

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

RECEIVED

JUL 21 2006

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

July 20, 2006

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2006-00129 and 2006-00130

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Direct Testimony and Exhibits of Stephen J. Baron filed on behalf of Kentucky Industrial Utility Customers, Inc. in the above-referenced matters. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MI.Kkew
Attachment
cc:

Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, (unless otherwise noted) to all parties on the 20th day of July, 2006.

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
betsy.blackford@law.state.ky.us

Honorable Elizabeth L. Cocanougher
Senior Corporate Attorney
Kentucky Utilities Company
c/o Louisville Gas & Electric Co.
P. O. Box 32010
Louisville, KY 40232-2010

Honorable Kendrick R. Riggs
Ogden, Newell & Welch, PLLC
1700 PNC Plaza, 500 West Jefferson Street
Louisville, KY 40202-2874
kriggs@ogdenlaw.com

Mr. Michael S. Beer
VP - Rates & Regulatory
Kentucky Utilities Company
c/o Louisville Gas & Electric Co.
P. O. Box 32010
Louisville, KY 40232-2010



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 21 2006

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING OCTOBER 31, 2003,)
APRIL 30, 2004, OCTOBER 31, 2004,)
OCTOBER 31, 2005 AND APRIL 30 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
APRIL 30, 2005)

CASE NO:
2006-00130

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING JULY 31, 2003,)
JANUARY 31, 2004, JANUARY 31, 2005,)
JULY 31, 2005, AND JANUARY 31, 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
JULY 31, 2004)

CASE NO:
2006-00129

DIRECT TESTIMONY

AND EXHIBITS

OF

STEPHEN J. BARON

ON BEHALF OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
JULY 2006

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDINGS OCTOBER 31, 2003,)
APRIL 30, 2004, OCTOBER 31, 2004,)
OCTOBER 31, 2005 AND APRIL 30 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
APRIL 30, 2005)**

**CASE NO:
2006-00130**

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDINGS JULY 31, 2003,)
JANUARY 31, 2004, JANUARY 31, 2005,)
JULY 31, 2005, AND JANUARY 31, 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
JULY 31, 2004)**

**CASE NO:
2006-00129**

DIRECT TESTIMONY OF STEPHEN J. BARON

1

I. QUALIFICATIONS AND SUMMARY

2

Q. Please state your name and business address.

3

1 A. My name is Stephen J. Baron. My business address is J. Kennedy and Associates,
2 Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell,
3 Georgia 30075.

4

5 **Q. What is your occupation and by who are you employed?**

6

7 A. I am the President and a Principal of Kennedy and Associates, a firm of utility rate,
8 planning, and economic consultants in Atlanta, Georgia.

9

10 **Q. Please describe briefly the nature of the consulting services provided by**
11 **Kennedy and Associates.**

12

13 A. Kennedy and Associates provides consulting services in the electric and gas utility
14 industries. Our clients include state agencies and industrial electricity consumers.
15 The firm provides expertise in system planning, load forecasting, financial analysis,
16 cost-of-service, and rate design.

17

18 **Q. Please state your educational background and experience.**

19

1 A. I graduated from the University of Florida in 1972 with a B.A. degree with high
2 honors in Political Science and significant coursework in Mathematics and
3 Computer Science. In 1974, I received a Master of Arts Degree in Economics, also
4 from the University of Florida.

5
6 I have more than thirty years of experience in the electric utility industry in the areas
7 of cost and rate analysis, forecasting, planning, and economic analysis.

8
9 I have presented testimony as an expert witness in Arizona, Arkansas, Colorado,
10 Connecticut, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Michigan,
11 Minnesota, Maryland, Missouri, New Jersey, New Mexico, New York, North
12 Carolina, Ohio, Pennsylvania, Texas, West Virginia, before the Federal Energy
13 Regulatory Commission and in United States Bankruptcy Court.

14
15 A complete copy of my resume and my testimony appearances is contained in Baron
16 Exhibit__(SJB-1).

17
18 **Q. On whose behalf are you testifying in this proceeding?**

1 A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc.
2 ("KIUC"), a group of large industrial consumers of electricity on the KU and LGE
3 systems.

4

5 **Q. What is the purpose of your testimony?**

6

7 A. My testimony addresses the allocation of the ECR roll-in revenue requirements for
8 KU and LG&E (the "Companies"). Specifically, Companies' witness Mr. Seelye
9 has proposed two alternative methodologies to allocate the Companies' proposed
10 ECR roll-in amounts of \$23,731,313 for KU and \$8,669,729 for LG&E. As I will
11 discuss below, KIUC supports the "alternative" methodology presented by the
12 Companies, which allocates the roll-in in a manner that recognizes the existing
13 inter-class rate subsidies that have continued since the Companies last base rate
14 cases in 2004. Moving the Companies' base rates towards levels that reflect the cost
15 to provide service is an appropriate public policy objective for the Commission to
16 pursue and these ECR roll-in proceedings present an appropriate opportunity to do
17 so in a manner consistent with gradualism. Even if the Companies' cost of service
18 based roll-in allocation approach is adopted, significant subsidies will still remain in
19 the rates.

20

1 **Q. Mr. Seelye has presented evidence in this case that demonstrates that each of**
2 **the Companies’ current rates continue to contain subsidies, either being paid**
3 **or being received. Do you agree with his conclusion on this issue?**

4
5 A. Yes. In the Companies’ last general rate cases in 2004 (Case Nos. 2003-00434, KU
6 and 2003-00433, LG&E), I presented testimony showing that each of the
7 Companies’ then existing rates contained substantial subsidies, which should be
8 reduced, in any Commission approved rate changes. In my previous testimony in
9 those cases, I presented five alternative cost of service studies, all of which showed
10 that the Companies’ rates were not cost based and contained subsidies that should
11 be reduced. The studies included the Companies’ recommended Base-Intermediate-
12 Peak (“BIP”) method, the Average and Excess method (“A&E”), the summer
13 coincident peak method (“1 CP”), the summer/winter coincident peak method
14 (“S/W CP”) and the 12 monthly coincident peak method (“12 CP”). Each of these
15 five methodologies, though they differ in their underlying “cost causation”
16 foundation, showed that the Companies’ large commercial and industrial customers
17 were providing substantial subsidies to the Companies’ residential customers.

18
19 **Q. Would you briefly explain what you mean by “subsidies” in rates?**
20

1 A. A rate schedule subsidy is the “dollar” difference between the cost of providing
2 service to the customers on a rate schedule and the actual level of charges (revenues)
3 being collected from customers on the rate. A subsidy can be either negative or
4 positive, depending on whether a rate schedule is paying rates that exceed cost of
5 service (a negative subsidy being paid) or is paying rates that are less than the cost
6 of providing service (a positive subsidy being received). In the case of KU and
7 LG&E, residential customers received substantial subsidies prior to the last general
8 rate case and continue to receive subsidies today.

9

10 **Q. Did the final Commission approved rates in the 2004 cases provide for a**
11 **reduction in subsidies paid and received by each rate class?**

12

13 A. To some extent, subsidies were reduced as a result of the Commission approved
14 rates, which reflected a settlement among the parties to the cases. However, as Mr.
15 Seelye’s testimony in this case demonstrates, subsidies continue in existing rates.

16

17 **Q. Companies’ witness Seelye presented class rate of return and dollar subsidy**
18 **results for KU and LG&E based on the service rates approved by the**
19 **Commission in each Companies’ last general rate case. Have you developed a**
20 **similar analysis of class rates of return and dollar subsidies using the four**

1 other cost of service methodologies that you evaluated in Case Nos. 2003-00434
2 (KU) and 2003-00433 (LG&E)?

3
4 A. Yes. Tables 1 through 4 show the current rates of return and dollar subsidies for
5 each KU and LG&E rate schedule based on the four alternative cost of service
6 methodologies (A&E, 1 CP, S/W CP and 12 CP).¹ As can be seen from these
7 tables, KU's and LG&E's rates continue to contain subsidies, in some case
8 substantial subsidies, confirming Mr. Seelye's analysis using the BIP methodology.
9 Baron Exhibit__(SJB-2) contains the summary cost of service analyses supporting
10 these tables.

Rate Class	A&E	SWCP	SCP	12CP
Residential	2.22%	2.10%	3.07%	2.85%
General Service	6.59%	7.94%	6.29%	6.79%
Combined Light & Power	13.34%	12.78%	10.76%	11.25%
Large Comm/Ind TOD	9.92%	10.35%	9.37%	8.41%
Coal Mining Power	15.45%	17.45%	19.15%	14.30%
Large Power Mine Power TOD	11.50%	14.22%	15.97%	12.19%
All Electric School	4.84%	6.65%	4.46%	5.36%
Water Pumping	4.89%	2.16%	2.59%	2.95%
Street Lighting	3.54%	4.07%	5.18%	4.72%
NAS	17.97%	12.40%	8.25%	21.38%
System Average	6.33%	6.33%	6.33%	6.33%

¹ Table 2 (KU) and Table 4 (LG&E), which show the subsidy dollars, also provide values for the BIP method.

