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Ms. Elizabeth O'Donnell, Executive Director Kentucky Public Service Commission 211 Sower Boulevard P. O. Box 615 Frankfort, Kentucky 40602

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APR 1 3 2007 PUBLIC SERVICE COMMISSION

April 13, 2007

Louisville Gas and Electric Company State Regulation and Rates 220 West Main Street PO Box 32010 Louisville, Kentucky 40232 www.eon-us.com

Robert M. Conroy Manager - Rates T 502-627-3324 F 502-627-3213 robert.conroy@eon-us.com

RE: <u>An Examination of the Application of the Fuel Adjustment Clause of</u> <u>Louisville Gas and Electric Company From November 1, 2004 to</u> 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

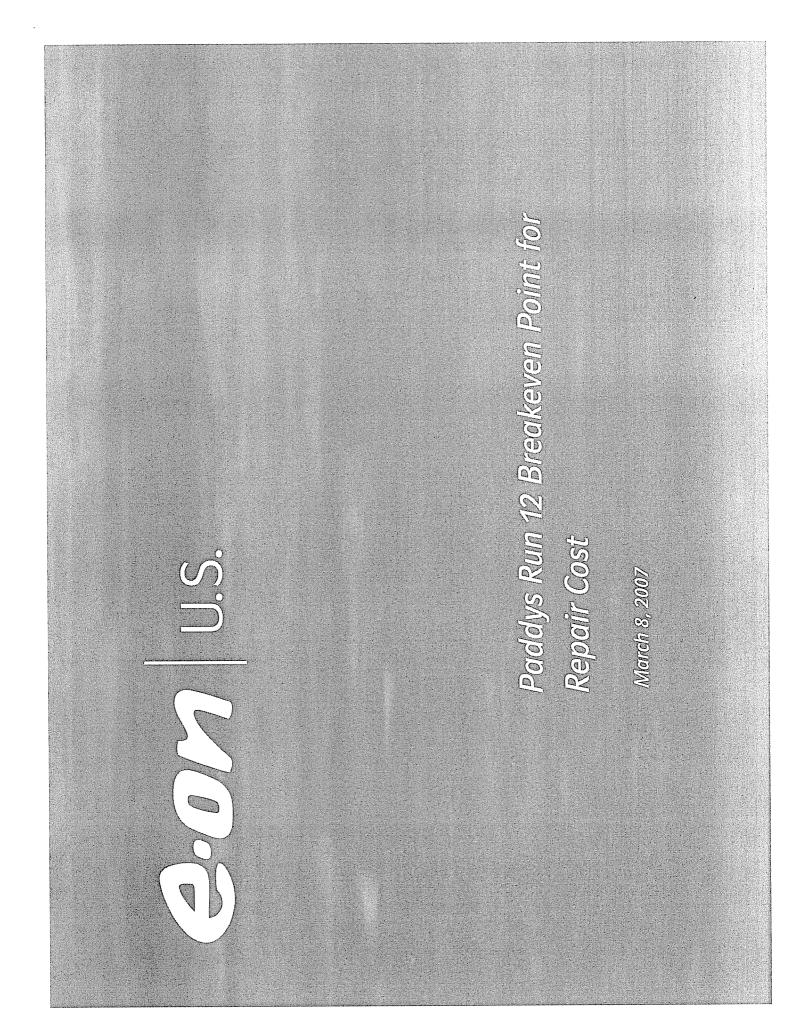
April 13, 2007 Supplemental Response to Commission Staff's Interrogatories and Requests for Production of Documents Dated February 8, 2007

Case No. 2006-00510

Question No. 3

Witness: John P. Malloy

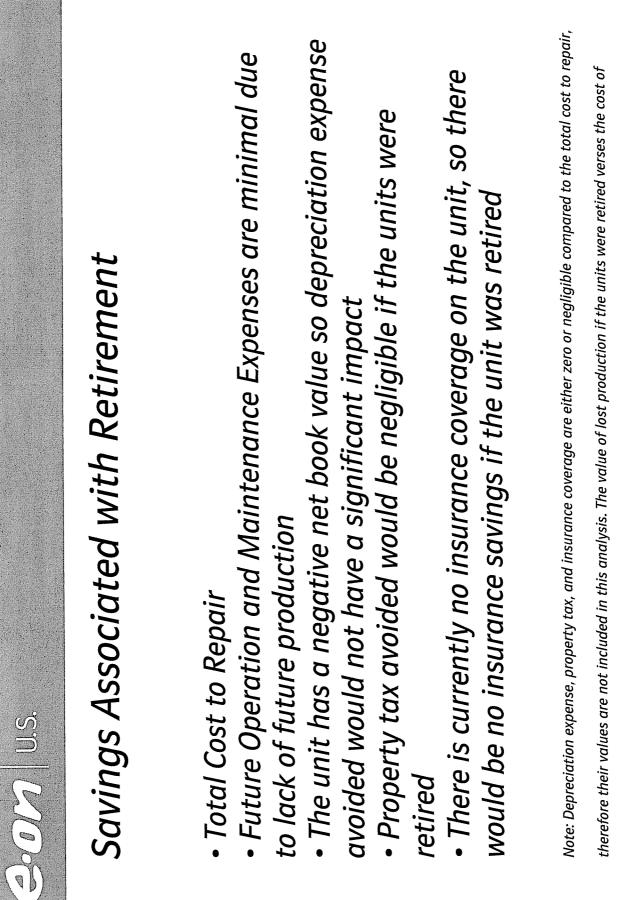
- Q-3. Refer to Item 14, page 1 of LG&E's response to the Commission's December 18, 2006 Order.
 - a. Explain whether LG&E has set a date by which a decision is to be made concerning the future of Paddy's Run Unit 12.
 - b. Explain whether the decision on Unit 12 will affect the status on Paddy's Run 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.





Costs Associated with Retirement

- Reserve Margin Purchases
 Lost Production



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

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

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