768.55)		210,241.00		210,241.00	
	Subtotal Day 3 NL			(52,615.39)	(172,757.83)		(15,024.94)		(7,990.68)		20,840.68		19,547.28		(76,765.09)		(284,765.97)		(284,765.97)	
LGE Subtotal			(404,801.41)	2,273,159.71	957,217.44	7,232	(3,548,270.56)	7,581	(3,334,831.09)	15,302	(5,522,152.03)	69,794	(2,820,580.76)	44,305	(2,194,611.00)	144,214	(14,594,869.70)	144,214	(14,594,869.70)	
Less Subtotal Day 2 OSS			-	-	-	(1,831)	4,030,249.03	(2,189)	4,612,034.46	(5,572)	8,863,974.14	(3,694)	4,295,894.86	(3,480)	4,669,218.36	(16,766)	26,471,370.85	(16,766)	26,471,370.85	
LGE Total MISO less Day 2 OSS Profit			(404,801.41)	2,273,159.71	957,217.44	5,401	481,978.47	5,392	1,277,203.37	9,730	3,341,822.11	66,100	1,475,314.10	40,825	2,474,607.36	127,448	11,976,501.15	127,448	11,976,501.15	

NOTE: Positive values represent Expenses and Negative values represent Revenues.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 10

Responding Witness: Valerie L. Scott

- Q-10. Refer to pages 9-10 of the Scott Testimony and Reference Schedule 1.45 of the Blake Testimony concerning the adjustment to annualize the Revenue Sufficiency Guarantee make-whole payments and incurred charges associated with MISO's "Day 2" operations.
- a. Provide the supporting workpapers for the proposed adjustment, including all calculations and assumptions. Identify the specific accounts in which the amounts were recorded.
 - b. The adjustment is based on annualizing the amounts recorded during the 5 months from April through August of 2005. Provide the amounts recorded during the month of September 2005 and identify the specific accounts in which the amounts were recorded.
- A-10. a. Please see the attached.
- b. The amount booked to account #456025 for Revenue Sufficiency Guarantee Make Whole Payment ("RSG") was (\$3,495,546.61). The amount booked to accounts #557204 and #557205 for Revenue Sufficiency Distribution Amount (incurred charges) was \$1,573,125.64. The amount of production cost for RSG payments is calculated as a ratio of RSG revenues to total revenues times the production expense for making off-system sales. For the month of September 2005 this amount is calculated as \$2,722,915. Production expense is charged to the following FERC accounts: 501, 547 and 555.

MISO Summary

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
RSG Make Whole Payment						
RSG Reclassification	1,061,595	1,357,464	4,308,900	262,689		
LG&E	183,445	1,359,466	4,274,369	2,787,935	954,529	5,817,281
KU	1,534,096	1,716,795	6,536,598	2,876,540	1,458,161	9,787,489
Total	1,717,542	3,076,261	10,810,967	5,664,475	2,412,690	15,604,770
RSG Distribution Amount						
LG&E	317,622	415,546	1,105,768	1,083,018	1,508,474	1,838,937
KU	531,883	633,717	1,566,755	1,578,225	2,204,223	2,732,354
Total	849,505	1,049,262	2,672,523	2,661,243	3,712,697	4,571,291

NOTE:

Amount represents charges per the most recent settlement statements, or estimated amounts for days with no settlement statement, as of each month end allocated based upon an allocation methodology.

Revenue Sufficiency Guarantee make-whole payment is not allocated to native load.

Revenue Sufficiency Guarantee make-whole payments for OSS are allocated between companies based on the percent of unit ownership.

RSG Distribution charges for native load are allocated between companies based on the percent of load.

RSG Distribution charges for OSS are allocated between companies based on the percent of generation contributed.

Determination of RSG Make Whole Payment production cost using simple ratio of OSS production expense

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
LG&E Sales						
OSS Revenues ¹	14,425,519	19,501,205	16,273,168	6,380,374	13,312,090	50,199,892
RSG Make Whole Payment	(a) 183,445	1,359,466	4,274,369	2,787,935.16	954,529.38	5,817,281
Total	(b) 14,608,964	20,860,672	20,547,537	9,168,310	14,266,620	56,017,173
RSG Percentage	(a) / (b) 1.26%	6.52%	20.80%	30.41%	6.69%	
Cost of Total Sales ²	(c) 11,776,239	18,804,666	15,869,688	5,818,491	10,898,916	46,450,593
Cost Attributable to RSG	(a)/(b) * (c) 147,875	1,225,479	3,301,267	1,769,309	729,208	4,674,621
RSG Revenues	(d) 183,445	1,359,466	4,274,369	2,787,935.16	954,529.38	5,817,280.90
RSG Expenses						
Distribution Amount	(e) 317,622	415,546	1,105,768	1,083,018.34	1,508,473.78	1,838,937
Cost of Sales	(f) 147,875	1,225,479	3,301,267	1,769,309.29	729,208.15	4,674,621
RSG Net	(d) - (e) - (f) (282,052)	(281,558)	(132,666)	(64,392)	(1,263,153)	(696,276)
KU Sales						
Revenue from Foreign Sales ¹	5,157,811	8,553,721	7,692,007	7,192,285	10,018,698	21,403,540
RSG Make Whole Payment	(a) 1,534,096	1,716,795	6,536,598	2,876,540	1,458,161	9,787,489
Total	(b) 6,691,907	10,270,516	14,228,605	10,068,825	11,476,859	31,191,029
RSG Percentage	(a) / (b) 22.92%	16.72%	45.94%	28.57%	12.71%	
Cost of Total Sales ²	(c) 4,182,007	6,913,024	6,795,836	4,430,050	7,749,109	17,890,867
Cost Attributable to RSG	(a)/(b) * (c) 958,711	1,155,565	3,121,996	1,265,611	984,542	5,236,271
RSG Revenues	(d) 1,534,096	1,716,795	6,536,598	2,876,539.91	1,458,160.94	9,787,488.96
RSG Expenses						
Distribution Amount	(e) 531,883	633,717	1,566,755	1,578,224.78	2,204,223.08	2,732,354.11
Cost of Sales	(f) 958,711	1,155,565	3,121,996	1,265,611.17	984,541.91	5,236,270.87
RSG Net	(d) - (e) - (f) 43,503	(72,486)	1,847,847	32,704	(1,730,604)	1,818,864