1

Table 2
KU Class Subsidies Received and (Paid)
Case No. 2003-00434

<u>Rate Class</u>	<u>BIP</u>	<u>A&E</u>	<u>SWCP</u>	<u>SCP</u>	<u>12CP</u>
Residential	45,761,527	48,769,677	50,767,041	36,161,694	39,281,116
General Service	(5,663,758)	(727,454)	(4,074,716)	103,660	(1,251,802)
Combined Lt & Pw	(32,593,720)	(38,043,691)	(35,728,215)	(26,987,784)	(29,226,088)
Large Comm/Ind TOD	(4,429,416)	(7,389,406)	(8,039,935)	(6,389,825)	(4,614,040)
Coal Mining Power	(1,879,160)	(1,851,555)	(2,088,627)	(2,265,952)	(1,693,013)
Lg Pw Mine Pw TOD	(988,471)	(846,217)	(1,143,592)	(1,301,892)	(927,972)
All Electric School	(151,542)	237,414	(45,791)	308,732	150,832
Water Pumping	131,413	45,195	160,307	138,764	121,875
Street Lighting	2,334,143	2,577,399	2,007,849	939,543	1,360,077
NAS	(2,521,016)	(2,771,363)	(1,814,319)	(706,939)	(3,200,986)

2

Table3
LG&E Class Rates of Return at Rates Approved by the Commission
Case No. 2003-00433

<u>Rate Class</u>	<u>A&E</u>	<u>SWCP</u>	<u>SCP</u>	<u>12CP</u>
Residential	3.45%	2.92%	3.20%	4.11%
General Service	9.32%	10.78%	8.24%	9.62%
Rate LC	10.39%	10.10%	9.42%	8.35%
Rate LC-TOD	9.25%	8.76%	8.76%	7.53%
Rate LP	10.33%	12.68%	10.98%	9.87%
Rate LP-TOD	7.15%	7.91%	10.41%	5.95%
Special Contract	7.61%	9.09%	8.87%	7.73%
Lighting	4.32%	5.50%	7.91%	6.77%
System Average	6.36%	6.36%	6.36%	6.36%

3

1

<u>Rate Class</u>	<u>BIP</u>	<u>A&E</u>	<u>SWCP</u>	<u>SCP</u>	<u>12CP</u>
Residential	33,651,273	33,542,076	41,659,048	37,369,976	24,682,492
General Svc	(16,222,657)	(9,835,244)	(13,565,692)	(6,673,713)	(10,651,497)
Rate LC	(14,170,679)	(15,356,716)	(14,453,323)	(12,277,854)	(8,499,700)
Rate LC-TOD	(1,563,525)	(2,499,742)	(2,128,607)	(2,133,938)	(1,120,928)
Rate LP	(5,213,773)	(4,274,151)	(6,028,073)	(4,797,261)	(3,869,288)
Rate LP-TOD	2,866,817	(1,966,267)	(3,634,581)	(8,208,447)	1,088,695
Sp Contract	(864,381)	(1,246,885)	(2,479,906)	(2,306,493)	(1,348,361)
Lighting	1,516,925	1,636,929	631,135	(972,271)	(281,414)

2

3

Q. Have you reviewed Mr. Seelye's cost of service analyses presented in his KU and LG&E testimony in this case?

4

5

6

A. Yes. I have evaluated his analyses and find that they are reasonable and I agree with his results. The results clearly support the "alternative" proposal presented by the Companies to allocate the ECR roll-in amounts to rate schedules. As I discuss below, these ECR roll-in cases present an opportunity to address the continued subsidies that are embedded in the Companies' rates.

7

8

9

10

11

12

Q. Why is it appropriate to reduce rate subsidies in these ECR roll-in cases, rather than waiting for future KU and LG&E general base rate cases?

13

14

1 A. In addition to the reasons cited by Mr. Seelye in his KU and LG&E testimony, it is
2 important to remember that the 2004 general rate cases were the first such cases in
3 many years for each Company. Though it is not known when the Companies may
4 file a future general rate case, history suggests that it may be a number of years.² In
5 the meantime, KU's and LG&E's large commercial and industrial customers will
6 continue to pay rates that exceed the cost of providing service and pay millions of
7 dollars of subsidies annually to other rate classes. These ECR roll-in cases are an
8 opportunity to address this problem. Like a general rate case, an ECR roll-in case is
9 a base rate proceeding and therefore a reasonable venue to address the subsidies in
10 the Companies rate schedules.

11
12 Each of the Companies is expected to continue filing for ECR increases. These
13 ECR increases may be the primary source of rate changes for each Company for the
14 foreseeable future. The Commission has an opportunity in these KU and LG&E
15 roll-in cases to move each Company's rates towards cost of service in a gradual
16 manner. The methodology proposed by the Company's in Mr. Seelye's testimony
17 represents a reasonable approach to reducing subsidies, while recognizing the rate
18 making principle of gradualism.

19
20 **Q. Why is it important to move each Company's rates toward cost of service?**

² KU has initiated only 2 base rate cases in the past 20 years; LG&E has initiated 2 cases in the past 15 years.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

A. There are both economic and equity reasons to move rates to the cost of providing service. From an economic standpoint, rates should be set a cost to provide customers with the economic price signal that reflects the resource cost associated with a customer’s decision to consume electricity. In so doing, the consumption decisions made by customer’s will properly consider the costs incurred by KU and LG&E in providing the power demanded by the customer. If rates are continually set below cost of service for some customers and above cost of service for others, an uneconomic price signal is being sent. Moving rates towards cost of service is a legitimate and reasonable objective of utility regulation.

Q. Didn’t the Commission approved rates in the Companies’ 2004 general rate cases result in subsidy reductions?

A. Yes. However, only a portion of the subsidies that had been in both Companies’ rates for many, many years was removed. As shown in Mr. Seelye’s exhibits in this case and my Tables above, there remain substantial subsidies in the rates of each Company. If the Commission doesn’t adopt the Companies’ alternative roll-in allocation in this case, there may not be another opportunity to address this problem for many more years. In the meantime, the Companies’ larger commercial and

1 industrial customers will continue pay millions of dollars of subsidies and rates that
2 are above the cost of providing service.

3
4 **Q. Has the Commission recognized this principle in its prior ECR orders?**

5
6 A. Yes. In the most recent KU ECR case (Case No. 2004-00426), the Commission
7 order stated:

8
9 **While the Commission appreciates KIUC's concerns as to the**
10 **discrepancies between KU's cost of service and the recovery of costs**
11 **through its base rates, we are not persuaded that an environmental**
12 **surcharge proceeding is an appropriate venue to address those**
13 **discrepancies.**
14

15 The Commission order in the companion LG&E case (Docket No. 2004-00421)
16 adopted the KU findings on surcharge allocation. In those cases, KIUC proposed to
17 reduce subsidies via the ECR charge itself. Though the Commission recognized
18 that the Companies' rates did not reflect cost of service, the Commission found that
19 the ECR proceeding itself was not the appropriate venue to address such issues.

20
21 **Q. Are the reasons cited by the Commission rejecting the KIUC ECR allocation**
22 **proposals in Case Nos. 2004-00426 and 2004-00421 applicable in these current**
23 **KU and LG&E ECR roll-in cases?**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

A. No. In its orders in the ECR cases, the Commission indicated its concern with the jurisdictional allocation issue under the KIUC proposal, which the Commission believed could have resulted in a shifting of costs to the retail jurisdiction and an increase in Kentucky retail ECR revenue requirements. There is no jurisdictional revenue requirement “issue” in these roll-in cases, since the ECR roll-in only involves retail revenue requirements.

The second concern raised by the Commission in the prior ECR orders related to the legality of multiple ECR surcharges under the KIUC recommendation. Since these roll-in cases involve a change in base rates, there is no issue regarding the legality of multiple surcharges.

Q. Does the alternative roll-in allocation eliminate all of the subsidies in existing rates?

A. No. The alternative methodology, while moving rates towards cost of service, only provides a modest reduction in subsidies. For example, based on Mr. Seelye’s KU exhibit WSS-2, the residential class is currently receiving a subsidy of \$45.8 million from other ratepayers (see Baron Table 2). The impact of the alternative ECR roll-

1 in methodology is a reduction in this subsidy of \$5 million, or about 11%. This
2 reflects the Companies' adherence to "gradualism", which KIUC supports in this
3 case.

4
5 Finally, it should also be noted that the Companies' BIP cost allocation
6 methodology is the least favorable to large, high load commercial and industrial
7 customers among the five methodologies that I examined. This means that the
8 actual subsidies paid by KU's LCI-TOD and LG&E's LP-TOD customers are likely
9 greater than shown in Mr. Seelye's analysis.

10
11 **Q. Is there any compelling reason to use a revenue method to allocate the roll-in**
12 **costs, given that there is cost of service information available?**

13
14 A. No. Given the availability of cost of service data, and the fact that these cost of
15 service results show substantial subsidies remaining in the Companies' rates, it is
16 appropriate to allocate the roll-in using the alternative method proposed by the
17 Companies in this case.

