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PUBLIC SERVICE COMMISSION

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

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

Lonnie E. Bellar
Vice President
T 502-627-4830
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lonnie.bellar@eon-us.com

October 7, 2008

RE: ***Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates*** **– Case No. 2008-00252**

Application of Louisville Gas and Electric Company to File Depreciation Study **– Case No. 2007-00564**

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Louisville Gas and Electric Company to the Attorney General's (AG) Supplemental Requests for Information dated September 24, 2008, in the above-referenced matters.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E Bellar

Lonnie E. Bellar

cc: Parties of Record

Counsel of Record

Allyson K. Sturgeon, Senior Corporate Attorney – E.ON U.S. LLC
Kendrick R. Riggs – Stoll Keenon Ogden PLLC (Louisville Gas and Electric)
W. Duncan Crosby – Stoll Keenon Ogden PLLC (Louisville Gas and Electric)
Robert M. Watt – Stoll Keenon Ogden PLLC (Louisville Gas and Electric)
Dennis Howard II – Office of the Attorney General (AG)
Lawerence W. Cook – Office of the Attorney General (AG)
Paul D. Adams – Office of the Attorney General (AG)
Michael L. Kurtz – Boehm, Kurtz & Lowry (KIUC)
Lisa Kilkelly – Legal Aid Society, Inc. (ACM and POWER)
David C. Brown – Stites and Harbison (Kroger)
Joe F. Childers (CAK)

Consultants to the Parties

Steve Seelye – The Prime Group (E.ON U.S. LLC)
William A. Avera – FINCAP, Inc (E.ON U.S. LLC)
John Spanos – Gannett Fleming, Inc. (E.ON U.S. LLC)
Robert Henkes (AG)
Michael Majoros – Snavely King Majoros O'Connor & Lee (AG)
Glenn Watkins – Technical Associates (AG)
Dr. J. Randall Woolridge – Smeal College of Business (AG)
Lane Kollen – Kennedy and Associates (KIUC)
Kevin C. Higgins – Energy Strategies, LLC (Kroger)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	))))	CASE NO. 2008-00252
APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO FILE DEPRECIATION STUDY	)))	CASE NO. 2007-00564

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
SUPPLEMENTAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL (AG)
DATED SEPTEMBER 24, 2008

FILED: OCTOBER 7, 2008

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says that he is the Chief Financial Officer, for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

SBRives
S. BRADFORD RIVES

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Chris Hermann**, being duly sworn, deposes and says he is Senior Vice President – Energy Delivery for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

C Hermann
CHRIS HERMANN

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says that he is the Senior Vice President, Energy Services for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

PAUL W. THOMPSON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is the Vice President, State Regulation and Rates for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Lonnie E. Bellar

LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Louisville Gas and Electric Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Valerie L. Scott
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

ROBERT M. CONROY

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Notary Public (SEAL)

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting for Louisville Gas and Electric Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

Shannon L. Charnas
SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2010

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **William Steven Seelye**, being duly sworn, deposes and says that he is the Senior Consultant and Principal, for The Prime Group, LLC, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

____
WILLIAM STEVEN SEELYE

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd day of October, 2008.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) **SS:**
COUNTY OF CUMBERLAND)

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Vice President, Valuation and Rate Division for Gannett Fleming, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

John J. Spanos
JOHN J. SPANOS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 30th day of September, 2008.

______________ (SEAL)
Notary Public

My Commission Expires:

February 20, 2011

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Cheryl Ann Rutter, Notary Public
East Pennsboro Twp., Cumberland County
My Commission Expires Feb. 20, 2011
Member, Pennsylvania Association of Notaries

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 1

Responding Witness: S. Bradford Rives

Q-1. The Company's total electric and gas balance sheet as of 4/30/08 indicates a total balance of $43,166,325 for Non-Utility and other non-regulated property and investments. LG&E has only removed $594,286 out of this total $43.2 million balance from capitalization for ratemaking purposes to remove the investment associated with OVEC. Please explain why the Company has not removed the remaining non-utility and non-regulated property and investments of $42,572,039 from its capitalization? In addition, explain the nature and purpose of each of the components making up these remaining non-utility and non-regulated property and investments of $42,572,039.

A-1. No. The Company's total electric and gas balance sheets as of 4/30/08 indicate a total balance of $43,166,325 as "Other Property and Investments". The question implies that this amount is "Non-Utility and other non-regulated property and investments", which is not an accurate characterization, nor one adopted by the Company. As shown on the attached schedule, Prepaid Pension and Special Funds are appropriately included in capital as they are amounts associated with the utility operations. The capital adjustment proposed by the Company should also have included the exclusion of Non-Utility Property and Accumulated Depreciation related thereto. LG&E does not believe it is appropriate to include in its capitalization assets that are not used for utility operations, and therefore seeks to include this $11,880 adjustment. The net effect of this adjustment is to decrease capitalization by $11,880 ($75,240 - $63,360).

Louisville Gas & Electric Company
Other Property and Investments
as of April 30, 2008

	Amount	Nature and Purpose	Reason for Exclusion from Capitalization Adjustment
Other Investments			
Prepaid Pension	$ 14,921,226	Prepaid pension costs are assets created when the pension assets exceed pension liabilities for the LG&E plans.	The prepaid pension asset is offset by pension and other post-retirement liabilities.
Investments in OVEC	594,286	Book cost of investment in OVEC.	This was not excluded.
Special Funds			
Collateral Deposits - Interest rate swaps	13,519,933	Account used for the interest swap collateral.	An offsetting liability is recorded in the Long Term Derivatve Liability account.
Restricted Cash	14,119,000	Account holds the cash advance for a construction project.	An offsetting liability is recorded in the Customer Advances for Construction account.
Nonutility Property			
Nonutility Property in Service	75,240	Account holds any property not used in the operations of the utility company.	This amount should be included in the capitalization adjustment.
Less: Accum. Prov. For Deprec. and Amort.			
Accumulated Depreciation/Depletion	(63,360)	Accumulated depreciation and amortization related to assets in Nonutility Property in Service account.	This amount should be included in the capitalization adjustment.
Total	$ 43,166,325		

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 2

Responding Witness: S. Bradford Rives

Q-2. The updated response to PSC-1-43 shows updated embedded debt cost rates and the resulting updated overall rate of return claim based on actual cost rates through July 31, 2008. In this regard, please provide the following information:

a. What has been the Commission's ratemaking approach with regard to such updated post-test year debt cost rates in LG&E's prior rate cases?

b. Is it the Company's intention to update its requested overall rate of return based on the most recent available actual debt cost rates that will be available prior to the close of record in this case? If so, please provide details. If not, explain why not.