¹ Equal to the summation of the External and Intercompany OSS Revenues from the OSS Margin Detail sheet.

² Cost of Total Sales is equal to the summation of the Purchase Power, Generation for I/C Sales, and OSS Generation Expense from the OSS Margin Detail sheet.

LGE	Acct #	Jan-2005		Feb-2005		Mar-2005		Apr-2005		May-2005		Jun-2005		Jul-2005		Aug-2005		2005 YTD				
		MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	
		DAY 1	Schedule 7,8,14,18 - OSS	456051	(362,519.93)	(243,019.07)	(309,344.91)	4,060.19	(506.47)	(96.47)	(1,442.32)	-	(811.52)	-	(811.52)	-	(811.52)	-	(811.52)	-	(933,680.50)	-
	Schedule 1 - OSS	456052	(23,338.49)	(14,876.83)	(19,125.41)	249.49	(37.59)	(157.74)	(72.89)	-	(57,366.18)	-	(57,366.18)	-	(57,366.18)	-	(57,366.18)	-	(118,714.39)	-	(118,714.39)	
	Schedule 2 - OSS	456053	(50,728.80)	(29,610.98)	(38,405.46)	510.38	(22.85)	(3.86)	(340.23)	-	(112.59)	-	(112.59)	-	(112.59)	-	(112.59)	-	(118,714.39)	-	(118,714.39)	
	Transmission Elec OSS - MISO	565006		2,619,869.25	1,461,731.06	48	(177,313.33)	2,208	8,951.87	951	(1,576.09)	2,802	4,407.94	2,437	(664,416.72)	8,446	3,251,653.98	8,446	3,251,653.98	8,446	3,251,653.98	
	MISO Schedule 10 - OSS	566102	26,145.00	10,681.62	34,644.30		(55,021.34)		370.99		112.85		324.05		39.37		17,296.84		17,296.84		17,296.84	
	MISO FERC Fees - OSS	566104	19,216.00	19,216.00	19,216.00				19,216.00		19,216.00		13,115.05	0	67,482.64		195,893.60		195,893.60		195,893.60	
	Subtotal Day 1 OSS		(411,226.22)	- 2,362,259.99	- 1,148,715.58	46	(208,298.61)	2,208	27,971.95	951	17,645.71	2,802	15,906.75	2,437	(597,891.71)	8,446	2,355,083.44	8,446	2,355,083.44	8,446	2,355,083.44	
	Schedule 7,8,14,18 - NL	456002	(205,621.37)	(185,901.93)	(177,030.14)	(136,877.75)	(149,541.46)	(157,835.29)	(184,353.93)	-	17,498.94	-	(108,038.41)	-	(108,038.41)	-	(108,038.41)	-	(1,179,662.93)	-	(1,179,662.93)	
	Schedule 1 - NL	456020	(14,632.61)	(14,110.41)	(14,915.87)	(12,159.80)	(12,957.63)	(11,913.36)	(13,277.21)	-	(14,071.52)	-	(108,038.41)	-	(108,038.41)	-	(108,038.41)	-	(1,179,662.93)	-	(1,179,662.93)	
	Schedule 2 - NL	456021	(45,638.57)	(42,584.93)	(44,928.15)	(45,024.35)	(52,421.98)	(46,749.76)	(54,578.79)	-	(55,536.20)	-	(387,460.73)	-	(387,460.73)	-	(387,460.73)	-	(1,179,662.93)	-	(1,179,662.93)	
	MISO Schedule 10 - NL	566101	226,705.08	160,344.32	173,594.35	1,202	171,230.89	1,532	224,546.81	1,873	269,728.00	2,070	291,587.89	1,991	264,734.95	8,668	1,782,472.29	8,668	1,782,472.29	8,668	1,782,472.29	
	MISO Schedule 18 - NL	566109	4,132.28	4,288.06	3,059.50		3,235.52		3,305.10		4,296.05		5,064.72		5,556.31		32,937.54		32,937.54		32,937.54	
	MISO FERC Fees - NL	566103	41,480.00	41,480.00	41,480.00		41,480.00		41,480.00		34,895.00		34,895.00	0	158,894.15		436,084.15		436,084.15		436,084.15	
	Subtotal Day 1 NL		6,424.81	(36,484.89)	(18,740.31)	1,202	21,884.51	1,532	54,410.84	1,873	92,420.64	2,070	79,339.68	1,991	377,076.63	8,668	576,331.91	8,668	576,331.91	8,668	576,331.91	
DAY 2	Regular Sales-OSS	447016	-	-	-	(213,068)	(7,702,928.14)	(315,127)	(10,926,539.67)	(218,730)	(6,652,569.82)	(95,939)	(4,066,144.55)	(182,460)	(6,487,489.41)	(1,025,324)	(39,835,671.59)	(1,025,324)	(39,835,671.59)	(1,025,324)	(39,835,671.59)	
	Brokered Sales-OSS	447109	-	-	-	(17,016)	(546,317.30)	(27,566)	(926,226.43)	(31,168)	(1,657,684.08)	(20,706)	(1,498,254.04)	(34,874)	(2,463,106.38)	(131,330)	(7,091,588.23)	(131,330)	(7,091,588.23)	(131,330)	(7,091,588.23)	
	Purchases-OSS	555006	-	-	-	4,604	266,928.12	8,189	393,881.47	3	66.41	86	7,870.21	-	12,882	668,746.21	12,882	668,746.21	12,882	668,746.21	12,882	668,746.21
	Brokered Purch-OSS	447209	-	-	-	18,862	575,797.88	29,397	879,988.98	37,084	1,788,876.66	23,775	1,517,214.55	38,449	2,443,987.70	147,567	7,205,865.77	147,567	7,205,865.77	147,567	7,205,865.77	
	Sch 17- DA/RT Admin Fee-OSS	557201	-	-	-	-	19,333.21	-	29,253.15	-	20,391.80	-	12,935.54	-	19,866.39	-	101,780.09	-	101,780.09	-	101,780.09	
	RSG Make Whole Payment-OSS	557205/456025	-	-	-	-	(1,080,491.40)	-	(2,521,998.06)	-	(8,929,413.45)	-	(3,038,921.95)	-	(970,778.82)	-	(16,539,603.68)	-	(16,539,603.68)	-	(16,539,603.68)	
