LG&E ENERGY

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November 23, 2005

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 five (5) copies of Louisville Gas and Electric Company's ("LG&E") response to the Commission Staff's Supplemental Data Request dated November 14, 2005, in the above-referenced case.

Also enclosed are an original and ten (10) copies each of LG&E's Motion for Leave to File an Amended Application and its Amended Application in the above-referenced case. The Amended Application is necessary to correct the reference to the most recent Articles of Incorporation.

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

Sincerely,

Kent W Blake

Kent W. Blake

cc: Elizabeth E. Blackford
Michael L. Kurtz
David F. Boehm

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST
DATED NOVEMBER 14, 2005

FILED: NOVEMBER 23, 2005

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 1

Responding Witness: Valerie L. Scott

Q-1. Refer to the response to Item 2 of the Commission Staff's October 21, 2005 data request ("Staff's initial request") which identifies an error in Reference Schedule 1.13 of Blake Exhibit 1. The response states that correcting the error "would increase adjusted net operating income and increase the return on common equity of the Company by a minor amount." Calculate and provide the changes referenced in this quote from the response.

A-1. The response to Item 2 of Staff's initial request states "the change would further reduce the adjusted net operating income and reduce the return on common equity of the Company" rather than increase adjusted net operating income and increase the return on common equity of the Company. The corrected electric adjusted net operating income and return on common equity are as follows:

Electric	(1) As Filed	(2) Corrected	(3) Change (2) - (1)
Blake Exhibit 1– Line 31 Adjusted Net Operating Income prior to Value Delivery Surcredit expiration	$89,499,158	$88,758,041	($741,117)
Blake Exhibit 1– Line 38 Adjusted Net Operating Income for expiration of Value Delivery Surcredit	$113,171,617	$112,430,500	($741,117)
Blake Exhibit 5– Line 4 Section I - Value Delivery Surcredit Effective Return on Common Equity	7.36%	7.26%	-0.10%
Blake Exhibit 5– Line 4 Section II - Value Delivery Surcredit Expired Return on Common Equity	10.28%	10.18%	-0.10%

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 2

Responding Witness: Valerie L. Scott

Q-2. Refer to the response to Item 4 of Staff's initial request and Reference Schedule 1.30 of Blake Exhibit 1. Based on the information contained in the response, provide a revised schedule 1.30 reflecting a 9 and one-half year average of storm damage expenses.

A-2. Please see the attached.

Revised Blake Exhibit 1
Reference Schedule 1.30
Sponsoring Witness: Valerie Scott

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment to Reflect Normalized Storm Damage Expense
For the Twelve Months Ended June 30, 2005

		Electric
1. Storm damage provision based upon nine and one-half year average	$	3,849,024
2. Storm damage expenses incurred during the 12 months ended June 30, 2005		6,938,000
3. Adjustment	$	(3,088,976)

Year		Expense *	CPI-All Urban Consumers		Amount
2005	$	692,000	1.0000	$	692,000
2004		13,867,000	1.0296		14,277,463
2003		2,350,000	1.0571		2,484,185
2002		2,465,175	1.0812		2,665,347
2001		2,329,376	1.0982		2,558,121
2000		2,167,000	1.1295		2,447,627
1999		1,152,000	1.1675		1,344,960
1998		3,108,339	1.1933		3,709,181
1997		1,708,339	1.2118		2,070,165
1996		3,482,316	1.2396		4,316,679
Total				$	36,565,728
Nine and One-Half Year Average				$	3,849,024

* NOTE: 2005 expenses are for the months January 1, 2005 through June 30, 2005.
All other years expenses are for the calendar year.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 3

Responding Witness: Valerie L. Scott

Q-3. Refer to the response to Item 5 of Staff's initial request and Reference Schedule 1.31 of Blake Exhibit 1. Based on the information contained in the response, provide a revised schedule 1.31 reflecting a 9 and one-half year average of injuries and damages expenses.

A-3. Please see the attached.

Revised Blake Exhibit 1
Reference Schedule 1.31
Sponsoring Witness: Valerie Scott

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment for Injuries and Damages FERC Account 925
For the Twelve Months Ended June 30, 2005

	Electric	Gas
1. Injury/Damage provision based upon nine and one-half year average	$ 1,569,212	$ 675,471
2. Injury/Damage expenses incurred during the 12 months ended June 30, 2005	1,802,099	407,209
3. Adjustment	$ (232,887)	$ 268,262