A-2. a. The Commission has found it appropriate to use the most recent updated cost rates. See page 60 of the Commission's Order in Case No. 2003-00433 issued June 30, 2004 and page 56 of the Commission's Order in Case No. 2000-080 issued September 27, 2000.

b. Yes. The Company is providing monthly updated cost rates in response to the Commission's Initial Request Question No. 43.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 3

Responding Witness: S. Bradford Rives

Q-3. With regard to the response to AG-1-6(d), please provide the following information:

a. Would the Company agree that, for ratemaking purposes, the government-granted post-1971 investment tax credit benefits as well as Advanced Coal Investment Tax Credit benefits are to be shared between the Company's ratepayers and stockholders? If no, explain why not.
b. Would the Company agree that, for a so-called Option 2 company (which LG&E is), this ratepayer/stockholder sharing is accomplished by reflecting the annual tax credit amortization as an income tax reduction while adding the unamortized investment tax credit and ACITC balance to capitalization for a current rate of return requirement?
c. Would the Company agree that its proposal to reflect the unamortized ACITC progress expenditure balance of $13.3 million as a capitalization addition while not yet being in a position to reflect the associated income tax reduction from the annual ACITC tax credit amortization (since this tax credit amortization will not start until sometime in 2010) there is no sharing of the ACITC tax credits and that, through this benefit "mismatch", the only beneficiaries of the ACITC tax credits are the Company's stockholders?
d. If the Company were *not* to add the ACITC progress expenditure balance of $13.3 million to capitalization for ratemaking purposes in this case in order to eliminate this "benefit mismatch," would that action be considered an IRS normalization violation? If so, explain why.

A-3. a. Yes. LG&E believes the intent of the requirement was to provide incentives to the stockholders as well as benefits to the ratepayers.

b. Yes. This is correct for an Option 2 company.

c. No. The sharing of benefits occurs over the life of the asset giving rise to the credit. The stockholders benefit from the capitalization adjustment while customers benefit from the amortization of the credit once the plant goes into service. Consistent with IRS guidance, the amortization can only occur once the plant is in service (see (d) below). This treatment is consistent with past Commission precedent, including Case No. 10064.

d. Yes. In accordance with guidance in this area, this would be a violation of Section 46 (f) (2) of the Code and would cause the Company to forfeit the tax credits.

Excerpts from two IRS private letter rulings on this point follow (QPE references Qualified Progress Expenditures):

<u>PLR 8438029:</u>
Therefore, based on your representations and our legal analysis, we rule that if Y were to adopt the below stated proposals:

1) *that the ITCs for QPEs which were not being amortized because the property had not been placed in service (for accounting, ratemaking, and federal income tax purposes) would be removed from X's rate base and capital structure, or*
2) *the flow-back of ITCs for QPEs would commence at the time such expenditures associated with specific property were included in X's rate base even though such property was not placed in service and depreciated for accounting, ratemaking, and federal income tax purposes, that this treatment would violate section 46 (f) (2) of the Code and cause the disqualification of X's public utility property for purposes of the ITC.*

<u>PLR 8414013:</u>
Consequently, section 46 (f) and the regulations thereunder provide for the restoration of the credit over the useful life for regulatory purposes. In the situation where the useful life for regulatory purposes has not commenced, there is no requirement to ratably restore the credit by reducing the cost of service until the property is placed in service.

Therefore, based solely on the information submitted and representations made, it is held for federal income tax purposes that investment tax credits of the Taxpayer (which elected the special rule provided by section 46 (f) (2) of the Code) pertaining to qualified progress expenditures for which the related property has not been placed in service will not be required to be ratably flowed through to cost of service until the taxable year that the property is placed in service for regulatory purposes.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 4

Responding Witness: Shannon L. Charnas

Q-4. With regard to the response to AG-1-8(c), please provide the following information:

a. Please confirm that the test year per books electric operating expenses of $787,392,382 shown on Rives Exhibit 1, page 1, line 1 include $107,382,630 for depreciation and amortization expenses. If you do not agree, explain your disagreement.
b. Please confirm that the Company is proposing to increase the test year per books electric operating expenses of $787,392,382 by a total electric depreciation expense adjustment of $16,722,648, as shown on Rives Exhibit 1, page 1, line 17. If you do not agree, explain your disagreement.
c. Please confirm that, therefore, the Company's adjusted electric depreciation and amortization expenses claimed in the proposed *pro forma* adjusted test year operating expenses on Rives Exhibit 1 amount to $124,105,278, representing the sum of the unadjusted per books test year depreciation and amortization expenses of $107,382,630 included in line 1 and the proposed depreciation expense adjustment of $16,722,648 on line 17. If you do not agree, explain your disagreement.
d. Please confirm that the $7,420,046 difference between the total *pro forma* adjusted depreciation expenses of $124,105,278 reflected by the Company in this case, as derived in part (c) above, and the total *pro forma* annualized depreciation adjustment of $116,685,232 proposed by the Company in this case (see Rives Exhibit 1, Schedule 1.14, line 3) represents the test year depreciation expenses associated with ARO and ECR. If you do not agree, explain your disagreement.
e. Has this ECR and ARO related depreciation expense amount of $7,420,046 been removed from the filing results through separate *pro forma* adjustments? If so, indicate in which Exhibit 1 Reference schedule(s) this expense removal is included.