	RSG Distribution Amount - OSS	557205	-	-	-	-	1,453.93	-	2,917.92	-	9,615.32	-	6,839.50	-	13,151.09	-	33,977.76	-	33,977.76	-	33,977.76	
	Revenue Neutrality Uplift - OSS	557205	-	-	-	-	1,809.11	-	5,009.84	-	13,691.53	-	13,370.13	-	14,623.18	-	48,503.79	-	48,503.79	-	48,503.79	
	Other-OSS	557205	-	-	-	-	435.54	-	(3,407.43)	-	(5,404.74)	-	(4,651.54)	-	(43,118.21)	-	(56,146.38)	-	(56,146.38)	-	(56,146.38)	
	Day 2 OSS		-	-	-	(206,618)	(8,463,979.05)	(305,107)	(13,067,120.23)	(212,811)	(17,412,430.37)	(92,784)	(7,047,742.15)	(178,885)	(9,472,864.46)	(996,205)	(55,464,138.26)	(996,205)	(55,464,138.26)	(996,205)	(55,464,138.26)	
	Generation fuel for MISO sales		23,464	517,422.93	65,249	2,185,407.28	75,774	3,619,345.96	21,515	929,365.67	35,778	1,590,687.18	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02	221,780	8,842,229.02
	Internal replacement purch from KU-fuel		184,985	3,916,307.09	242,047	6,269,678.49	142,609	4,929,110.27	74,963	1,822,481.62	146,587	3,212,958.92	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39	791,191	20,150,536.39
	Subtotal Day 2 OSS		-	-	-	1,831	(4,030,249.03)	2,189	(4,612,034.46)	5,572	(8,863,974.14)	3,694	(4,295,894.86)	3,480	(4,669,218.36)	16,766	(26,471,370.85)	16,766	(26,471,370.85)	16,766	(26,471,370.85)	
	Purchases-NL	555007	-	-	-	4,151	207,639.06	1,652	22,996.70	6,906	588,002.55	61,228	5,110,300.38	36,397	4,285,207.91	110,334	10,214,146.60	110,334	10,214,146.60	110,334	10,214,146.60	
	Sch 16 - FTR Admin Fee-NL	557202	-	-	-	-	37,401.56	-	49,358.65	-	8,645.35	-	22,090.33	-	48,205.55	-	165,701.44	-	165,701.44	-	165,701.44	
	Sch 17- DA/RT Admin Fee-NL	557203	-	-	-	-	160,915.58	-	191,446.41	-	215,178.48	-	278,495.36	-	268,030.85	-	1,114,066.68	-	1,114,066.68	-	1,114,066.68	
	RSG Make Whole Payment-NL	557204	-	-	-	-	(164,548.73)	-	(194,932.84)	-	(346,144.81)	-	(13,702.39)	-	16,249.44	-	(10,789.71)	-	(10,789.71)	-	(10,789.71)	
	RSG Distribution Amount - NL	557204	-	-	-	-	316,168.53	-	412,627.77	-	1,096,153.04	-	1,076,178.84	-	1,495,322.69	-	4,396,450.87	-	4,396,450.87	-	4,396,450.87	
	Revenue Neutrality Uplift - NL	557204	-	-	-	-	393,424.24	-	727,787.09	-	1,618,464.33	-	2,091,398.33	-	1,594,102.62	-	6,425,176.61	-	6,425,176.61	-	6,425,176.61	
	Other-NL	557204	-	-	-	-	(59,943.67)	-	16,524.18	-	(73,670.93)	-	(2,093,940.08)	-	(649,723.62)	-	(2,860,754.12)	-	(2,860,754.12)	-	(2,860,754.12)	
	Day 2 NL		-	-	-	4,151	891,056.57	1,652	1,225,807.96	6,906	3,798,917.63	61,228	6,470,820.77	36,397	7,057,395.44	110,334	19,443,998.37	110,334	19,443,998.37	110,334	19,443,998.37	
	FAC Revenue (100% of NL purch)		-	-	-	-	(207,639.06)	-	(22,996.70)	-	(588,002.55)	-	(5,110,300.38)	-	(4,285,207.91)	-	(10,214,146.60)	-	(10,214,146.60)	-	(10,214,146.60)	
	Subtotal Day 2 NL		-	-	-	4,151	683,417.51	1,652	1,202,811.26	6,906	3,210,915.08	61,228	1,360,520.39	36,397	2,772,187.53	110,334	9,229,851.77	110,334	9,229,851.77	110,334	9,229,851.77	
DAY 3	MISO Schedule 21 - NL	456002		(238,378.27)	(79,459.23)		(42,055.87)		(35,502.06)		(21,883.46)		(38,731.54)		(38,996.54)		(495,006.97)		(495,006.97)		(495,006.97)	
	MISO Schedule 22 - NL	566117		185,762.88	(93,298.60)		27,030.93		27,511.38		42,724.14		58,278.82		37,768.55)		210,241.00		210,241.00		210,241.00	
	Subtotal Day 3 NL		-	(52,615.39)	(172,757.83)	-	(15,024.94)	-	(7,990.68)	-	20,840.68	-	19,547.28	-	(76,765.09)	-	(284,765.97)	-	(284,765.97)	-	(284,765.97)	
	LGE Subtotal		(404,801.41)	- 2,273,159.71	- 957,217.44	7,232	(3,548,270.56)	7,581	(3,334,831.09)	15,302	(5,522,152.03)	69,794	(2,820,580.76)	44,305	(2,194,611.00)	144,214	(14,594,869.70)	144,214	(14,594,869.70)	144,214	(14,594,869.70)	
	Less Subtotal Day 2 OSS		-	-	-	(1,831)	4,030,249.03	(2,189)	4,612,034.46	(5,572)	8,863,974.14	(3,694)	4,295,894.86	(3,480)	4,669,218.36	(16,766)	26,471,370.85	(16,766)	26,471,370.85	(16,766)	26,471,370.85	
	LGE Total MISO less Day 2 OSS Profit		(404,801.41)	- 2,273,159.71	- 957,217.44	5,401	481,978.47	5,392	1,277,203.37	9,730	3,341,822.11	66,100	1,475,314.10	40,825	2,474,607.36	127,448	11,876,501.15	127,448	11,876,501.15	127,448	11,876,501.15	