Year	Electric *	Gas *	CPI-All Urban Consumers	Adjusted Electric	Adjusted Gas
2005	$ 1,214,495	$ 230,563	1.0000	$ 1,214,495	$ 230,563
2004	1,326,433	384,722	1.0296	1,365,695	396,110
2003	1,303,019	349,057	1.0571	1,377,421	368,988
2002	3,369,044	354,333	1.0812	3,642,610	383,105
2001	726,180	323,911	1.0982	797,491	355,719
2000	1,750,482	770,436	1.1295	1,977,169	870,207
1999	1,912,057	1,048,283	1.1675	2,232,327	1,223,870
1998	1,666,969	757,523	1.1933	1,989,194	903,952
1997	1,286,765	607,735	1.2118	1,559,302	736,453
1996	(1,006,929)	764,769	1.2396	(1,248,189)	948,008
Total				$14,907,515	$ 6,416,975
Nine and One-Half Year Average				$ 1,569,212	$ 675,471

* NOTE: 2005 expenses are for the months January 1, 2005 through June 30, 2005.
All other years expenses are for the calendar year.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 4

Responding Witness: Kent W. Blake

Q-4. Refer to the response to Item 6 of Staff's initial request and Reference Schedule 1.32 of Blake Exhibit 1.

a. The response to Item 6 refers to the Commission having "traditionally allowed a 10-year or 5-year time period for purposes of normalizing income statement items that fluctuate significantly from year to year." Post-merger, LG&E has off-system sales data available for 8 years. Given that LG&E has 8 years of data available, explain why it did not use the 8 years of available data to calculate the proposed adjustment to off-system sales margins.

b. Using the information contained in the response to Item 6, provide a revised schedule 1.32 based on the off-system sales from 1998 through June 30, 2005.

A-4. a. The Company did not use 8 years of data because of the two periods traditionally used by the Commission (i.e. 10 years or 5 years) the shorter time period is more appropriate for normalizing off-system sales. Off-system sales margins are dependent upon the Company's supply portfolio, unit availability, and system demand and energy requirements among other factors. Using the shorter period (5 years) is more reflective of the near term trends in these factors.

b. Please see the attached. The Company has prepared the revised schedule 1.32 both with an 8-year average of off-system sales margins (consistent with the methodology contained in the original filing) and a 7 and one-half year average of off-system sales margins (to avoid the double counting of the 6-month period ending December 2004 consistent with the Commission's Questions 2 and 3).

Revised Blake Exhibit 1
Reference Schedule 1.32
Sponsoring Witness: Kent Blake

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment to Reflect Representative Level of Off-System Sales Margins
For the Twelve Months Ended June 30, 2005

1. Off-System Sales margin based upon eight year average	$ 37,963,360
2. Off-System Sales margin incurred during the 12 months ended June 30, 2005	48,063,718
3. Adjustment	(10,100,358)

	OSS Revenue	OSS Expenses	MISO Net RSG Margin	OSS Margin
2005	231,541,747	182,335,370	1,142,659	48,063,718
2004	191,572,314	147,801,959		43,770,355
2003	175,861,484	132,790,860		43,070,624
2002	118,082,196	91,457,223		26,624,973
2001	120,585,650	79,662,841		40,922,809
2000	117,353,647	71,071,554		46,282,093
1999	98,352,865	67,913,234		30,439,631
1998	99,339,800	74,807,121		24,532,679
Total				$ 303,706,882
Eight Year Average				$ 37,963,360

NOTE: 2005 values are for the 12 months ended June 30, 2005.
All other years values are for the calendar year.

Revised Blake Exhibit 1
Reference Schedule 1.32
Sponsoring Witness: Kent Blake

LOUISVILLE GAS AND ELECTRIC COMPANY

Adjustment to Reflect Representative Level of Off-System Sales Margins
For the Twelve Months Ended June 30, 2005

1. Off-System Sales margin based upon seven and one-half year average	$ 37,640,332
2. Off-System Sales margin incurred during the 12 months ended June 30, 2005	48,063,718
3. Adjustment	(10,423,386)

	OSS Revenue	OSS Expenses	MISO Net RSG Margin	OSS Margin
2005	137,912,668	110,110,680	1,142,659	26,659,329
2004	191,572,314	147,801,959		43,770,355
2003	175,861,484	132,790,860		43,070,624
2002	118,082,196	91,457,223		26,624,973
2001	120,585,650	79,662,841		40,922,809
2000	117,353,647	71,071,554		46,282,093
1999	98,352,865	67,913,234		30,439,631
1998	99,339,800	74,807,121		24,532,679
Total				$ 282,302,493
Seven and One-Half Year Average				$ 37,640,332

NOTE: 2005 values are for the months January 1, 2005 through June 30, 2005.
All other years values are for the calendar year.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 5

Responding Witness: Valerie L. Scott

Q-5. Refer to the responses to Items 8, 9, and 10 of Staff's initial request in which LG&E provided amounts for September 2005 to update the information through August 2005, contained in its application, for (1) administrative expenses related to the Midwest Independent System Operator's ("MISO") "Day 2" operations; (2) revenue neutrality uplift charges associated with MISO's "Day 2" operations; and (3) revenue sufficiency guarantee make-whole payments and the related charges associated with MISO's "Day 2" operations.

a. Provide the amounts for each of the three items listed above for the month of October 2005.

b. Consider this a continuing request. Provide on a monthly basis as they become available, the amounts for each of the three items listed above, for the remainder of this proceeding until directed otherwise.