A-4. a. Yes, the test year per books electric operating expenses of $787,392,382 do include $107,382,630 in depreciation and amortization expenses.

b. Yes, the Company is proposing to increase the test year per books electric operating expenses of $787,392,382 by $16,722,648 in depreciation expenses.

c. Yes, the Company's adjusted electric depreciation and amortization expenses in the proposed *pro forma* adjusted test year operating expenses on Rives Exhibit 1 amount to $124,105,278.

d. Yes, the $7,420,046 difference between the total *pro forma* adjusted depreciation expenses of $124,105,278 reflected by the Company in this case, as derived in part (c) above, and the total *pro forma* annualized depreciation adjustment of $116,685,232 proposed by the Company in this case (see Rives Exhibit 1, Reference Schedule 1.14, line 3) represents the test year depreciation expenses associated with ARO and ECR.

e. The $7,240,995 of ECR-related depreciation expense was removed for ratemaking purposes through the Company's *pro forma* adjustment in Rives Exhibit 1, Reference Schedule 1.05. The ECR-related depreciation expense is included in the total Electric Expenses Post '95 Plan of $10,942,070. In Rives Exhibit 1, Reference Schedule 1.06, $7,035,453 of ECR-related depreciation expense is included in the note (a) amount of $9,592,127 to reflect a full year of the ECR Roll-In.

   There is no other adjustment required for the ARO depreciation amount of $179,051. Depreciation and accretion expense associated with ARO assets and liabilities have been removed from test year net operating income by recording offsetting regulatory credits as these expenses are recorded on the books.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 5

Responding Witness: Shannon L. Charnas

Q-5. With regard to the response to AG-1-8(c), please provide the following information:

a. Please confirm that the test year per books gas operating expenses of $373,070,824 shown on Rives Exhibit 1, page 1, line 1 include $18,923,389 for depreciation and amortization expenses. If you do not agree, explain your disagreement.
b. Please confirm that the Company is proposing to increase the test year per books gas operating expenses of $373,070,824 by a total gas depreciation expense adjustment of $3,488,855, as shown on Rives Exhibit 1, page 1, line 17. If you do not agree, explain your disagreement.
c. Please confirm that, therefore, the Company's adjusted gas depreciation and amortization expenses claimed in the proposed *pro forma* adjusted test year operating expenses on Rives Exhibit 1 amount to $22,412,244, representing the sum of the unadjusted per books test year depreciation and amortization expenses of $18,923,389 included in line 1 and the proposed depreciation expense adjustment of $3,488,855 on line 17. If you do not agree, explain your disagreement.
d. Please confirm that the $9,103 difference between the total *pro forma* adjusted depreciation expenses of $22,412,244 reflected by the Company in this case, as derived in part (c) above, and the total *pro forma* annualized depreciation adjustment of $22,403,132 proposed by the Company in this case represents the test year depreciation expenses associated with ARO. If you do not agree, explain your disagreement.
e. Has this ARO related depreciation expense amount of $9,103 been removed from the filing results in a separate *pro forma* adjustment? If so, indicate in which Exhibit 1 Reference schedule(s) this expense removal is included.

A-5. a. Yes, the test year per books gas operating expenses of $373,070,824 do include $18,923,389 in depreciation and amortization expenses.

b. Yes, the Company is proposing to increase the test year per books gas operating expenses of $373,070,824 by $3,488,855 in depreciation expenses.

c. Yes, the Company's adjusted gas depreciation and amortization expenses in the proposed *pro forma* adjusted test year operating expenses on Rives Exhibit 1 amount to $22,412,244.

d. Yes, the $9,103 difference between the total *pro forma* adjusted depreciation expenses of $22,412,244 reflected by the Company in this case, as derived in part (c) above, and the total *pro forma* annualized depreciation adjustment of $22,403,132 proposed by the Company in this case represents the test year depreciation expenses associated with ARO.

e. There is no other adjustment required for the ARO depreciation amount of $9,103. Depreciation and accretion expense associated with ARO assets and liabilities have been removed from test year net operating income by recording offsetting regulatory credits.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 6

Responding Witness: Shannon L. Charnas / Robert M. Conroy

Q-6. With regard to the responses to AG-1-18 and AG-1-10 (second line) regarding the Mill Creek Ash Dredging Regulatory Asset, please provide the following information:

a. On AG-1-10, second line, provide the reasons for the difference between the annual amortization expense amount of $1,415,333 included in the adjusted test year operating expenses and the annual amortization expense amount of $2,057,654 shown on the second line, 6th column.

b. Show the monthly amortizations for the unamortized total ECR balance of $4,033,077 at 4/30/08 that result in a fully-amortized balance as of 4/30/08.

c. Show the monthly amortizations for the unamortized Base Electric balance of $2,134,844 at 4/30/08 that result in a fully-amortized balance as of 4/30/08.

d. Does the $1,415,333 amortization expense include an ECR portion that was removed for ratemaking purposes through one of the Company's *pro forma* adjustments or does it represent the Base Electric amortization expense? Please explain this in detail.

A-6. a. See attached. The test year amortization expense of $1,415,333 is different from the annual amortization expense of $2,057,654 because the test year amortization expense is not based on the entire regulatory asset. The final payment for expenses recorded as a regulatory asset balance was made in May 2008.

b. See attached for amortization through April 2010, at which time the balance is fully amortized.

c. $2,134,844 is the ECR Roll-In portion of the Total Mill Creek Ash Dredging Regulatory Asset balance pursuant to the Commission's Order dated March 28, 2008 in Case No. 2007-00380. As such, the amortization of the $2,134,844 is reflected in the amortization expense of the total balance of $4,033,077 in part (b).

d. The $1,415,333 of amortization expense was removed for ratemaking purposes through the Company's *pro forma* adjustment in Rives Exhibit 1, Reference Schedule 1.05. The amortization is included in the total Electric Expenses Post '95 Plan of $10,942,070. In Rives Exhibit 1, Reference Schedule 1.06, $337,527 of amortization expense is included in the note a. amount of $9,592,127 to reflect a full year of the ECR Roll-In.