NOTE: Positive values represent Expenses and Negative values represent Revenues.

OSS Margin Detail
 July 2004 through June 2005
 \$000s

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Totals
LG&E						
External OSS Revenues	8,663	11,873	8,705	4,122	8,487	41,851
Intercompany OSS Revenues	5,762	7,628	7,568	2,259	4,825	28,041
Transmission Revenues	(5)	1	0	2	1	(1)
MISO Day 2 Revenues	1,213	2,550	8,929	3,037	995	16,724
Subtotal	15,633	22,052	25,203	9,419	14,308	86,615
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Purchased Power	5,099	8,383	5,752	2,449	4,521	26,203
Generation for I/C Sales	5,763	7,646	7,556	2,316	4,648	27,928
OSS Generation Expense	915	2,776	2,562	1,054	1,730	9,037
Transmission Expense	(213)	29	18	18	(597)	(746)
Subtotal	11,563	18,833	15,887	5,836	10,302	62,422
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LG&E OSS Margin	4,070	3,219	9,315	3,583	4,006	
KU						
External OSS Revenues	330	654	1,794	4,340	5,265	12,383
Intercompany OSS Revenues	4,828	7,900	5,898	2,852	4,754	26,232
Transmission Revenues	(29)	1	0	4	2	(21)
MISO Day 2 Revenues	36	78	2,910	2,597	1,557	7,177
Subtotal	5,165	8,633	10,603	9,793	11,578	45,771
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Purchased Power	15	15	19	106	1,528	1,683
Generation for I/C Sales	3,929	6,383	6,349	2,119	3,367	22,146
OSS Generation Expense	238	516	428	2,205	2,854	6,241
Transmission Expense	(18)	(5)	15	7	(144)	(145)
Subtotal	4,164	6,908	6,811	4,437	7,605	29,925
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KU OSS Margin	1,001	1,725	3,792	5,355	3,973	

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 11

Responding Witness: Kent W. Blake

- Q-11. The Value Delivery Surcredit Rider reflects the costs and savings related to the Workforce Separation Program ("WSP"). Are the actual savings and benefits from the WSP reflected in the current rates of LG&E? Explain the response.
- A-11. The Company believes that base rates are not set to recover specific costs or return specific savings. Rather, they are set at a level expected to produce a reasonable return on a prospective basis.

The Company did demonstrate in the rebuttal testimony of Mr. S. Bradford Rives filed April 26, 2004, in Case No. 2003-00433 that the estimated savings from this initiative had more than been achieved. The guaranteed savings have been and will continue to be shared for five years as agreed between the shareholder and customers with the shareholder receiving 60% via a pro-forma operating expense adjustment initially in its annual ESM filing and subsequently in Case No. 2003-00433 and the customers receiving their 40% share via the surcredit. To the extent actual savings have exceeded the guaranteed level, those additional savings were reflected in test year earnings.