18

1 **Q. The Companies are proposing to assign the ECR roll-in to the demand charges**
2 **of rate schedules that incorporate a demand charge. Do you agree with this**
3 **approach?**

4
5 A. Yes. It is appropriate to recover the roll-in increase through the demand charges of
6 each rate, reflecting the “fixed cost” nature of these roll-in charges.

7
8 **Q. Do you have any final comments on the alternative roll-in allocation**
9 **methodology?**

10
11 A. Yes. In a letter dated July 3, 2006 from Kent Blake to the Commission, the
12 Companies’ stated that they “do not believe that a different BESF for each customer
13 class will be required depending upon roll in methodology approved by the
14 Commission.” I agree with the Companies’ conclusion on this issue.

15
16 **Q. Does that complete your testimony?**

17
18 A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING OCTOBER 31, 2003,)
APRIL 30, 2004, OCTOBER 31, 2004,)
OCTOBER 31, 2005 AND APRIL 30 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
APRIL 30, 2005)**

**CASE NO:
2006-00130**

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING JULY 31, 2003,)
JANUARY 31, 2004, JANUARY 31, 2005,)
JULY 31, 2005, AND JANUARY 31, 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
JULY 31, 2004)**

**CASE NO:
2006-00129**

EXHIBITS

OF

STEPHEN J. BARON

ON BEHALF OF

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDINGS OCTOBER 31, 2003,)
APRIL 30, 2004, OCTOBER 31, 2004,)
OCTOBER 31, 2005 AND APRIL 30 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
APRIL 30, 2005)**

**CASE NO:
2006-00130**

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDINGS JULY 31, 2003,)
JANUARY 31, 2004, JANUARY 31, 2005,)
JULY 31, 2005, AND JANUARY 31, 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
JULY 31, 2004)**

**CASE NO:
2006-00129**

EXHIBIT SJB-1

OF

STEPHEN J. BARON

ON BEHALF OF

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Professional Qualifications

Of

Stephen J. Baron

Mr. Baron graduated from the University of Florida in 1972 with a B.A. degree with high honors in Political Science and significant coursework in Mathematics and Computer Science. In 1974, he received a Master of Arts Degree in Economics, also from the University of Florida. His areas of specialization were econometrics, statistics, and public utility economics. His thesis concerned the development of an econometric model to forecast electricity sales in the State of Florida, for which he received a grant from the Public Utility Research Center of the University of Florida. In addition, he has advanced study and coursework in time series analysis and dynamic model building.

Mr. Baron has more than thirty years of experience in the electric utility industry in the areas of cost and rate analysis, forecasting, planning, and economic analysis.

Following the completion of my graduate work in economics, he joined the staff of the Florida Public Service Commission in August of 1974 as a Rate Economist. His responsibilities included the analysis of rate cases for electric, telephone, and gas utilities, as well as the preparation of cross-examination material and the preparation of staff recommendations.

In December 1975, he joined the Utility Rate Consulting Division of Ebasco

Services, Inc. as an Associate Consultant. In the seven years he worked for Ebasco, he received successive promotions, ultimately to the position of Vice President of Energy Management Services of Ebasco Business Consulting Company. His responsibilities included the management of a staff of consultants engaged in providing services in the areas of econometric modeling, load and energy forecasting, production cost modeling, planning, cost-of-service analysis, cogeneration, and load management.

He joined the public accounting firm of Coopers & Lybrand in 1982 as a Manager of the Atlanta Office of the Utility Regulatory and Advisory Services Group. In this capacity he was responsible for the operation and management of the Atlanta office. His duties included the technical and administrative supervision of the staff, budgeting, recruiting, and marketing as well as project management on client engagements. At Coopers & Lybrand, he specialized in utility cost analysis, forecasting, load analysis, economic analysis, and planning.

In January 1984, he joined the consulting firm of Kennedy and Associates as a Vice President and Principal. Mr. Baron became President of the firm in January 1991.

During the course of my career, he has provided consulting services to more than thirty utility, industrial, and Public Service Commission clients, including three international utility clients.

He has presented numerous papers and published an article entitled "How to Rate Load Management Programs" in the March 1979 edition of "Electrical World." His article on "Standby Electric Rates" was published in the November 8, 1984 issue of "Public Utilities Fortnightly." In February of 1984, he completed a detailed analysis entitled "Load Data Transfer Techniques" on behalf of the Electric Power Research Institute, which published the study.

Mr. Baron has presented testimony as an expert witness in Arizona, Arkansas, Colorado, Connecticut, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Michigan, Minnesota, Maryland, Missouri, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Texas, West Virginia, as well as before the Federal Energy Regulatory Commission ("FERC") and the United States Bankruptcy Court. A list of his specific regulatory appearances follows.

Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006

Date	Case	Jurisdct.	Party	Utility	Subject
4/81	203(B)	KY	Louisville Gas & Electric Co.	Louisville Gas & Electric Co	Cost-of-service.
4/81	ER-81-42	MO	Kansas City Power & Light Co	Kansas City Power & Light Co.	Forecasting
6/81	U-1933	AZ	Arizona Corporation Commission	Tucson Electric Co.	Forecasting planning
2/84	8924	KY	Airco Carbide	Louisville Gas & Electric Co	Revenue requirements, cost-of-service, forecasting, weather normalization.
3/84	84-038-U	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co	Excess capacity, cost-of-service, rate design.
5/84	830470-EI	FL	Florida Industrial Power Users' Group	Florida Power Corp.	Allocation of fixed costs, load and capacity balance, and reserve margin. Diversification of utility
10/84	84-199-U	AR	Arkansas Electric Energy Consumers	Arkansas Power and Light Co	Cost allocation and rate design.
11/84	R-842651	PA	Lehigh Valley Power Committee	Pennsylvania Power & Light Co.	Interruptible rates, excess capacity, and phase-in.
1/85	85-65	ME	Airco Industrial Gases	Central Maine Power Co.	Interruptible rate design.
2/85	I-840381	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	Load and energy forecast.
3/85	9243	KY	Alcan Aluminum Corp , et al.	Louisville Gas & Electric Co.	Economics of completing fossil generating unit.
3/85	3498-U	GA	Attorney General	Georgia Power Co	Load and energy forecasting, generation planning economics.
3/85	R-842632	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Generation planning economics, prudence of a pumped storage hydro unit
5/85	84-249	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co	Cost-of-service, rate design return multipliers.
5/85		City of Santa	Chamber of Commerce	Santa Clara Municipal	Cost-of-service, rate design.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
6/85	84-768-E-42T	Clara WV	West Virginia Industrial Intervenors	Monongahela Power Co	Generation planning economics, prudence of a pumped storage hydro unit.
6/85	E-7 Sub 391	NC	Carolina Industrials (CIGFUR III)	Duke Power Co.	Cost-of-service, rate design, interruptible rate design.
7/85	29046	NY	Industrial Energy Users Association	Orange and Rockland Utilities	Cost-of-service, rate design.
10/85	85-043-U	AR	Arkansas Gas Consumers	Arkla, Inc.	Regulatory policy, gas cost-of-service, rate design.
10/85	85-63	ME	Airco Industrial Gases	Central Maine Power Co.	Feasibility of interruptible rates, avoided cost.
2/85	ER-8507698	NJ	Air Products and Chemicals	Jersey Central Power & Light Co.	Rate design.
3/85	R-850220	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Optimal reserve, prudence, off-system sales guarantee plan.
2/86	R-850220	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Optimal reserve margins, prudence, off-system sales guarantee plan
3/86	85-299U	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Cost-of-service, rate design, revenue distribution.
3/86	85-726-EL-AIR	OH	Industrial Electric Consumers Group	Ohio Power Co.	Cost-of-service, rate design, interruptible rates.
5/86	86-081-E-GI	WV	West Virginia Energy Users Group	Monongahela Power Co.	Generation planning economics, prudence of a pumped storage hydro unit
8/86	E-7 Sub 408	NC	Carolina Industrial Energy Consumers	Duke Power Co	Cost-of-service, rate design, interruptible rates.
10/86	U-17378	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Excess capacity, economic analysis of purchased power.
12/86	38063	IN	Industrial Energy Consumers	Indiana & Michigan Power Co	Interruptible rates.

Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006

Date	Case	Jurisdiction	Party	Utility	Subject
3/87	EL-86-53-001 EL-86-57-001	Federal Energy Regulatory Commission (FERC)	Louisiana Public Service Commission Staff	Gulf States Utilities, Southern Co	Cost/benefit analysis of unit power sales contract.
4/87	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Load forecasting and imprudence damages, River Bend Nuclear unit.
5/87	87-023-E-C	WV	Airco Industrial Gases	Monongahela Power Co.	Interruptible rates.
5/87	87-072-E-G1	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Analyze Mon Power's fuel filing and examine the reasonableness of MP's claims
5/87	86-524-E-SC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Economic dispatching of pumped storage hydro unit.
5/87	9781	KY	Kentucky Industrial Energy Consumers	Louisville Gas & Electric Co.	Analysis of impact of 1986 Tax Reform Act
6/87	3673-U	GA	Georgia Public Service Commission	Georgia Power Co.	Economic prudence, evaluation of Vogtle nuclear unit - load forecasting, planning.
6/87	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in plan for River Bend Nuclear unit.
7/87	85-10-22	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Methodology for refunding rate moderation fund.
8/87	3673-U	GA	Georgia Public Service Commission	Georgia Power Co	Test year sales and revenue forecast
9/87	R-850220	PA	West Penn Power Industrial Intervenors	West Penn Power Co	Excess capacity, reliability of generating system.
10/87	R-870651	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Interruptible rate, cost-of-service, revenue allocation, rate design.
10/87	I-860025	PA	Pennsylvania Industrial Intervenors		Proposed rules for cogeneration, avoided cost, rate recovery.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
10/87	E-015/ GR-87-223	MN	Taconite Intervenors	Minnesota Power & Light Co	Excess capacity, power and cost-of-service, rate design.
10/87	8702-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue forecasting, weather normalization.
12/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light Power Co	Excess capacity, nuclear plant phase-in.
3/88	10064	KY	Kentucky Industrial Energy Consumers	Louisville Gas & Electric Co	Revenue forecast, weather normalization rate treatment of cancelled plant.
3/88	87-183-TF	AR	Arkansas Electric Consumers	Arkansas Power & Light Co.	Standby/backup electric rates.
5/88	870171C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Cogeneration deferral mechanism, modification of energy cost recovery (ECR)
6/88	870172C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Cogeneration deferral mechanism, modification of energy cost recovery (ECR).
7/88	88-171- EL-AIR 88-170- EL-AIR Interim Rate Case	OH	Industrial Energy Consumers	Cleveland Electric/ Toledo Edison	Financial analysis/need for interim rate relief.
7/88	Appeal of PSC	19th Judicial Docket U-17282	Louisiana Public Service Commission Circuit Court of Louisiana	Gulf States Utilities	Load forecasting, imprudence damages.
11/88	R-880989	PA	United States Steel	Carnegie Gas	Gas cost-of-service, rate design.
11/88	88-171- EL-AIR 88-170- EL-AIR	OH	Industrial Energy Consumers	Cleveland Electric/ Toledo Edison. General Rate Case.	Weather normalization of peak loads, excess capacity, regulatory policy
3/89	870216/283 284/286	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Calculated avoided capacity, recovery of capacity payments.

Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006

Date	Case	Jurisdict.	Party	Utility	Subject
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cost-of-service, rate design.
8/89	3840-U	GA	Georgia Public Service Commission	Georgia Power Co.	Revenue forecasting, weather normalization.
9/89	2087	NM	Attorney General of New Mexico	Public Service Co. of New Mexico	Prudence - Palo Verde Nuclear Units 1, 2 and 3, load forecasting.
10/89	2262	NM	New Mexico Industrial Energy Consumers	Public Service Co. of New Mexico	Fuel adjustment clause, off-system sales, cost-of-service, rate design, marginal cost.
11/89	38728	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Excess capacity, capacity equalization, jurisdictional cost allocation, rate design, interruptible rates.
1/90	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Jurisdictional cost allocation, O&M expense analysis.
5/90	890366	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Non-utility generator cost recovery.
6/90	R-901609	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp	West Penn Power Co.	Allocation of QF demand charges in the fuel cost, cost-of-service, rate design.
9/90	8278	MD	Maryland Industrial Group	Baltimore Gas & Electric Co	Cost-of-service, rate design, revenue allocation.
12/90	U-9346 Rebuttal	MI	Association of Businesses Advocating Tariff Equity	Consumers Power Co.	Demand-side management, environmental externalities.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, jurisdictional allocation.
12/90	90-205	ME	Airco Industrial Gases	Central Maine Power Co	Investigation into interruptible service and rates.
1/91	90-12-03 Interim	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Interim rate relief, financial analysis, class revenue allocation.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
5/91	90-12-03 Phase II	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Revenue requirements, cost-of- service, rate design, demand-side management
8/91	E-7, SUB SUB 487	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Revenue requirements, cost allocation, rate design, demand- side management.
8/91	8341 Phase I	MD	Westvaco Corp	Potomac Edison Co.	Cost allocation, rate design, 1990 Clean Air Act Amendments.
8/91	91-372 EL-UNC	OH	Armco Steel Co , L.P.	Cincinnati Gas & Electric Co.	Economic analysis of cogeneration, avoid cost rate.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
9/91	91-231 -E-NC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
10/91	8341 - Phase II	MD	Westvaco Corp.	Potomac Edison Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
10/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Results of comprehensive management audit.
Note: No testimony was prefiled on this					
11/91	U-17949 Subdocket A	LA	Louisiana Public Service Commission Staff	South Central Bell Telephone Co. and proposed merger with Southern Bell Telephone Co.	Analysis of South Central Bell's restructuring and
12/91	91-410- EL-AIR	OH	Armco Steel Co , Air Products & Chemicals, Inc.	Cincinnati Gas & Electric Co.	Rate design, interruptible rates.
12/91	P-880286	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Evaluation of appropriate avoided capacity costs - QF projects.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdic.	Party	Utility	Subject
1/92	C-913424	PA	Duquesne Interruptible Complainants	Duquesne Light Co.	Industrial interruptible rate
6/92	92-02-19	CT	Connecticut Industrial Energy Consumers	Yankee Gas Co.	Rate design.
8/92	2437	NM	New Mexico Industrial Intervenors	Public Service Co. of New Mexico	Cost-of-service
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Cost-of-service, rate design, energy cost rate.
9/92	39314	ID	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Cost-of-service, rate design, energy cost rate, rate treatment.
10/92	M-00920312 C-007	PA	The GPU Industrial Intervenors	Pennsylvania Electric Co.	Cost-of-service, rate design, energy cost rate, rate treatment.
12/92	U-17949	LA	Louisiana Public Service Commission Staff	South Central Bell Co.	Management audit
12/92	R-00922378	PA	Armco Advanced Materials Co. The WPP Industrial Intervenors	West Penn Power Co.	Cost-of-service, rate design, energy cost rate, SO ₂ allowance rate treatment.
1/93	8487	MD	The Maryland Industrial Group	Baltimore Gas & Electric Co.	Electric cost-of-service and rate design, gas rate design (flexible rates).
2/93	E002/GR-92-1185	MN	North Star Steel Co. Praxair, Inc.	Northern States Power Co.	Interruptible rates.
4/93	EC92 21000 ER92-806-000 (Rebuttal)	Federal Energy Regulatory Commission	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy agreement.	Merger of GSU into Entergy System; impact on system
7/93	93-0114-E-C	WV	Airco Gases	Monongahela Power Co.	Interruptible rates.
8/93	930759-EG	FL	Florida Industrial Power Users' Group	Generic - Electric Utilities	Cost recovery and allocation of DSM costs.
9/93	M-009 30406	PA	Lehigh Valley Power Committee	Pennsylvania Power & Light Co.	Ratemaking treatment of off-system sales revenues.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
11/93	346	KY	Kentucky Industrial Utility Customers	Generic - Gas Utilities	Allocation of gas pipeline transition costs - FERC Order 636.
12/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Nuclear plant prudence, forecasting, excess capacity.
4/94	E-015/ GR-94-001	MN	Large Power Intervenors	Minnesota Power Co.	Cost allocation, rate design, rate phase-in plan
5/94	U-20178	LA	Louisiana Public Service Commission	Louisiana Power & Light Co.	Analysis of least cost integrated resource plan and demand-side management program.
7/94	R-00942986	PA	Armco, Inc ; West Penn Power Industrial Intervenors	West Penn Power Co.	Cost-of-service, allocation of rate increase, rate design, emission allowance sales, and operations and maintenance expense.
7/94	94-0035- E-42T	WV	West Virginia Energy Users Group	Monongahela Power Co	Cost-of-service, allocation of rate increase, and rate design.
8/94	EC94 13-000	Federal Energy Regulatory Commission	Louisiana Public Service Commission	Gulf States Utilities/Entergy	Analysis of extended reserve shutdown units and violation of system agreement by Entergy.
9/94	R-00943 081 R-00943 081C0001	PA	Lehigh Valley Power Committee	Pennsylvania Public Utility Commission	Analysis of interruptible rate terms and conditions, availability.
9/94	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Evaluation of appropriate avoided cost rate.
9/94	U-19904	LA	Louisiana Public Service Commission	Gulf States Utilities	Revenue requirements
10/94	5258-U	GA	Georgia Public Service Commission	Southern Bell Telephone & Telegraph Co.	Proposals to address competition in telecommunication markets.
11/94	EC94-7-000 ER94-898-000	FERC	Louisiana Public Service Commission	El Paso Electric and Central and Southwest	Merger economics, transmission equalization hold harmless proposals.
2/95	941-430EG	CO	CF&I Steel, L.P	Public Service Company of Colorado	Interruptible rates, cost-of-service.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Cost-of-service, allocation of rate increase, rate design, interruptible rates.
6/95	C-00913424 C-00946104	PA	Duquesne Interruptible Complainants	Duquesne Light Co.	Interruptible rates.
8/95	ER95-112 -000	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Open Access Transmission Tariffs - Wholesale.
10/95	U-21485	LA	Louisiana Public Service Commission	Gulf States Utilities Company	Nuclear decommissioning, revenue requirements, capital structure.
10/95	ER95-1042 -000	FERC	Louisiana Public Service Commission	System Energy Resources, Inc	Nuclear decommissioning, revenue requirements
10/95	U-21485	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear decommissioning and cost of debt capital, capital structure.
11/95	I-940032	PA	Industrial Energy Consumers of Pennsylvania	State-wide - all utilities	Retail competition issues.
7/96	U-21496	LA	Louisiana Public Service Commission	Central Louisiana Electric Co.	Revenue requirement analysis.
7/96	8725	MD	Maryland Industrial Group	Baltimore Gas & Elec. Co., Potomac Elec. Power Co., Constellation Energy Co.	Ratemaking issues associated with a Merger.
8/96	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Revenue requirements.
9/96	U-22092	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Decommissioning, weather normalization, capital structure.
2/97	R-973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Competitive restructuring policy issues, stranded cost, transition charges
6/97	Civil Action No 94-11474	US Bank- ruptcy Court Middle District of Louisiana	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Confirmation of reorganization plan; analysis of rate paths produced by competing plans.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdict.	Party	Utility	Subject
6/97	R-973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Retail competition issues, rate unbundling, stranded cost analysis.
6/97	8738	MD	Maryland Industrial Group	Generic	Retail competition issues
7/97	R-973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co	Retail competition issues, rate unbundling, stranded cost analysis
10/97	97-204	KY	Alcan Aluminum Corp Southwire Co.	Big River Electric Corp	Analysis of cost of service issues - Big Rivers Restructuring Plan
10/97	R-974008	PA	Metropolitan Edison Industrial Users	Metropolitan Edison Co.	Retail competition issues, rate unbundling, stranded cost analysis.
10/97	R-974009	PA	Pennsylvania Electric Industrial Customer	Pennsylvania Electric Co	Retail competition issues, rate unbundling, stranded cost analysis.
11/97	U-22491	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Decommissioning, weather normalization, capital structure.
11/97	P-971265	PA	Philadelphia Area Industrial Energy Users Group	Enron Energy Services Power, Inc / PECO Energy	Analysis of Retail Restructuring Proposal.
12/97	R-973981	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Retail competition issues, rate unbundling, stranded cost analysis
12/97	R-974104	PA	Duquesne Industrial Intervenors	Duquesne Light Co	Retail competition issues, rate unbundling, stranded cost analysis
3/98 (Allocated Stranded Cost Issues)	U-22092	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Retail competition, stranded cost quantification.
3/98	U-22092		Louisiana Public Service Commission	Gulf States Utilities, Inc.	Stranded cost quantification, restructuring issues.
9/98	U-17735		Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc	Revenue requirements analysis, weather normalization.
12/98	8794	MD	Maryland Industrial Group and	Baltimore Gas and Electric Co	Electric utility restructuring, stranded cost recovery, rate