Louisville Gas & Electric Company
Case No. 2004-00421
Mill Creek Ash Dredging Regulatory Asset Amortization Schedule

	(a), (b)	(A) Remaining Months to Amortize	(B) Unamortized Balance	(C) Ash Hauling Expense	(B)+(C) (D) Total Unamortized Balance	(D)/(A) (E) Amortization Expense
1	April 2006 - February 2007	39		$ 2.472,370		$ 337,526
2	March	38	**$ 2,134,844**	214,409	$ 2.349.253	61,822
3	April	37	2.287.431	302.922	2,590.353	70,010
4						
5	May	36	2.520.343	209.492	2,729.835	75,828
6	June	35	2.654.007	228.865	2.882.872	82,368
7	July	34	2.800.504	210.650	3,011.154	88,563
8	August	33	2.922,591	165.439	3,088.030	93,577
9	September	32	2.994.453	237,872	3,232.325	101,010
10	October	31	3.131,315	239,530	3,370,845	108,737
11	November	30	3.262,108	284.613	3,546.721	118,224
12	December	29	3.428.497	423.336	3,851.833	132,822
13	January 2008	28	3.719,011	175.000	3.894.011	139,072
14	February	27	3.754,939	265,785	4,020,724	148,916
15	March	26	3,871,808	240,644	4,112.452	158,171
16	April	25	3,954,281	246,842	4,201.123	168,045
17	**Total Test Year Amortization**					1,415,333
18						
19	May	24	**4,033,078**	82.231	4,115.309	171,471
20	June	23	3,943,838	-	3,943.838	171,471
21	July	22	3.772.367	-	3,772,367	171,471
22	August	21	3.600.896	-	3,600,896	171.471
23	September	20	3.429.425	-	3,429,425	171,471
24	October	19	3.257,954	-	3,257,954	171,472
25	November	18	3.086.482	-	3,086,482	171,471
26	December	17	2.915.011	-	2,915,011	171.471
27	January 2009	16	2.743,540	-	2,743.540	171,471
28	February	15	2.572.069	-	2,572,069	171,471
29	March	14	2.400.598	-	2,400,598	171,471
30	April	13	2.229.127	-	2,229,127	171,472
31	**Total Annual Amortization Expense per AG-1-10**					2,057,654
32						
33	May	12	2,057,655	-	2,057,655	171,471
34	June	11	1.886.184	-	1,886,184	171,471
35	July	10	1.714,713	-	1,714,713	171,471
36	August	9	1.543,242	-	1,543,242	171,471
37	September	8	1.371,771	-	1,371,771	171.471
38	October	7	1.200,300	-	1,200,300	171,471
39	November	6	1.028,829	-	1,028,829	171,472
40	December	5	857,357	-	857,357	171,471
41	January 2010	4	685,886	-	685,886	171,472
42	February	3	514,414	-	514.414	171,471
43	March	2	342,943	-	342.943	171,472
44	April	1	171,471	-	171.471	171,471
45	May	0	-	-	-	-
46	**Grand Total**			$ 6,000,000		$ 6,000,000

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 7

Responding Witness: Valerie L. Scott

Q-7. Re. the response to AG-1-21, please explain the very large reductions in the Other Electric revenues from the revenue levels experienced prior to the test year and explain why the test year revenue level should be considered representative of the appropriate ongoing revenue level.

A-7. The reduction in Other Electric Revenues is primarily due to LG&E's exit from the MISO in September 2006. The MISO began Day 2 operations in April 2005. The payments received after the exit from MISO represent resettlements from the time period when LG&E was a MISO member. Resettlements of revenues and expenses pertaining to the Company's membership in the MISO ended in December 2007.

Upon its exit from the MISO, LG&E established a regulatory liability for the MISO Schedule 10 charges collected through rates, thereby decreasing revenues. Also upon its exit from the MISO, the Company began recording revenues for intercompany transmission, previously paid to the MISO.

LG&E had grandfathered transmission agreements with East Kentucky Power Cooperative (EKPC) for Salt River Electric. Grandfathered agreements were extended by LG&E until the MISO exit, at which time the Salt River transmission rates fell under the Open Access Transmission Tariff (OATT). At the time of the MISO exit, LG&E and KU began splitting total EKPC transmission revenue, including revenues related to Salt River Electric, according to allocation rates designated by the Transmission Coordination Agreement. LG&E's allocation rate is 30.48%. Therefore, LG&E's share of EKPC revenues increased after the MISO exit.

In addition, a grandfathered transmission agreement existed between LG&E and Indiana Municipal Power Agency (IMPA). As part of a settlement agreement reached with IMPA pursuant to the MISO exit, the grandfathered transmission agreement was eliminated. Therefore, IMPA transmission revenues decreased after the MISO exit.

Additionally coal resale revenues decreased due to selling coal to only one counterparty beginning in October 2006, compared to selling to two counterparties from May 2005 through September 2006, from the Mill Creek station.

The table below illustrates the revenues during each of the 12-month periods by major category.

	12 Mo. Ended 7/31/08	**12 Mo. Ended 4/30/07**	**12 Mo. Ended 4/30/06**
MISO RSG make whole payments	$523,000	$4,760,000	$20,035,000
MISO Schedule 2 ancillary revenues	(35,000)	(855,000)	4,368,000
MISO Schedule 10 regulatory liability	(3,342,000)	(2,228,000)	-
MISO & other wheeling revenues	(168,000)	658,000	2,008,000
Coal resale revenue	902,000	2,300,000	2,900,000
EKPC transmission revenues	1,340,000	1,179,000	235,000
IMPA transmission revenues	-	304,000	729,000
Intercompany transmission revenues	2,091,000	2,037,000	-
Other	178,000	308,000	633,000
TOTAL	$1,489,000	$8,463,000	$30,908,000

Test year Other Electric Revenues totaled $1,071,355. Excluding the adjustment to record a regulatory liability for MISO Schedule 10 costs, test year revenues would have been $4,400,000, and the twelve months ended July 31, 2008 would have been $4,800,000. Amounts ranging from $4,400,000 to $4,800,000 are representative of the on going revenue level for this account.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 8