Upon expiration of the Value Delivery Surcredit Rider on March 31, 2006, the Company's Plan as filed on September 30, 2005, includes the provision that 100% of the savings will be provided to customers in subsequent base rate cases. Blake Exhibits 1-5 demonstrate that after applying the required adjustments to the year ended June 30, 2005, to reflect expiration of the surcredit on March 31, 2006, a base rate case would not be appropriate. The resulting return for LG&E's electric operations remains reasonable, while the return on equity for LG&E's gas operations remains below a reasonable level. Achievement of the guaranteed savings from this initiative has served to offset other increases in the cost of utility service. Of course, upon the actual expiration of the Value Delivery Surcredit Rider, revenues and costs of the Company will likely be different than they are at this time.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 12

Responding Witness: S. Bradford Rives

- Q-12. Refer to Rives Testimony page 7 concerning the treatment of purchased power agreements as fixed obligations equivalent to debt. Explain in detail why the purchased power agreements would be considered as an adjustment to the gas capital structure when purchased power agreements are part of electric operations.
- A-12. LG&E maintains the balance sheet on an electric/gas combined basis. Balance sheet accounts that can be identified as either electric or gas are recorded as such. Common balance sheet items are allocated. LG&E's equity and debt are common items that are used by both the electric and gas departments. The equity and debt are allocated to electric and gas by the net original cost rate base.

The rating agencies require the purchased power contracts to be treated as a debt obligation. Since it is debt, the debt is considered to be a common item, which can be used by either the electric or gas department. This debt is allocated at the same percentage as all other debt, just as the pollution control bonds are.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 13

Responding Witnesses: S. Bradford Rives / Kent W. Blake

- Q-13. Refer to Rives Testimony pages 10 and 11, concerning the need to adjust capitalization for the Asset Retirement Obligation ("ARO").
- a. Prepare a revised Blake Exhibit 2 to reflect an ARO adjustment to capitalization consistent with the approach used by the Commission in LG&E's last rate case. Include all supporting workpapers and calculations.
 - b. Using the results from subpart (a) above, prepare a revised Blake Exhibit 4 reflecting the results from the revised Blake Exhibit 2. Include all supporting workpapers and calculations.
- A-13. As indicated in Rives testimony, LG&E believes that an adjustment is not needed for capitalization because the accounting for the AROs, consistent with the Commission's December 23, 2003 Order in Case No. 2003-00426, effectively removes all impacts of ARO accounting from the income statement and net assets in the balance sheet, accordingly, there is no impact on common equity or other capitalization accounts. The recorded regulatory assets, liabilities and credits offset the effects of the ARO accounting. LG&E removed the AROs from rate base in Blake Exhibit 3, in accordance with the December 23, 2003 Order.
- a. Please see the attached.
 - b. Please see the attached.

LOUISVILLE GAS AND ELECTRIC COMPANY

Capitalization at June 30, 2005

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Per Books 6-30-05	Capital Structure	Rate Base Percentage (Exhibit 3 Line 24)	Capitalization (Col 1, Col 3)	Adjustments to Capitalization (Col 8, Fig 2)	Adjusted Capitalization	Adjusted Capital Structure	Annual Cost Rate	Cost of Capital (Col 8, Col 7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>ELECTRIC</u>									
1. Short Term Debt	\$ 20,755,000	1.08%	82.06%	\$ 17,031,553	\$ (334,851)	\$ 16,696,702	1.08%	3.060%	0.03%
2. Long Term Debt	821,804,000	42.90%	82.06%	674,372,362	(13,301,010)	661,071,352	42.90%	4.102%	1.76%
3. Preferred Stock	70,424,594	3.68%	82.06%	57,790,422	(1,140,973)	56,649,449	3.68%	4.296%	0.16%
4. Common Equity	1,002,599,354	52.34%	82.06%	822,733,030	(16,227,849)	806,505,181	52.34%	10.000% - 10.500% - 11.000%	5.23% - 5.50% - 5.76%
5. Total Capitalization	<u>\$1,915,582,948</u>	<u>100.00%</u>		<u>\$1,571,927,367</u>	<u>\$ (31,004,683)</u>	<u>\$1,540,922,684</u>	<u>100.00%</u>		<u>7.18% - 7.45% - 7.71%</u>
<u>GAS</u>									
1. Short Term Debt	\$ 20,755,000	1.08%	17.94%	\$ 3,723,447	\$ 17,009	\$ 3,740,456	1.08%	3.060%	0.03%
2. Long Term Debt	821,804,000	42.90%	17.94%	147,431,638	675,645	148,107,283	42.90%	4.102%	1.76%
3. Preferred Stock	70,424,594	3.68%	17.94%	12,634,172	57,957	12,692,129	3.68%	4.296%	0.16%
4. Common Equity	1,002,599,354	52.34%	17.94%	179,866,324	824,319	180,690,643	52.34%	10.000% - 10.500% - 11.000%	5.23% - 5.50% - 5.76%
5. Total Capitalization	<u>\$1,915,582,948</u>	<u>100.00%</u>		<u>\$ 343,655,581</u>	<u>\$ 1,574,930</u>	<u>\$ 345,230,511</u>	<u>100.00%</u>		<u>7.18% - 7.45% - 7.71%</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Capitalization at June 30, 2005