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdict.	Party	Utility	Subject
			Millennium Inorganic Chemicals Inc		unbundling
12/98	U-23358	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, weather normalization, Entergy System Agreement.
5/99 (Cross- 40-000 Answering Testimony)	EC-98-	FERC	Louisiana Public Service Commission	American Electric Power Co. & Central South West Corp.	Merger issues related to market power mitigation proposals.
5/99 (Response Testimony)	98-426	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Performance based regulation, settlement proposal issues, cross-subsidies between electric. gas services.
6/99	98-0452	WV	West Virginia Energy Users Group	Appalachian Power, Monongahela Power, & Potomac Edison Companies	Electric utility restructuring, stranded cost recovery, rate unbundling.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Company	Electric utility restructuring, stranded cost recovery, rate unbundling.
7/99	Adversary Proceeding No. 98-1065	U.S. Bankruptcy Court	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Motion to dissolve preliminary injunction.
7/99	99-03-06	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co	Electric utility restructuring, stranded cost recovery, rate unbundling.
10/99	U-24182	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, weather normalization, Entergy System Agreement.
12/99	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Ananlysi of Proposed Contract Rates, Market Rates.
03/00	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Evaluation of Cooperative Power Contract Elections
03/00	99-1658- EL-ETP	OH	AK Steel Corporation	Cincinnati Gas & Electric Co.	Electric utility restructuring, stranded cost recovery, rate Unbundling.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdic.	Party	Utility	Subject
08/00	98-0452 E-GI	WVA	West Virginia Energy Users Group	Appalachian Power Co. American Electric Co.	Electric utility restructuring rate unbundling.
08/00	00-1050 E-T 00-1051-E-T	WVA	West Virginia Energy Users Group	Mon Power Co. Potomac Edison Co.	Electric utility restructuring rate unbundling
10/00	SOAH 473- 00-1020 PUC 2234	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges And Universities	TXU, Inc.	Electric utility restructuring rate unbundling.
12/00	U-24993	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, revenue requirements.
12/00	EL00-66- 000 & ER-2854-000 EL95-33-002	LA	Louisiana Public Service Commission	Entergy Services Inc.	Inter-Company System Agreement: Modifications for retail competition, interruptible load
04/01	U-21453, U-20925, U-22092 (Subdocket B) Addressing Contested Issues	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Jurisdictional Business Separation - Texas Restructuring Plan
10/01	14000-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Co.	Test year revenue forecast.
11/01	U-25687	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning requirements transmission revenues.
11/01	U-25965	LA	Louisiana Public Service Commission	Generic	Independent Transmission Company ("Transco"). RTO rate design.
03/02	001148-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Company	Retail cost of service, rate design, resource planning and demand side management.
06/02	U-25965	LA	Louisiana Public Service Commission	Entergy Gulf States Entergy Louisiana	RTO Issues
07/02	U-21453	LA	Louisiana Public Service Commission	SWEPCO, AEP	Jurisdictional Business Sep. - Texas Restructuring Plan.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdiction	Party	Utility	Subject
08/02	U-25888	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc. Entergy Gulf States, Inc	Modifications to the Inter-Company System Agreement, Production Cost Equalization.
08/02	EL01-88-000	FERC	Louisiana Public Service Commission	Entergy Services Inc. and the Entergy Operating Companies	Modifications to the Inter-Company System Agreement, Production Cost Equalization.
11/02	02S-315EG	CO	CF&I Steel & Climax Molybdenum Co.	Public Service Co. of Colorado	Fuel Adjustment Clause
01/03	U-17735	LA	Louisiana Public Service Commission	Louisiana Coops	Contract Issues
02/03	02S-594E	CO	Cripple Creek and Victor Gold Mining Co.	Aquila, Inc.	Revenue requirements, purchased power.
04/03	U-26527	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Weather normalization, power purchase expenses, System Agreement expenses.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Proposed modifications to System Agreement Tariff MSS-4.
11/03	ER03-583-000 ER03-583-001 ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001 ER03-682-002	FERC	Louisiana Public Service Commission	Entergy Services, Inc., the Entergy Operating Companies, EWO Marketing, L P, and Entergy Power, Inc.	Evaluation of Wholesale Purchased Power Contracts.
12/03	U-27136	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc.	Evaluation of Wholesale Purchased Power Contracts.
01/04	E-01345-03-0437	AZ	Kroger Company	Arizona Public Service Co	Revenue allocation rate design.
02/04	00032071	PA	Duquesne Industrial Intervenor	Duquesne Light Company	Provider of last resort issues.
03/04	03A-436E	CO	CF&I Steel, LP and Climax Molybdenum	Public Service Company of Colorado	Purchased Power Adjustment Clause

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of June 2006**

Date	Case	Jurisdct.	Party	Utility	Subject
04/04	2003-00433 PA 2003-00434		Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co Kentucky Utilities Co.	Cost of Service Rate Design
0-6/04	03S-539E	CO	Cripple Creek, Victor Gold Mining Co., Goodrich Corp., Holcim (U.S.), Inc., and The Trane Co.	Aquila, Inc	Cost of Service, Rate Design Interruptible Rates
06/04	R-00049255	PA	PP&L Industrial Customer Alliance PPLICA	PPL Electric Utilities Corp.	Cost of service, rate design, tariff issues and transmission service charge.
10/04	04S-164E	CO	CF&I Steel Company, Climax Mines	Public Service Company of Colorado	Cost of service, rate design, Interruptible Rates.
03/05	Case No. 2004-00426 Case No. 2004-00421	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Louisville Gas & Electric Co.	Environmental cost recovery.
06/05	050045-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Company	Retail cost of service, rate design
07/05	U-28155	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc. Entergy Gulf States, Inc.	Independent Coordinator of Transmission – Cost/Benefit
09/05	Case Nos. 05-0402-E-CN 05-0750-E-PC	WVA	West Virginia Energy Users Group	Mon Power Co. Potomac Edison Co.	Environmental cost recovery, Securitization, Financing Order
01/06	2005-00341	KY	Kentucky Industrial Utility Customers, Inc	Kentucky Power Company	Cost of service, rate design, transmission expenses. Congestion Cost Recovery Mechanism
03/06	U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Separation of EGSI into Texas and Louisiana Companies.
04/06	U-25116	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	Transmission Prudence Investigation
06/06	R-00061346 PA C0001-0005		Duquesne Industrial Intervenors & IECPA	Duquesne Light Co.	Cost of Service, Rate Design, Transmission Service Charge, Tariff Issues
06/06	R-00061366 R-00061367 P-00062213 P-00062214		Met-Ed Industrial Energy Users Group and Penelec Industrial Customer Alliance	Metropolitan Edison Co Pennsylvania Electric Co.	Generation Rate Cap, Transmission Service Charge, Cost of Service, Rate Design, Tariff Issues