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas

Q-8. With regard to the response to AG-1-23, please provide the following information:

a. Please provide a component breakout of the electric unbilled revenue difference of \$(785,000) and the gas unbilled revenue difference of \$(1,203,000) in the same format and detail as in KU's response to data request PSC-2-57.

b. Re. part (g): the electric unbilled revenue difference of \$(785,000) consists of \$(343,000) for unbilled base revenues; \$(659,000) for unbilled FAC revenues; \$38,000 for unbilled DSM revenues; \$248,000 for unbilled ECR revenues; while \$(69,000) of the difference is not shown. Please provide the revenue components of this \$(69,000) unbilled revenue amount (e.g, unbilled MSR/VDT revenues, unbilled STOD PCR revenues, etc.)

c. Re. part (g): the gas unbilled revenue difference of \$(1,203,000) consists of \$37,000 for unbilled base revenues; \$(1,267,000) for unbilled GSC revenues; \$15,000 for unbilled DSM revenues; while \$12,000 of the difference is not shown. Please provide the revenue components of this \$12,000 unbilled revenue amount (e.g., unbilled VDT revenues, etc.).

d. Please confirm that the electric unbilled revenue adjustment for unbilled base rates only (i.e., excluding unbilled FAC, DSM, ECR and other non-base unbilled revenues) amounts to a net revenue reduction of \$343,000 as shown in the response to part g.

e. Please confirm that the gas unbilled revenue adjustment for unbilled base rates only (i.e., excluding unbilled GSC, DSM and other non-base unbilled revenues) amounts to a net revenue increase of \$37,000 as shown in the response to part g.

A-8. a. See attached.

b. The components of the $(69,000) unbilled revenue are:

MSR	$(52,000)
VDT	(21,000)
STOD PCR	4,000
	$(69,000)

c. The component of the $12,000 unbilled revenue is VDT.

d. Yes, the electric unbilled revenue adjustment for the base rates portion of unbilled revenues amounts to a net revenue reduction of $343,000. Included in this base rate amount are customer charges, demand charges, energy charges, base rate ECR, and base rate FAC. However, all unbilled revenues are appropriately being removed.

e. Yes, the gas unbilled revenue adjustment for the base rates portion of unbilled revenues amounts to a revenue increase of $37,000. However, all unbilled revenues are appropriately being removed.

Louisville Gas and Electric Company
Case No. 2008-00252
Unbilled Revenue Reconciliations
For the Periods April 30, 2007 and April 30, 2008

	April 30, 2007	April 30, 2008	Difference
Electric Unbilled - Louisville Gas & Electric			
Residential Sales - Customer Charge	$ 827,000	$ 855,000	$ (28,000)
Residential Sales - ECR	141,000	33,000	108,000
Residential Sales - Energy - Fuel	2,132,000	2,073,000	59,000
Residential Sales - Energy - Nonfuel	7,435,000	5,744,000	1,691,000
Residential Sales - FAC	-	184,000	(184,000)
Residential Sales - MSR	(242,000)	(218,000)	(24,000)
Residential Sales - Revenue DSM	133,000	101,000	32,000
Residential Sales - VDT	(104,000)	(79,000)	(25,000)
Small Commercial Sales - Customer Charge	226,000	233,000	(7,000)
Small Commercial Sales - DSM	11,000	8,000	3,000
Small Commercial Sales - ECR	55,000	14,000	41,000
Small Commercial Sales - Energy - Fuel	781,000	828,000	(47,000)
Small Commercial Sales - Energy - Nonfuel	3,131,000	2,666,000	465,000
Small Commercial Sales - FAC	0	73,000	(73,000)
Small Commercial Sales - MSR	(95,000)	(93,000)	(2,000)
Small Commercial Sales - VDT	(41,000)	(33,000)	(8,000)
Large Commercial Sales - Customer Charge	86,000	88,000	(2,000)
Large Commercial Sales - Demand Charge	3,113,000	2,494,000	619,000
Large Commercial Sales - DSM	11,000	8,000	3,000
Large Commercial Sales - ECR	77,000	19,000	58,000
Large Commercial Sales - Energy - Fuel	1,469,000	1,538,000	(69,000)
Large Commercial Sales - Energy - Nonfuel	1,059,000	892,000	167,000
Large Commercial Sales - FAC	0	136,000	(136,000)
Large Commercial Sales - MSR	(132,000)	(126,000)	(6,000)
Large Commercial Sales - STOD PCR	14,000	10,000	4,000
Large Commercial Sales - VDT	(57,000)	(45,000)	(12,000)
Large Industrial Sales - Customer Charge	19,000	19,000	0
Large Industrial Sales - Demand Charge	1,192,000	2,486,000	(1,294,000)
Large Industrial Sales - ECR	36,000	22,000	14,000
Large Industrial Sales - Energy - Fuel	858,000	2,153,000	(1,295,000)
Large Industrial Sales - Energy - Nonfuel	541,000	1,079,000	(538,000)
Large Industrial Sales - FAC	0	191,000	(191,000)
Large Industrial Sales - MSR	(34,000)	(8,000)	(26,000)
Large Industrial Sales - VDT	(27,000)	(53,000)	26,000
Street Lighting Sales - Customer Charge	1,000	1,000	0
Street Lighting Sales - ECR	2,000	1,000	1,000

Louisville Gas and Electric Company
Case No. 2008-00252
Unbilled Revenue Reconciliations
For the Periods April 30, 2007 and April 30, 2008

	April 30, 2007	April 30, 2008	Difference
Street Lighting Sales - Energy - Fuel	15,000	37,000	(22,000)
Street Lighting Sales - Energy - Nonfuel	116,000	227,000	(111,000)
Street Lighting Sales - FAC	0	3,000	(3,000)
Street Lighting Sales - MSR	(3,000)	(7,000)	4,000
Street Lighting Sales - VDT	(1,000)	(2,000)	1,000
Public Authority Sales - Customer Charge	24,000	25,000	(1,000)
Public Authority Sales - Demand Charge	1,066,000	960,000	106,000
Public Authority Sales - DSM	3,000	3,000	0
Public Authority Sales - ECR	36,000	10,000	26,000
Public Authority Sales - Energy - Fuel	690,000	812,000	(122,000)
Public Authority Sales - Energy - Nonfuel	858,000	772,000	86,000
Public Authority Sales - FAC	0	72,000	(72,000)
Public Authority Sales - MSR	(62,000)	(64,000)	2,000
Public Authority Sales - STOD PCR	2,000	2,000	0
Public Authority Sales - VDT	(26,000)	(23,000)	(3,000)
Total LGE Electric Unbilled	$ 25,336,000	$ 26,121,000	$ (785,000)