	Capitalization (Col 4, Pg 1) (1)	Capital Structure (2)	Trimble County Inventories (a) (Col 2 x Col 3 Line 5) (3)	Investments in OVEC (Col 2 x Col 4 Line 5) (4)	JDIC (Col 2 x Col 5 Line 5) (5)	Environmental Surcharge Post '95 Plan (Col 2 x Col 6 Line 5) (6)	SFAS No. 143 ARO (Exhibit 3 Line 9) (Col 2 x Col 7 Line 5) (7)	Total Adjustments To Capital (8)
<u>ELECTRIC</u>								
1. Short Term Debt	\$ 17,031,553	1.08%	\$ (23,870)	\$ (6,418)	\$ 459,523	\$ (728,771)	\$ (35,315)	\$ (334,851)
2. Long Term Debt	674,372,362	42.90%	(948,172)	(254,949)	18,253,286	(28,948,384)	(1,402,791)	(13,301,010)
3. Preferred Stock	57,790,422	3.68%	(81,335)	(21,870)	1,565,783	(2,483,218)	(120,333)	(1,140,973)
4. Common Equity	822,733,030	52.34%	(1,156,814)	(311,049)	22,269,860	(35,318,377)	(1,711,469)	(16,227,849)
5. Total Capitalization	<u>\$1,571,927,367</u>	<u>100.00%</u>	<u>\$ (2,210,191)</u>	<u>\$ (594,286)</u>	<u>\$ 42,548,452</u>	<u>\$ (67,478,750)</u>	<u>\$ (3,269,908)</u>	<u>\$ (31,004,683)</u>

GAS

1. Short Term Debt	\$ 3,723,447	1.08%	\$ -	\$ -	\$ 17,009	\$ -	\$ -	\$ 17,009
2. Long Term Debt	147,431,638	42.90%	-	-	675,645	-	-	675,645
3. Preferred Stock	12,634,172	3.68%	-	-	57,957	-	-	57,957
4. Common Equity	179,866,324	52.34%	-	-	824,319	-	-	824,319
5. Total Capitalization	<u>\$ 343,655,581</u>	<u>100.00%</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,574,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,574,930</u>

(a) Trimble County Inventories @ 6/30/05	
Stores	\$ 3,697,411
Stores Expense	611,056
Coal	4,247,845
Limestone	126,240
Fuel Oil	153,671
Emission Allowances	4,542
Total Trimble County Inventories	<u>\$ 8,840,765</u>
Multiplied by Disallowed Portion	25.00%
Trimble County Inv. Disallowed	<u>\$ 2,210,191</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Net Original Cost Rate Base as of June 30, 2005

	Electric (1)	Gas (2)	Total (3)
1. Utility Plant at Original Cost (a)	\$ 3,391,366,190	\$ 575,408,231	\$ 3,966,774,421
2. Deduct:			
3. Reserve for Depreciation (a)	1,471,390,161	204,214,632	1,675,604,793
4. Net Utility Plant	1,919,976,029	371,193,599	2,291,169,628
5. Deduct:			
6. Customer Advances for Construction	540,939	9,139,440	9,680,379
7. Accumulated Deferred Income Taxes (a)(b)	295,232,860	45,611,075	340,843,935
8. FAS 109 Deferred Income Taxes	49,355,423	4,884,411	54,239,834
9. Asset Retirement Obligation-Net Assets	3,269,908	-	3,269,908
10. Asset Retirement Obligation-Liabilities	(10,616,823)	-	(10,616,823)
11. Asset Retirement Obligation-Regulatory Assets	7,286,460	-	7,286,460
12. Asset Retirement Obligation-Regulatory Liabilities	(155,364)	-	(155,364)
13. Reclassification of Accumulated Depreciation associated with Cost of Removal for underlying ARO Assets	553,644	-	553,644
14. Investment Tax Credit (prior law)	2,103	-	2,103
15. Total Deductions	345,469,150	59,634,926	405,104,076
16. Net Plant Deductions	1,574,506,879	311,558,673	1,886,065,552
17. Add:			
18. Materials and Supplies (c)(e)(f)	46,358,782	47,526	46,406,308
19. Gas Stored Underground (c)	-	48,887,093	48,887,093
20. Prepayments (c)(d)	2,083,402	304,235	2,387,637
21. Cash Working Capital (page 2)	57,211,316	6,593,668	63,804,984
22. Total Additions	105,653,500	55,832,522	161,486,022
23. Total Net Original Cost Rate Base	\$ 1,680,160,379	\$ 367,391,195	\$ 2,047,551,574
24. Electric and Gas Net Original Cost Rate Base Percentage	82.06%	17.94%	100.00%

(a) Common utility plant and the reserve for depreciation are allocated 74% to the Electric Department and 26% to the Gas Department based on December 31, 2004 study.

(b) Excludes supplemental retirement-related deferred taxes.

(c) Average for 13 months.

(d) Excludes PSC fees.

(e) Excludes 25% of Trimble County inventories.

(f) Includes emission allowances.