J. KENNEDY AND ASSOCIATES, INC.

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF LOUISVILLE GAS)
AND ELECTRIC COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING OCTOBER 31, 2003,)
APRIL 30, 2004, OCTOBER 31, 2004,)
OCTOBER 31, 2005 AND APRIL 30 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
APRIL 30, 2005)**

**CASE NO:
2006-00130**

IN THE MATTER OF:

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY)
UTILITIES COMPANY FOR THE SIX-MONTH)
BILLING PERIODS ENDING JULY 31, 2003,)
JANUARY 31, 2004, JANUARY 31, 2005,)
JULY 31, 2005, AND JANUARY 31, 2006 AND)
FOR THE TWO-YEAR BILLING PERIOD ENDING)
JULY 31, 2004)**

**CASE NO:
2006-00129**

EXHIBIT SJB-2

OF

STEPHEN J. BARON

ON BEHALF OF

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

KENTUCKY UTILITIES
 Cost of Service Study
 Class Allocation - Average and Excess

12 Months Ended
 September 30, 2003

Description	Total System	Residential & Combination Off-Peak W/H RS, FERS, CWH	General Service & Elec Space Heating Rider GS, 33	Combined Light & Power LP, HLF	Large Comm/Ind TOD & Special Contracts LCI-TOD, Sp Cont	Coal Mining Power Service MP	Large Mine Power TOD Service LMP	All Electric School AES	Water Pumping M	Private Outdoor Lighting	NAS Spec. Contr.	
Cost of Service Summary -- Pro-Forma												
Total Pro-Forma Operating Revenue	\$ 694,556,526	\$ 260,820,905	\$ 68,435,051	\$ 231,461,563	\$ 92,886,274	\$ 8,743,835	\$ 6,204,010	\$ 4,086,471	\$ 738,378	\$ 13,477,002	\$ 7,703,036	
Total Operating Expenses	\$ 632,533,206	\$ 257,392,775	\$ 60,652,622	\$ 198,311,946	\$ 82,088,684	\$ 7,256,716	\$ 5,355,651	\$ 3,801,116	\$ 674,209	\$ 12,092,394	\$ 4,907,093	
Net Operating Income (Adjusted)	\$ 62,023,320	\$ 3,428,130	\$ 7,782,429	\$ 33,149,617	\$ 10,797,590	\$ 1,487,119	\$ 848,360	\$ 285,356	\$ 64,168	\$ 1,384,608	\$ 2,795,943	
Net Cost Rate Base	\$ 1,412,389,406	\$ 704,821,840	\$ 161,330,761	\$ 321,963,174	\$ 122,143,829	\$ 12,058,059	\$ 9,709,769	\$ 9,506,241	\$ 1,863,598	\$ 54,858,233	\$ 14,133,904	
Rate of Return	4.39%	0.49%	4.82%	10.30%	8.84%	12.33%	8.74%	3.00%	3.44%	2.52%	19.78%	
Subsidy at Current Rates	\$ (0)	\$(46,341,979)	1,174,896	32,009,587	9,149,099	1,612,357	710,483	(222,420)	(29,750)	(1,724,861)	3,662,588	
KU Compliance Increases												
Base Rate Increase	46,143,794	20,194,775	4,932,373	16,862,418	2,218,824	638,189	453,462	294,587	45,644	934,463	(430,941)	
Increase in Miscellaneous Charges	408,443	380,562	26,599	1,269	3	6	2	-	-	2	-	
Decrease in Rents	(556,373)	(49,813)	(152,518)	(344,532)	(784)	(6,315)	(1,522)	-	(399)	(491)	-	
Incremental Income Taxes	(18,678,184)	\$(8,335,087)	\$(1,951,824)	\$(6,708,164)	\$(900,712)	\$(256,596)	\$(183,526)	\$(119,627)	\$(18,373)	\$(379,272)	\$ 174,998	
Net Operating Income after increase	89,341,000	\$ 15,618,567	\$ 10,637,059	\$ 42,960,608	\$ 12,114,921	\$ 1,862,403	\$ 1,116,775	\$ 460,316	\$ 91,040	\$ 1,939,311	\$ 2,540,000	
Rate of Return at KU Compliance Rates	6.33%	2.22%	6.59%	13.34%	9.92%	15.45%	11.50%	4.84%	4.89%	3.54%	19.97%	
Subsidy at KU Compliance Rates	(0)	\$(48,769,677)	727,454	38,043,691	7,389,406	1,851,555	846,217	(237,414)	(45,195)	(2,577,399)	2,771,363	

KENTUCKY UTILITIES
 Govt of Service Status
 Class Allocation - Summer Winter CP
 12 Month Period
 September 2013

Description	Residential & General Service & Combined Light & Large Commercial		Elec Space Heating		TOD & Special		Coal Mining		Large Mine Power		All Electric		Water Pumping		Private	
	Total System	RS, FEES, CWH	W/H	Rider GS, J3	LP-HLF	LC-TOD, Sp Cont	MP	LMP	School	Water Pumping M	Outdoor Lighting	MAS Spec Cont.				
Cost of Service Summary - Pro-Forma																
Total Pro-Forma Operating Revenue	\$ 684,556,536	\$ 261,057,661	\$ 68,145,402	\$ 231,631,298	\$ 92,796,268	\$ 8,721,186	\$ 6,176,424	\$ 4,081,724	\$ 748,893	\$ 13,424,820	\$ 7,792,849					
Total Operating Expenses	\$ 632,533,206	\$ 259,212,664	\$ 59,112,657	\$ 199,424,482	\$ 81,841,606	\$ 7,150,964	\$ 5,221,725	\$ 3,671,212	\$ 726,303	\$ 11,894,880	\$ 5,396,512					
Net Operating Income (Adjusted)	\$ 62,023,330	\$ 2,844,997	\$ 9,032,545	\$ 32,206,816	\$ 10,954,662	\$ 1,570,222	\$ 954,699	\$ 390,512	\$ 22,590	\$ 1,589,940	\$ 2,456,338					
Net Cost Rate Base	\$ 1,412,389,406	\$ 714,356,750	\$ 149,666,686	\$ 328,799,928	\$ 116,519,019	\$ 11,145,911	\$ 8,598,774	\$ 8,509,568	\$ 2,287,087	\$ 52,756,692	\$ 17,750,972					
Rate of Return	4.39%	0.40%	6.04%	9.80%	9.24%	14.09%	11.10%	4.59%	0.99%	3.01%	13.84%					
Subsidy at Current Rates	\$ -	(\$6,028,828)	\$ 4,142,274	\$ 29,916,724	\$ 9,681,582	\$ 1,819,725	\$ 971,678	\$ 28,327	(\$131,071)	(\$1,223,750)	\$ 2,823,338					
KU Compliance Increases																
Base Rate Increase	46,143,794	20,194,775	4,932,373	16,862,418	2,218,824	638,189	453,482	294,587	45,644	934,463	(\$430,941)					
Increase in Miscellaneous Changes	408,443	380,562	26,599	1,269	3	6	2	-	-	2	-					
Decrease in Rents	(\$56,373)	(\$9,813)	(\$52,518)	(\$44,532)	(\$784)	(\$6,315)	(\$1,522)	-	(\$399)	(\$91)	-					
Incremental Income Taxes	(\$18,678,184)	(\$8,335,087)	(\$1,951,824)	(\$6,708,164)	(\$900,712)	(\$256,586)	(\$183,526)	(\$119,627)	(\$18,373)	(\$379,272)	\$ 174,998					
Net Operating Income after increase	\$ 89,341,000	\$ 15,035,434	\$ 11,887,175	\$ 42,017,907	\$ 12,271,992	\$ 1,345,506	\$ 1,223,115	\$ 565,472	\$ 49,461	\$ 2,144,642	\$ 2,200,395					
Rate of Return at KU Compliance Rates	6.33%	2.10%	7.94%	12.78%	10.35%	17.45%	14.22%	6.65%	2.16%	4.07%	12.40%					
Subsidy at KU Compliance Rates	0	(\$0,767,041)	\$ 4,074,716	\$ 35,728,215	\$ 8,039,935	\$ 2,088,627	\$ 1,143,592	\$ 45,791	(\$60,207)	(\$2,007,849)	\$ 1,814,319					