A-5. a. The requested information for the month of October 2005 is shown below.

Schedule 16 – expense	$32,300.41
Schedule 17 – expense	$113,266.39
Revenue Neutrality Uplift – expense	$843,263.86
RSG Make Whole Payment – revenue	$1,664,076.81
RSG Distribution Amount – expense	$1,021,944.00
Production cost for RSG payment – expense	$1,150,248.89

As the Company indicated in its response to Item 9 of the Staff's initial data request, MISO changed its methodology for determining over-collected losses which impacted the revenue neutrality uplift charge. This change was retroactive to the inception of Day 2 and its impact on the revenue neutrality uplift charge and corresponding offset to other line items continues to flow through the MISO settlement statements. These corresponding changes to other line items on the MISO settlement statement continue to impact the Company's cost of providing service.

b. The Company will provide monthly updates as requested.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 6

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

Q-6. Refer to the responses to Items 1 through 4 of this request and the response to Item 13(b) of Staff's initial request. Provide a second revised Blake Exhibit 4 that incorporates the results provided in all 5 of these responses.

A-6. Please see the attached. In preparing the revised Blake Exhibit 4, for Item 4 of this request, the Company used the 7 and one-half year average of off-system sales to be consistent with the Staff's request in Items 2 and 3 to eliminate the double counting of the 6-month period ending December 2004.

The Company has performed the revisions as requested by the Staff; however, as previously stated in the Company's response to Item 13 of Staff's initial request, 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 under this approach because 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.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

	ELECTRIC (1)				
	ROE RANGE				
SECTION I - VALUE DELIVERY SURCREDIT EFFECTIVE	10.00%	-	10.50%	-	11.00%
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)	7.18%	-	7.45%	-	7.71%
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	87,261,294		87,261,294		87,261,294
5. Net Operating Income Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	$ 23,376,955	-	$ 27,537,446	-	$ 31,543,845
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	$ 38,841,292	-	$ 45,754,033	-	$ 52,410,748
SECTION II - VALUE DELIVERY SURCREDIT EXPIRED					
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)	7.18%	-	7.45%	-	7.71%
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	110,933,753		110,933,753		110,933,753
5. Net Operating Income Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	$ (295,504)	-	$ 3,864,987	-	$ 7,871,386
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	$ (490,986)	-	$ 6,421,755	-	$ 13,078,470

Second Revised Blake Exhibit 4
Sponsoring Witness: Kent Blake
Page 2 of 2

LOUISVILLE GAS AND ELECTRIC COMPANY

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

	GAS (1)				
	ROE RANGE				
SECTION I - VALUE DELIVERY SURCREDIT EFFECTIVE	10.00%	-	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	13,952,250		13,952,250		13,952,250
5. Net Operating Income Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	$ 10,835,301	-	$ 11,767,423	-	$ 12,665,022
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	$ 18,003,075	-	$ 19,551,816	-	$ 21,043,195
SECTION II - VALUE DELIVERY SURCREDIT EXPIRED					
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	20,305,622		20,305,622		20,305,622
5. Net Operating Income Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	$ 4,481,929	-	$ 5,414,051	-	$ 6,311,650
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	$ 7,446,817	-	$ 8,995,557	-	$ 10,486,936

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to Commission Staff's Supplemental Data Request Dated November 14, 2005

Question No. 7

Responding Witness: Kent W. Blake

Q-7. Refer to LG&E's response to Item 11 of Staff's initial request. In LG&E's last general rate case it proposed adjustments to the test-year labor and labor-related costs and the pension and post-retirement expenses.

a. Did the labor and labor-related costs included in LG&E's last general rate case reflect the impact and effects of the Workforce Separation Program ("WSP")?

b. Did the pension and post-retirement expenses included in LG&E's last general rate case reflect the impact and effects of the WSP?

c. Would LG&E agree that in determining its proposed revenue requirement in its last general rate case, it reflected the impacts and effects of the WSP? Explain the response.

d. If the response to parts (a) or (b) above is no, explain in detail what levels of workforce and workforce-related costs were incorporated into LG&E's proposed revenue requirements.

A-7. a. Yes.

b. Yes.

c. The savings associated with the WSP and related value delivery initiatives were reflected in the Company's net operating income for the test year ended September 30, 2003, which was used in determining the revenue requirement in the Company's last general rate case. The test year also reflected the amortization of the costs to achieve those savings and the sharing of those savings between customers and the shareholder.

d. Not applicable.