LOUISVILLE GAS AND ELECTRIC COMPANY

Calculation of Cash Working Capital
As of June 30, 2005

	Electric (1)	Gas (2)	Total (3)
1. Operating and maintenance expense for the 12 months ended June 30, 2005	\$ 570,707,319	\$ 328,063,360	\$ 898,770,679
2. Deduct:			
3. Electric Power Purchased	113,016,792		113,016,792
4. Gas Supply Expenses		275,314,019	275,314,019
5. Total Deductions	\$ 113,016,792	\$ 275,314,019	\$ 388,330,811
6. Remainder (Line 1 - Line 5)	<u>\$ 457,690,527</u>	<u>\$ 52,749,341</u>	<u>\$ 510,439,868</u>
7. Cash Working Capital (12 1/2% of Line 6)	<u>\$ 57,211,316</u>	<u>\$ 6,593,668</u>	<u>\$ 63,804,984</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Calculation of Overall Revenue Deficiency/(Sufficiency) at June 30, 2005

	ELECTRIC (1)		
	ROE RANGE		
<u>SECTION I - VALUE DELIVERY SURCREDIT EFFECTIVE</u>	<u>10.00%</u>	<u>10.50%</u>	<u>11.00%</u>
1. Adjusted Electric Capitalization (Exhibit 2, Col 6)	\$1,540,922,684	\$1,540,922,684	\$1,540,922,684
2. Total Cost of Capital (Exhibit 2, Col 9)	<u>7.18%</u>	<u>7.45%</u>	<u>7.71%</u>
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 110,638,249	\$ 114,798,740	\$ 118,805,139
4. Pro-forma Net Operating Income prior to Value Delivery Surcredit expiration	<u>89,476,009</u>	<u>89,476,009</u>	<u>89,476,009</u>
5. Net Operating Income Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	\$ 21,162,240	\$ 25,322,731	\$ 29,329,130
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	<u>0.60185833</u>	<u>0.60185833</u>	<u>0.60185833</u>
7. Overall Revenue Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	<u>\$ 35,161,497</u>	<u>\$ 42,074,239</u>	<u>\$ 48,730,953</u>
 <u>SECTION II - VALUE DELIVERY SURCREDIT EXPIRED</u>			
1. Adjusted Electric Capitalization (Exhibit 2, Col 6)	\$1,540,922,684	\$1,540,922,684	\$1,540,922,684
2. Total Cost of Capital (Exhibit 2, Col 9)	<u>7.18%</u>	<u>7.45%</u>	<u>7.71%</u>
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 110,638,249	\$ 114,798,740	\$ 118,805,139
4. Pro-forma Net Operating Income for expiration of Value Delivery Surcredit	<u>113,148,468</u>	<u>113,148,468</u>	<u>113,148,468</u>
5. Net Operating Income Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	\$ (2,510,219)	\$ 1,650,272	\$ 5,656,671
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	<u>0.60185833</u>	<u>0.60185833</u>	<u>0.60185833</u>
7. Overall Revenue Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	<u>\$ (4,170,781)</u>	<u>\$ 2,741,961</u>	<u>\$ 9,398,675</u>

LOUISVILLE GAS AND ELECTRIC COMPANY

Calculation of Overall Revenue Deficiency/(Sufficiency) at June 30, 2005

	GAS (1)		
SECTION I - VALUE DELIVERY SURCREDIT EFFECTIVE	10.00%	ROE RANGE 10.50%	11.00%
1. Adjusted Gas Capitalization (Exhibit 2, Col 6)	\$ 345,230,511	\$ 345,230,511	\$ 345,230,511
2. Total Cost of Capital (Exhibit 2, Col 9)	7.18%	7.45%	7.71%
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 24,787,551	\$ 25,719,673	\$ 26,617,272
4. Pro-forma Net Operating Income prior to Value Delivery Surcredit expiration	13,961,988	13,961,988	13,961,988
5. Net Operating Income Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	\$ 10,825,563	\$ 11,757,685	\$ 12,655,284
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	0.60185833	0.60185833	0.60185833
7. Overall Revenue Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	<u>\$ 17,986,895</u>	<u>\$ 19,535,636</u>	<u>\$ 21,027,015</u>
<u>SECTION II - VALUE DELIVERY SURCREDIT EXPIRED</u>			
1. Adjusted Gas Capitalization (Exhibit 2, Col 6)	\$ 345,230,511	\$ 345,230,511	\$ 345,230,511
2. Total Cost of Capital (Exhibit 2, Col 9)	7.18%	7.45%	7.71%
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 24,787,551	\$ 25,719,673	\$ 26,617,272
4. Pro-forma Net Operating Income for expiration of Value Delivery Surcredit	20,315,360	20,315,360	20,315,360
5. Net Operating Income Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	\$ 4,472,191	\$ 5,404,313	\$ 6,301,912
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	0.60185833	0.60185833	0.60185833
7. Overall Revenue Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	<u>\$ 7,430,637</u>	<u>\$ 8,979,377</u>	<u>\$ 10,470,756</u>

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LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjustments to Electric and Gas Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