	April 30, 2007	April 30, 2008	Difference
Gas Unbilled - Louisville Gas & Electric			
Residential Gas - DSM	$ 45,000	$ 30,000	$ 15,000
Residential Gas - Base Revenue	942,000	882,000	60,000
Residential Gas - GSC	3,988,000	4,875,000	(887,000)
Residential Gas - VDT	(30,000)	(38,000)	8,000
Commercial Gas - Base Revenue	299,000	338,000	(39,000)
Commercial Gas - GSC	1,708,000	1,956,000	(248,000)
Commercial Gas - VDT	(11,000)	(14,000)	3,000
Industrial Gas - Base Revenue	52,000	30,000	22,000
Industrial Gas - GSC	174,000	191,000	(17,000)
Industrial Gas - VDT	(1,000)	(1,000)	0
Public Authority Gas - Base Revenue	74,000	80,000	(6,000)
Public Authority Gas - GSC	325,000	440,000	(115,000)
Public Authority Gas - VDT	(2,000)	(3,000)	1,000
Total LGE Gas Unbilled	$ 7,563,000	$ 8,766,000	$ (1,203,000)

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 9

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas

Q-9. For the proposed gas unbilled revenue adjustment on Rives Exhibit 1, Schedule 1.00, please provide the MCF volumes associated with the 4/30/07 and 4/30/08 unbilled revenue levels and associated with the revenue adjustment amount.

A-9. The MCF volumes associated with the 4/30/07 and 4/30/08 unbilled revenues are:

	April 30, 2007	April 30, 2008	Change
Unbilled MCF	944,000	877,000	67,000

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 10

Responding Witness: Lonnie E. Bellar / Shannon L. Charnas / William Steven Seelye

Q-10. For the proposed electric unbilled revenue adjustment on Rives Exhibit 1, Schedule 1.00, please provide the following information:

a. The KWH volumes associated with the total 4/30/07 and 4/30/08 unbilled revenue levels and associated with the total revenue adjustment amount of $(785,000).
b. The KWH volume associated with the unbilled base rate revenue adjustment of $(343,000) referenced in the response to AG-1-23(g).
c. Explain why the Company has not reduced the test year base power expenses (those rolled into base rates) for the power expenses associated with the electric unbilled revenue adjustment.
d. Provide the test year *pro forma* base rate (rolled-in) power expenses per KWH, including the calculations to derive this unit cost. If this number is different from the $0.01703/KWH shown on Seelye Exhibit 20, provide a reconciliation.

A-10. a. and b.

Unbilled volumes used for all aspects of the unbilled revenue calculation are as follows:

	April 30, 2007	April 30, 2008	Difference
kWh Unbilled	440,808,000	436,937,000	3,871,000

c. and d.

There are no "power expenses" to reduce. All generation expenses included in the unadjusted test year results were incurred during the test year. Ratemaking principles limit consideration of the Company's results to ***revenues received*** and ***expenses incurred*** during the test year, with adjustments for known and measurable changes to normalize test year operating results so that they are representative of operations on a going forward basis. Therefore an adjustment to remove expenses is unnecessary and inappropriate.

Because test year revenues, expenses and billing determinants have been fully normalized in this proceeding, all three have been fully synchronized. Therefore, it would be inappropriate to make a further adjustment to reduce test year expenses. The Company has followed the Commission's long-standing practice of removing unbilled revenues from test year operating results. The proper treatment of unbilled revenues for ratemaking purposes was thoroughly considered in KU's last rate case (Case No. 2003-00434) and in LG&E's last three rate cases (Case No. 2003-00433, 2000-00080, and 90-158). Expenses associated with unbilled revenues were not removed in any of these cases.

Because the billing determinants used to develop the Company's proposed rates do not include unbilled kWh sales and unbilled kW demands, it is appropriate to remove the unbilled revenues from the test year. If unbilled revenues are not removed from test year operating results, then the billing determinants used to develop the proposed rates would need to be adjusted to reflect the billing determinants associated with the unbilled revenues.

See the response to PSC-3 Question No. 19.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 11

Responding Witness: Shannon L. Charnas / William Steven Seelye

Q-11. While the Company has proposed to reflect only billed revenues in the test year, explain why the Company has not similarly proposed to reflect only billed operating expenses in the test year?

A-11. The Company has reflected normalized expenses in the test year. See the response to PSC-3 Question No. 19.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 12

Responding Witness: Valerie L. Scott

Q-12. With regard to the response to PSC-2-79, please provide the following information:

a. From the data in the table in the response Attachment, it appears that if tax credits are generated in one year (the year of the coal purchases), the tax credits are booked by the Company in the next year. Please confirm if this is correct.
b. Please confirm that if the Company generates tax credits from coal purchases in 2008 and 2009, the tax credits will be applied as property tax or income tax credits in 2009 and 2010. If this is not correct, provide the correct answer.
c. In the years 2002, 2003, 2004 and 2006, why wasn't the coal tax credit applied first to the entire income tax liability with any remaining tax credits applied to property taxes?
d. Did the test year coal tax credits of $1,135,572 that were applied as a credit to property taxes in 2007 increase the Company's FIT liability by 35% and SIT liability by 6% of the property tax credit? In addition, provide the net after-tax impact on operating income of the test year's coal tax credit booking of $1,135,572 and show the calculations.
e. Did the test year coal tax credit of $132,511 that was applied as a credit to state income taxes increase the Company's FIT liability by 35% x $132,511? In addition, provide the net after-tax impact on operating income of the test year's coal tax credit booking of $132,511 and show the calculations.

