LG&E
an e·on company

Ms. Elizabeth O'Donnell, Executive Director
Kentucky Public Service Commission
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April 13, 2007

RE: ***An Examination of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company From November 1, 2004 to October 31, 2006*** **- Case No. 2006-00510**

Dear Ms. O'Donnell:

Enclosed please find an original and five (5) copies of Louisville Gas and Electric Company's supplemental response for Item No. 3 to the Commission Staff's Interrogatories and Requests for Production for Documents dated February 23, 2007, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Robert M. Conroy

Enclosures

cc: Michael L. Kurtz, Esq.
Dennis Howard II, Esq.

LOUISVILLE GAS AND ELECTRIC COMPANY

April 13, 2007 Supplemental Response to Commission Staff's Interrogatories and Requests for Production of Documents Dated February 8, 2007

Case No. 2006-00510

Question No. 3

Witness: John P. Malloy

Q-3. Refer to Item 14, page 1 of LG&E's response to the Commission's December 18, 2006 Order.

a. Explain whether LG&E has set a date by which a decision is to be made concerning the future of Paddy's Run Unit 12.

b. Explain whether the decision on Unit 12 will affect the status on Paddy's Run Units 11 and 13.

A-3. a. LG&E has completed its evaluation of Paddy's Run Unit 12 and will be making the necessary repairs to return the unit to service during 2007. The attachment to this supplemental response is a high level analysis indicating the unit should be returned to service so long as repair costs are below $5 million. Based on a partial disassembly and inspection, the cost to repair is less than the break even threshold. LG&E is reviewing the repair recommendations from vendors and will make the appropriate level of investment to return the unit to service.

b. No. The future of each unit will be evaluated separately.

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Paddys Run 12 Breakeven Point for Repair Cost

March 8, 2007

Costs Associated with Retirement

- Reserve Margin Purchases
- Lost Production

Savings Associated with Retirement

- *Total Cost to Repair*
- *Future Operation and Maintenance Expenses are minimal due to lack of future production*
- *The unit has a negative net book value so depreciation expense avoided would not have a significant impact*
- *Property tax avoided would be negligible if the units were retired*
- *There is currently no insurance coverage on the unit, so there would be no insurance savings if the unit was retired*

Note: Depreciation expense, property tax, and insurance coverage are either zero or negligible compared to the total cost to repair, therefore their values are not included in this analysis. The value of lost production if the units were retired verses the cost of operating and maintaining the unit if it is returned to service negate each other and therefore are not included in the analysis.

Capital Cost Breakeven Point For Paddys Run 12

Price of Reserve Margin Purchases ($/kw-m)	Breakeven Point (2007 NPV($000s))
$4	$5,153
$6	$7,730
$8	$10,307

Breakeven Analysis Results

The two most significant variables in the analysis are the cost of reserve margin purchases and the total cost to repair Paddys Run 12. All other costs are insignificant in comparison.

If the cost to repair the unit exceeds $5 million, further analysis is recommended to determine whether or not the cost to return the unit to service is economical.