KENTUCKY UTILITIES
 Cost of Service Study
 Class Allocation - Summer CP

12 Months Ended
 September 30, 2003

Description	Total System	Residential & Combination Off-Peak W/H RS, FERS, CWH	General Service & Elec Space Heating Rider GS, 33	Combined Light & Power LP,HLF	Large Comm/Ind TOD & Special Contracts LCI-TOD, Sp Cont	Coal Mining Power Service MP	Large Mine Power TOD Service LMP	All Electric School AES	Water Pumping M	Private Outdoor Lighting	NAS Spec, Contr.	
Cost of Service Summary – Pro-Forma												
Total Pro-Forma Operating Revenue	\$ 694,556,526	\$ 259,717,158	\$ 68,528,900	\$ 232,433,510	\$ 92,947,718	\$ 8,704,911	\$ 6,161,895	\$ 4,094,263	\$ 746,916	\$ 13,326,769	\$ 7,894,486	
Total Operating Expenses	\$ 632,533,206	\$ 251,612,725	\$ 61,001,003	\$ 203,374,153	\$ 82,587,266	\$ 7,070,833	\$ 5,150,191	\$ 3,831,416	\$ 716,569	\$ 11,352,128	\$ 5,836,920	
Net Operating Income (Adjusted)	\$ 62,023,320	\$ 8,104,433	\$ 7,527,897	\$ 29,059,357	\$ 10,360,451	\$ 1,634,078	\$ 1,011,704	\$ 262,847	\$ 30,347	\$ 1,974,640	\$ 2,057,566	
Net Cost Rate Base	\$ 1,412,389,406	\$ 660,370,481	\$ 165,110,371	\$ 361,106,498	\$ 124,618,380	\$ 10,490,458	\$ 8,013,643	\$ 9,820,022	\$ 2,207,459	\$ 48,807,875	\$ 21,844,220	
Rate of Return	4.39%	1.23%	4.56%	8.05%	8.31%	15.58%	12.62%	2.68%	1.37%	4.05%	9.42%	
Subsidy at Current Rates	\$ 0	(35,181,598)	466,869	22,228,421	8,230,104	1,975,704	1,110,923	(283,520)	(112,121)	(284,041)	1,849,259	
KU Compliance Increases												
Base Rate Increase	46,143,794	20,194,775	4,932,373	16,862,416	2,218,824	638,189	453,462	294,587	45,644	934,463	(430,941)	
Increase in Miscellaneous Charges	408,443	380,562	26,599	1,269	3	6	2	-	-	2	-	
Decrease in Rents	(556,373)	(49,813)	(152,518)	(344,532)	(784)	(6,315)	(1,522)	-	(399)	(491)	-	
Incremental Income Taxes	(18,678,184)	\$ (8,335,087)	\$ (1,951,824)	\$ (6,708,164)	\$ (900,712)	\$ (256,596)	\$ (183,526)	\$ (119,627)	\$ (18,373)	\$ (379,272)	\$ 174,998	
Net Operating Income after increase	89,341,000	\$ 20,294,870	\$ 10,382,527	\$ 38,870,347	\$ 11,677,782	\$ 2,009,362	\$ 1,280,119	\$ 437,807	\$ 57,219	\$ 2,529,343	\$ 1,801,623	
Rate of Return at KU Compliance Rates	6.33%	3.07%	6.29%	10.76%	9.37%	19.15%	15.97%	4.46%	2.59%	5.18%	8.25%	
Subsidy at KU Compliance Rates	0	(36,161,694)	(103,660)	26,987,784	6,389,825	2,265,952	1,301,892	(308,732)	(138,764)	(939,543)	706,939	

KENTUCKY UTILITIES
 Chief of Service Study
 Class Allocation - 12 CP
 12 Month's Ended
 September 30, 2003

Description	Residential & General Service & Combined Light & Large Commercial		Coal Mining		Large Mine Power		All Electric		Water Pumping		Private	
	Total System	Combination Off-Peak W/H RS, FEES, CWH	Electric Heating Rider OS, JS	Power LPH/LP	MP	TOD Service LMP	School AES	M	Lighting	NAS Spec. Contr.		
Cost of Service Summary - Pro-Forma												
Total Pro-Forma Operating Revenue	\$ 694,556,536	\$ 260,003,464	\$ 68,404,484	\$ 232,229,074	\$ 8,757,486	\$ 6,156,214	\$ 4,079,770	\$ 745,366	\$ 13,365,366	\$ 7,665,579		
Total Operating Expenses	\$ 692,533,205	\$ 253,022,346	\$ 60,398,480	\$ 202,262,697	\$ 7,239,736	\$ 5,319,160	\$ 3,760,063	\$ 708,937	\$ 11,542,161	\$ 4,709,897		
Net Operating Income (Adjusted)	\$ 62,023,320	\$ 6,981,118	\$ 8,016,004	\$ 29,866,378	\$ 1,427,760	\$ 877,054	\$ 319,707	\$ 36,429	\$ 1,823,205	\$ 2,955,681		
Net Cost Rate Base	\$ 1,412,398,406	\$ 671,900,913	\$ 160,100,128	\$ 352,832,975	\$ 12,608,233	\$ 9,395,780	\$ 9,236,370	\$ 2,145,032	\$ 50,362,310	\$ 12,625,386		
Rate of Return	4.39%	1.04%	5.01%	8.46%	11.32%	9.33%	3.46%	1.70%	3.62%	23.41%		
Subsidy at Current Rates												
KU Compliance Increases	\$ (0)	\$ (37,925,520)	\$ 1,559,167	\$ 24,197,290	\$ 6,668,078	\$ 1,471,733	\$ 782,013	\$ (144,627)	\$ (97,265)	\$ (653,953)	\$ 4,043,095	
Base Rate Increase	46,143,794	20,194,775	4,332,373	16,862,418	2,218,824	638,169	453,462	294,587	45,644	934,463	(430,941)	
Increase in Miscellaneous Charges	408,443	380,562	28,599	1,289	3	6	2	-	-	2	-	
Decrease in Rates	(566,373)	(49,813)	(152,518)	(344,532)	(784)	(6,315)	(1,522)	-	(399)	(491)	-	
Incremental Income Taxes	(18,678,184)	(8,335,087)	(1,951,824)	(6,708,164)	(900,712)	(256,595)	(183,526)	(119,627)	(18,373)	(379,272)	174,998	
Net Operating Income after increase	\$ 89,341,000	\$ 19,171,555	\$ 10,870,634	\$ 39,676,368	\$ 11,098,316	\$ 1,803,044	\$ 1,146,469	\$ 494,667	\$ 63,301	\$ 2,377,907	\$ 2,699,738	
Rate of Return at KU Compliance Rates	6.33%	2.85%	6.79%	11.25%	8.41%	14.30%	12.19%	5.38%	2.95%	4.72%	21.38%	
Subsidy at KU Compliance Rates	(0)	\$ (39,281,116)	\$ 1,251,802	\$ 29,228,098	\$ 4,614,040	\$ 1,693,013	\$ 927,972	\$ (150,632)	\$ (1,187,875)	\$ (1,360,077)	\$ 3,200,986	

Louisville Gas and Electric Company
 Cost of Service Study
 Class Allocation - Average and Excess

12 Months Ended
 September 30, 2003

Description	Total System	Residential Rates R, WH	General Service Rate GS	Rate LC	Rate LC-TOD	Rate LP	Rate LP-TOD	Special Contracts	Lighting
Cost of Service Summary – Compliance									
Total Pro-Forma Operating Revenue	\$ 710,260,314	\$ 270,249,688	\$ 99,605,374	\$ 131,486,034	\$ 31,427,869	\$ 37,756,229	\$ 90,867,471	\$ 35,914,887	\$ 12,952,762
Total Operating Expenses	\$ 642,250,092	\$ 257,693,867	\$ 85,127,097	\$ 113,420,248	\$ 27,403,822	\$ 32,833,549	\$ 82,086,142	\$ 32,275,417	\$ 11,409,930
Net Operating Income (Adjusted)	\$ 68,010,222	\$ 12,555,801	\$ 14,478,277	\$ 18,065,786	\$ 4,024,046	\$ 4,922,679	\$ 8,781,329	\$ 3,639,471	\$ 1,542,833
Net Cost Rate Base	\$ 1,474,440,405	\$ 684,810,151	\$ 196,610,883	\$ 225,431,766	\$ 51,132,107	\$ 63,718,965	\$ 146,140,444	\$ 58,888,834	\$ 47,707,255
Rate of Return	4.61%	1.83%	7.36%	8.01%	7.87%	7.73%	6.01%	6.18%	3.23%
Subsidy at Current Rates	\$ (0)	\$ (32,128,510)	\$ 9,131,818	\$ 12,943,843	\$ 2,811,641	\$ 3,348,555	\$ 3,444,554	\$ 1,558,423	\$ (1,110,324)
LG&E Compliance Increases									
Base Rate Increase	\$ 43,358,885	\$ 18,711,968	\$ 6,479,636	\$ 9,049,071	\$ 1,193,314	\$ 2,801,337	\$ 2,823,755	\$ 1,422,016	\$ 877,788
Increase in Miscellaneous Charges	\$ 45,302	\$ 33,727	\$ 11,568	\$ 3	\$ 1	\$ 1	\$ 2	\$ -	\$ -
Incremental Income Taxes	\$ (17,693,022)	\$ (7,641,382)	\$ (2,646,036)	\$ (3,688,710)	\$ (486,436)	\$ (1,141,921)	\$ (1,151,059)	\$ (579,662)	\$ (357,816)
Net Operating Income after increase	\$ 93,721,386	\$ 23,660,114	\$ 18,323,446	\$ 23,426,150	\$ 4,730,925	\$ 6,582,096	\$ 10,454,026	\$ 4,481,825	\$ 2,062,805
Rate of Return at LG&E Compliance Rates	6.36%	3.45%	9.32%	10.39%	9.25%	10.33%	7.15%	7.61%	4.32%
Subsidy at LG&E Compliance Rates	(0)	(33,542,076)	9,835,244	15,356,716	2,499,742	4,274,151	1,966,267	1,246,885	(1,636,929)