A-12. a. Yes. Subsequent to each year-end, the Company collects data regarding coal purchases and, if Kentucky purchases exceed the 1999 thresholds, an application is filed by the following March 15 with the Department of Revenue. Upon approval by the Department of Revenue, the credit is recorded in the year following the purchase.

b. Yes.

c. Kentucky views the income tax limitation on a consolidated basis, not on a company by company basis. During 2002, 2003, 2004, and 2006, state tax losses were incurred at the consolidated level, therefore, the state required the credit to be applied to the property tax liabilities. In 2007, the consolidated group had an adequate level of state tax due, against which to apply the credit generated from 2006 coal purchases.

d. Yes. The reduction in property tax expense recorded in the test year effectively increased taxable income and resulted in additional federal and state income taxes.

   The after-tax impact of booking the $1,135,572 coal tax credit in the test year for financial reporting purposes was approximately $693,834 (1,135,572 – (1,135,572 x .389)). This is based on using the statutory income tax rates (.35 + .06 – (.06 x .35)).

   A *pro forma* adjustment was made to property tax in this rate case for the removal of the coal tax credit; see Rives Exhibit 1, Reference Schedule 1.33. The income tax expense associated with this coal tax credit adjustment is included in the tax calculation of Rives Exhibit 1, line 43. The income tax expense *pro forma* adjustment for the coal tax credit decreased income tax expense.

e. Yes. The reduction in state income tax expense due to the recording of the coal tax credit in the test year effectively increased federal taxable income and resulted in additional federal income taxes.

   The after-tax impact of booking the $132,511 coal tax credit in the test year for financial reporting purposes was $86,132 (132,511 – (132,511 x .35)).

   A *pro forma* adjustment was made in this rate case for the removal of the coal tax credit from income tax expense; see Rives Exhibit 1, Reference Schedule 1.41. In addition to the removal of the coal tax credit a *pro forma* adjustment was also made in Rives Exhibit 1, Reference Schedule 1.41, to reduce federal income tax expense. See also the attachment to the response to PSC 2 Question No. 80(a) line 12 for the federal income tax expense adjustment made.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 13

Responding Witness: Valerie L. Scott

Q-13. The Attachment to PSC-2-79 states: "One quarter, $416,404, of the $1,665,616 coal tax credit [applied against income] for coal purchased in calendar year 2007 has been recorded in the test year." In this regard, please provide the following information:

a. Reconcile the $416,404 coal tax credit [applied against state income tax] to the coal tax credit related income tax reduction of $132,511 shown on Reference Schedule 1.41. (provide a response in the same format and detail as KU's response to PSC-2-119).

b. Since the test year incorporates 4 months of 2008, why has only 1/4th of the $1,665,616 2008 coal tax credit been reflected in the test year rather than 1/3rd? In addition, explain the basis for having 1/4th of the total 2008 coal tax credit reflected in the test year.

c. Since the Company received coal tax credits in 2008 of which only 1/4th, or $416,404 has been utilized in the test year, please confirm that this means that the Company in the future will be able to use the remaining coal tax credit amount of $1,249,212 either as an income tax or a property tax reduction.

A-13. a. See attached.

b. The coal tax credit is recorded by the Company on a quarterly basis, it is not recorded monthly. An entry was recorded in March 2008 for the first three months of the year.

The 2008 coal tax credit is anticipated to be utilized on the 2007 Kentucky Income Tax return which will be filed by October 15, 2008. The coal tax credit is being recorded ratably over the four quarters of 2008; because of this, only the amount recorded in the first quarter is reflected in the test year. The Company's *pro forma* adjustment removes the coal tax credit from the test year.

c. The Company will record the remaining $1,294,212 over the last three quarters of 2008. The Company expects to use the $1,665,616 coal tax credit on the 2007 Kentucky Income Tax return that will be filed by October 15, 2008.

Louisville Gas and Electric Company
Case No. 2008-00252
AG - 2nd Data Response
Question 13a.

Applied Coal Tax Credit

Debit/(Credit) to Expense	2007 1st Quarter	2007 2nd Quarter	2007 3rd Quarter	2007 4th Quarter	2008 1st Quarter	Test Year Total 2nd Q 2007 - 1st Q 2008
Income Taxes	(283,893)	(283,893)	567,786	0	(416,404)	(132,511)
Property Taxes	0	0	(1,135,572)	0	0	(1,135,572)

Note:
The amount applied against income tax in the first quarter 2008 represents one quarter of coal tax credit for Kentucky coal purchases in 2007.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 14

Responding Witness: Valerie L. Scott

Q-14. The response to AG-1-30 shows that since 1999, the Company has used up $4,155,942 of the total generated Recycle Credit, leaving a carry forward balance of $4,037,437 at the present time. In the same response, the Company also states that it expects "the remaining carry forward to completely reverse during 2008 with no impact in 2009 or thereafter." In this regard, please provide the following information:

a. Explain what conditions have to be met in order for the Company to be able to use the recycle tax credits as it was able to do in 1999, 2000, 2005 and 2007.
b. Is there an expiration date associated with the carry forward balance? If so, what is that expiration date?
c. Will the Company be able to actually use up the entire Recycle Credit balance? If not, why not? If so, how does the Company plan to accomplish this?
d. Provide a detailed explanation as to why the Company expects this remaining carry forward balance to completely reverse during 2008 with no impact in 2009 or thereafter.
e. Did the test year recycle tax credit of $741,478 that was applied as a credit to state income taxes increase the Company's FIT liability by 35% x $741,478? In addition, provide the net after-tax impact on operating income of the test year's recycle tax credit booking of $741,478 and show the calculations.