Reference Schedule	Electric Department			Gas Department			Net Operating Income (7)
	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)	Operating Revenues (5)	Operating Expenses (6)	Net Operating Income (7)	
1. Amount per books	882,059,250	748,207,845	\$133,851,405	374,848,119	357,219,364	\$17,628,755	
2. Adjustments for known changes and to eliminate unrepresentative conditions:							
3. Adjustment to revenues and expenses to eliminate gas supply cost recoveries and gas supply expenses	-	-	-	(280,583,021)	(278,335,277)	(2,247,744)	
4. Adjustment to eliminate environmental surcharge revenues and expenses	(5,546,197)	(6,870,960)	1,324,763	-	-	-	
5. Eliminate DSM revenue and expenses	(3,870,433)	(3,790,679)	(79,754)	(706,959)	(679,147)	(27,812)	
6. To eliminate ECR and FAC accruals	(6,364,332)	-	(6,364,332)	-	-	-	
7. Adjustment for merger savings	1,335,639	19,427,401	(18,091,762)	-	-	-	
8. To adjust mismatch in fuel cost recovery	(1,401,767)	(3,783,772)	2,382,005	-	-	-	
9. Off-system sales revenue adjustment for the ECR calculation	(1,100,531)	-	(1,100,531)	-	-	-	
10. Adjustment to eliminate unbilled revenues	(9,922,000)	-	(9,922,000)	(143,000)	-	(143,000)	
11. To eliminate electric brokered sales revenues and expenses	308,077	(77,758)	385,835	-	-	-	
12. Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	-	(97,555)	97,555	-	(34,176)	34,176	
13. Adjustment to reflect customer rate switching	(609,748)	-	(609,748)	-	-	-	
14. Adjustment to reflect normalized storm damage expense	-	(2,656,827)	2,656,827	-	-	-	
15. Adjustment for injuries and damages FERC account 925	-	(252,587)	252,587	-	252,153	(252,153)	
16. To reflect representative level of off-system sales margins	(7,573,222)	-	(7,573,222)	-	-	-	
17. Adjustment to annualize year-end customers	2,882,415	1,410,942	1,471,473	454,500	260,994	193,506	

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LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjustments to Electric and Gas Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

	Reference Schedule	Electric Department			Gas Department			Net Operating Income (7)
		Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)	Operating Revenues (5)	Operating Expenses (6)	Net Operating Income (7)	
18. Adjustment to reflect annualized depreciation expenses under current rates	1.41	-	553,054	(553,054)	-	823,816	(823,816)	
19. Adjustment to reflect increases in labor and labor related costs	1.42	-	2,336,390	(2,336,390)	-	658,983	(658,983)	
20. Adjustment to annualize MISO schedules 16 and 17	1.43	-	2,583,796	(2,583,796)	-	-	-	
21. Adjustment to annualize MISO revenue neutrality uplift	1.44	-	12,776,646	(12,776,646)	-	-	-	
22. Adjustment to annualize RSG revenues and expenses	1.45	17,126,108	21,334,998	(4,208,890)	-	-	-	
23. Adjustment for reclassification of RSG	1.50	(6,727,960)	-	(6,727,960)	-	-	-	
24. Adjustment to reflect VDT net shareholder savings	1.60	-	9,240,000	(9,240,000)	-	2,490,000	(2,490,000)	
25. Total of above adjustments prior to Value Delivery Surcredit expiration		(21,463,951)	52,133,089	(73,597,040)	(280,978,480)	(274,562,654)	(6,415,826)	
26. Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	1.70	39.5500 %	(29,107,629)	29,107,629	-	(2,537,459)	2,537,459	
27. Federal and state income taxes corresponding to annualization and adjustment of year-end interest expense	1.71		(8,821)	8,821	-	(182,733)	182,733	
28. Prior income tax true-ups and adjustments	1.72		685,806	(685,806)	-	(28,867)	28,867	
29. Tax deduction for manufacturing activities (TDMA) adjustment	1.73		(791,000)	791,000	-	-	-	
30. Total adjustments prior to Value Delivery Surcredit expiration		(21,463,951)	22,911,445	(44,375,396)	(280,978,480)	(277,311,713)	(3,666,767)	
31. Adjusted Net Operating Income prior to Value Delivery Surcredit expiration		860,595,299	771,119,290	89,476,009	93,869,639	79,907,651	13,961,988	

LOUISVILLE GAS AND ELECTRIC COMPANY

**Adjustments to Electric and Gas Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

	Reference Schedule (1)	Electric Department			Gas Department			Net Operating Income (7)
		Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)	Operating Revenues (5)	Operating Expenses (6)	Net Operating Income (7)	
32. Adjustments for expiration of Value Delivery Surcredit:								
33. Adjustment to remove VDT net shareholder savings	1.60	-	(9,240,000)	9,240,000	-	(2,490,000)	2,490,000	
34. Adjustment to remove Value Delivery Surcredit and cost amortization	1.61	6,113,935	(23,806,460)	29,920,395	1,691,828	(6,328,300)	8,020,128	
35. Total of above adjustments for expiration of Value Delivery Surcredit		6,113,935	(33,046,460)	\$ 39,160,395	1,691,828	(8,818,300)	\$ 10,510,128	
36. Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	39.5500 %	1.70	15,487,936	(15,487,936)		4,156,756	(4,156,756)	
37. Total adjustments for expiration of Value Delivery Surcredit		6,113,935	(17,558,524)	\$ 23,672,459	1,691,828	(4,661,544)	\$ 6,353,372	
38. Adjusted Net Operating Income for expiration of Value Delivery Surcredit		866,709,234	753,560,766	\$ 113,148,468	95,561,467	75,246,107	\$ 20,315,360	

LOUISVILLE GAS AND ELECTRIC COMPANY

**Calculation of Current Tax Adjustment Resulting
From "Interest Synchronization"**

	Electric	Gas
1. Adjusted Capitalization - Exhibit 2	\$ 1,540,922,684	\$ 345,230,511
2. Weighted Cost of Debt	1.79%	1.79%
3. "Interest Synchronization"	27,582,516	6,179,626
4. Interest per books (excluding other interest)	27,560,212	5,717,595
5. "Interest Synchronization" adjustment	\$ (22,304)	\$ (462,031)
6. Composite Federal and State tax rate	39.5500%	39.5500%
7. Current tax adjustment from "Interest Synchronization"	\$ (8,821)	\$ (182,733)