Louisville Gas and Electric Company
 Cost of Service Study
 Class Allocation - Summer/Winter CP

12 Months Ended
 September 30, 2003

Description	Total System	Residential Rates R, WH	General Service Rate GS	Rate LC	Rate LC-TOD	Rate LP	Rate LP-TOD	Special Contracts	Lighting
Cost of Service Summary – Compliance									
Total Pro-Forma Operating Revenue	\$ 710,260,314	\$ 271,986,645	\$ 98,848,662	\$ 131,660,777	\$ 31,498,391	\$ 37,388,157	\$ 90,483,758	\$ 35,648,928	\$ 12,744,996
Total Operating Expenses	\$ 642,250,092	\$ 262,061,000	\$ 83,109,476	\$ 113,911,011	\$ 27,605,760	\$ 31,888,059	\$ 81,195,334	\$ 31,612,558	\$ 10,866,894
Net Operating Income (Adjusted)	\$ 68,010,222	\$ 9,925,645	\$ 15,739,186	\$ 17,749,766	\$ 3,892,631	\$ 5,500,098	\$ 9,288,425	\$ 4,036,370	\$ 1,878,102
Net Cost Rate Base	\$ 1,474,440,405	\$ 719,075,783	\$ 181,682,916	\$ 228,878,988	\$ 52,523,340	\$ 56,457,868	\$ 138,570,803	\$ 53,642,144	\$ 43,608,564
Rate of Return	4.61%	1.38%	8.66%	7.76%	7.41%	9.74%	6.70%	7.52%	4.31%
Subsidy at Current Rates	\$ (0)	(39,236,780)	12,422,822	12,141,928	2,481,461	4,888,726	4,890,035	2,636,994	(225,186)
LG&E Compliance Increases									
Base Rate Increase	\$ 43,358,885	18,711,968	6,479,636	9,049,071	1,193,314	2,801,337	2,823,755	1,422,016	877,788
Increase in Miscellaneous Charges	\$ 45,302	33,727	11,568	3	1	1	2	-	-
Incremental Income Taxes	\$ (17,693,022)	(7,641,382)	(2,646,036)	(3,688,710)	(486,436)	(1,141,921)	(1,151,059)	(579,662)	(357,816)
Net Operating Income after increase	\$ 93,721,386	\$ 21,029,957	\$ 19,584,355	\$ 23,110,130	\$ 4,599,510	\$ 7,159,515	\$ 10,961,122	\$ 4,878,724	\$ 2,398,073
Rate of Return at LG&E Compliance Rates	6.36%	2.92%	10.78%	10.10%	8.76%	12.68%	7.91%	9.09%	5.50%
Subsidy at LG&E Compliance Rates	0	(41,659,048)	13,565,692	14,453,323	2,128,607	6,028,073	3,634,581	2,479,906	(631,135)

Louisville Gas and Electric Company
 Cost of Service Study
 Class Allocation - Summer CP

12 Months Ended
 September 30, 2003

Description	Total System	Residential Rates R, WH	General Service Rate GS	Rate LC	Rate LC-TOD	Rate LP	Rate LP-TOD	Special Contracts	Lighting
Cost of Service Summary -- Compliance									
Total Pro-Forma Operating Revenue	\$ 710,260,314	\$ 271,100,837	\$ 100,272,040	\$ 132,110,070	\$ 31,497,291	\$ 37,642,352	\$ 89,539,133	\$ 35,684,742	\$ 12,413,850
Total Operating Expenses	\$ 642,250,092	\$ 259,745,253	\$ 86,830,579	\$ 115,085,586	\$ 27,602,883	\$ 32,552,596	\$ 78,725,822	\$ 31,706,187	\$ 10,001,187
Net Operating Income (Adjusted)	\$ 68,010,222	\$ 11,355,583	\$ 13,441,461	\$ 17,024,484	\$ 3,894,408	\$ 5,089,756	\$ 10,813,311	\$ 3,978,555	\$ 2,412,663
Net Cost Rate Base	\$ 1,474,440,405	\$ 701,601,093	\$ 209,762,464	\$ 237,742,362	\$ 52,501,622	\$ 61,472,482	\$ 119,935,798	\$ 54,348,672	\$ 37,075,911
Rate of Return	4.61%	1.62%	6.41%	7.16%	7.42%	8.28%	9.02%	7.32%	6.51%
Subsidy at Current Rates	\$ (0)	(35,462,123)	6,357,440	10,227,377	2,486,152	3,805,534	8,915,328	2,484,379	1,185,914
LG&E Compliance Increases									
Base Rate Increase	\$ 43,358,885	18,711,968	6,479,636	9,049,071	1,193,314	2,801,337	2,823,755	1,422,016	877,788
Increase in Miscellaneous Charges	\$ 45,302	33,727	11,568	3	1	1	2	-	-
Incremental Income Taxes	\$ (17,693,022)	(7,641,382)	(2,646,036)	(3,688,710)	(486,436)	(1,141,921)	(1,151,059)	(579,662)	(357,816)
Net Operating Income after increase	\$ 93,721,386	\$ 22,459,896	\$ 17,286,630	\$ 22,384,848	\$ 4,601,287	\$ 6,749,174	\$ 12,486,008	\$ 4,820,909	\$ 2,932,635
Rate of Return at LG&E Compliance Rates	6.36%	3.20%	8.24%	9.42%	8.76%	10.98%	10.41%	8.87%	7.91%
Subsidy at LG&E Compliance Rates	(0)	(37,369,976)	6,673,713	12,277,854	2,133,938	4,797,261	8,208,447	2,306,493	972,271

Louisville Gas and Electric Company
 Cost of Service Study
 Class Allocation - 12 CP

12 Months Ended
 September 30, 2003

Description	Total System	Residential Rates R, WH	General Service Rate GS	Rate LC	Rate LC-TOD	Rate LP	Rate LP-TOD	Special Contracts	Lighting
Cost of Service Summary – Compliance									
Total Pro-Forma Operating Revenue	\$ 710,260,314	\$ 268,480,531	\$ 99,450,521	\$ 132,890,360	\$ 31,706,504	\$ 37,834,004	\$ 91,459,241	\$ 35,882,622	\$ 12,556,530
Total Operating Expenses	\$ 642,250,092	\$ 252,895,053	\$ 84,682,902	\$ 117,125,479	\$ 28,149,824	\$ 33,053,625	\$ 83,745,515	\$ 32,223,500	\$ 10,374,193
Net Operating Income (Adjusted)	\$ 68,010,222	\$ 15,585,478	\$ 14,767,619	\$ 15,764,881	\$ 3,556,680	\$ 4,780,378	\$ 7,713,726	\$ 3,659,122	\$ 2,182,337
Net Cost Rate Base	\$ 1,474,440,405	\$ 649,909,295	\$ 193,556,035	\$ 253,135,452	\$ 56,628,861	\$ 65,253,266	\$ 157,814,543	\$ 58,252,328	\$ 39,890,625
Rate of Return	4.61%	2.40%	7.63%	6.23%	6.28%	7.33%	4.89%	6.28%	5.47%
Subsidy at Current Rates	\$ 0	(24,296,328)	9,858,144	6,902,360	1,594,639	2,988,858	733,251	1,641,161	577,915
LG&E Compliance Increases									
Base Rate Increase	\$ 43,358,885	18,711,968	6,479,636	9,049,071	1,193,314	2,801,337	2,823,755	1,422,016	877,788
Increase in Miscellaneous Charges	\$ 45,302	33,727	11,568	3	1	1	2	-	-
Incremental Income Taxes	\$ (17,693,022)	\$ (7,641,382)	\$ (2,646,036)	\$ (3,688,710)	\$ (486,436)	\$ (1,141,921)	\$ (1,151,059)	\$ (579,662)	\$ (357,816)
Net Operating Income after increase	\$ 93,721,386	\$ 26,689,790	\$ 18,612,788	\$ 21,125,245	\$ 4,263,559	\$ 6,439,796	\$ 9,386,424	\$ 4,501,476	\$ 2,702,309
Rate of Return at LG&E Compliance Rates	6.36%	4.11%	9.62%	8.35%	7.53%	9.87%	5.95%	7.73%	6.77%
Subsidy at LG&E Compliance Rates	0	(24,682,492)	10,651,497	8,499,700	1,120,928	3,869,288	(1,088,695)	1,348,361	281,414