A-14. a. The recycle credit can be utilized on the consolidated Kentucky Income Tax return provided there is a tax liability. The recycle credit is limited each year to twenty-five percent (ten percent in 1999) of the total state income tax liability.

b. There is no expiration date associated with the recycle credit carry forward.

c. The consolidated Kentucky Income Tax return is filed by E.ON US Investments Corp., the parent of E.ON U.S. LLC and LG&E. E.ON US Investments Corp. (and LG&E) expects to have consolidated Kentucky taxable income in the future, enabling it to eventually use the entire recycle credit. Since there is no expiration date the recycle credit carry forward can be applied to future years' state income tax liabilities until fully used.

d. As a result of reviewing prior year levels of LG&E's separate entity Kentucky taxable income, the entire recycle credit should have been recognized during the period 1999 through 2003. Consequently, E.ON U.S. LLC, the parent company of LG&E, paid LG&E for the remaining recycle credit in September 2008.

e. Yes, in claiming the Kentucky Recycle Credit, federal tax liability increased by 35% of the recycle credit recorded. The removal of the Kentucky recycle credit would therefore decrease federal tax liability. Included in LG&E's *pro forma* adjustment for income taxes (see Rives Exhibit 1, Reference Schedule 1.41) was the federal adjustment for the removal of the Kentucky recycle credit. See the attachment to the response to PSC-2 Question No. 80(a) line 13. The schedule calculates the federal income tax expense in the *pro forma* adjustment for the removal of the Kentucky recycle credit.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 15

Responding Witness: Valerie L. Scott

Q-15. With regard to the response to AG-1-45, please provide the following information:

a. Please reconcile the March 2008 MISO refund amount of $721,477 referenced in the response to AG-1-45(b) to the March 2008 MISO refund amount of $681,715 shown in the table in the response to AG-1-45(a).

b. Does the response to AG-1-45(a) indicate that, based on information available at this time, it is estimated that the Company's ultimate MISO Exit fee liability at the end of the first quarter of 2015 will be $10,643,546? If not, explain in detail the correct answer.

A-15. a. The difference between the two amounts is interest income of $39,762. See the response to AG-1 Question No. 45(b).

b. Yes.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 16

Responding Witness: Paul W. Thompson / Shannon L. Charnas

Q-16. With regard to the response to AG-1-49 (re. IMEA/IMPA payments), when (month and year) is the anticipated retirement of Trimble County Unit 1?

A-16. The Resource Planning Studies performed by Generation Planning and the Life Assessment Study by New Energy Associates, LLC were developed for a 30-year horizon. Trimble County Unit 1 is not currently planned to be retired prior to the 30-years. However, no outlook beyond 2036 has been analyzed and the Depreciation Study applied a 2036 date.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 17

Responding Witness: Shannon L. Charnas

Q-17. With regard to the lease expense adjustment discussed in the response to PSC-2-32, please provide the following information:

a. Confirm that if the Company had not switched from treating this item as a capital lease as opposed to an operating lease, the test year expense would have been 12 x $52,400, or $628,000. If this is not correct, provide the correct answer.

b. Please provide the annual revenue requirement in this case associated with the capital lease treatment of this item in the current case as compared to the annual revenue requirement assuming that in this case the item was treated as an operating lease. Provide all calculations and calculation components in support of these two revenue requirement numbers.

A-17. a. Had the lease been an operating lease, the test year expense would have been $52,400 per month, for a total annual expense of $628,800. However, as a capital lease, the annual interest expense would have been $191,549 and the annual depreciation expense would have been $84,098 for a total annual expense of $275,647. Accordingly, operating expenses are lower with the transaction recorded as a capital lease, which is required accounting under Statement of Financial Accounting Standard No. 13, *Accounting for Leases* (FAS 13).

b. As stated in the testimony, the adjustment is necessary to reflect the proper accounting treatment of the lease. Under the requirements of FAS 13, there is no discretion in the treatment of this cost. It must be recorded as a capital lease due to the fact the lease agreement states that at the end of the lease, LG&E can purchase the demineralization equipment for $1, which creates a bargain purchase option, one of the four criteria that determine a capital lease. The information requested in this question assumes an improper treatment of the cost, and requires extensive original work that is otherwise meaningless because the accounting treatment is contrary to the requirements in FAS 13.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 18

Responding Witness: S. Bradford Rives

Q-18. With regard to the response to AG-1-54(b) and (d) and the response to PSC-2-10, please provide the following information:

a. When (month and year) will the Company convert the two bonds referenced in the response to part (b)? In addition, provide any source documentation in support of this expectation.
b. What other alternatives would be available to the Company to refinance the tax-exempt bonds and what would be the annual costs associated with those alternative refinancing tools?
c. If any cost update is available by now, what would be the updated annual cost amount associated with the assumed letter of credit refinancing as compared to the currently projected cost of $2,528,293?
d. The proposal from the one bank in the response to PSC-2-10 only concerns the TC2 bond of $83.335 million. Has the Company sent out proposals for letter of credit enhancement for the $128 million Metro Louisville bond of $128 million? If so, provide the term sheet. If not, why not?

A-18. a. The Company currently expects to close on the two bonds in late November 2008 or early December 2008. However, the capital markets are extremely volatile and market conditions may result in the need to modify this plan.

b. The tax-exempt bond documents allow the Company to select from a variety of modes. The modes available under the documents that would not require a letter of credit are all long-term modes, but can be classified into two categories - "put bonds" and "fixed to maturity bonds". If the interest rate is set for a period longer than a year, but less than to maturity it is referred to as a "put bond". "Put bonds" are generally set for periods of between two and seven years. Because of the difficult general capital market conditions, very little new debt has been issued in the last two weeks. However, based on estimates based on LG&E's debt ratings provided on October 1 for the $83.3 million bond, the interest rates for a two-year reset would have been 5.55%, a three year reset would have been 5.90%, a five-year reset would have been 6.30%, and a seven-year reset would have been 6.65%. A fixed to maturity rate would be approximately 7.35%. Rates for the $128 million bond would have been 5.00% for a two year reset, 5.35% for a three-year reset, 5.75% for a five year reset, 6.10% for a seven-year reset, and 6.80% for a fixed to maturity rate. An all-in rate for the letter of credit backed bond based on long-term averages is expected to be approximately 3.25% using the expected letter of credit cost of 50 bps.

c. See the response to PSC-3 Question No. 2.

d. See the response to PSC-3 Question No. 2.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 19

Responding Witness: Chris Hermann

Q-19. With regard to the Attachment to AG-1-61 (bottom of page), please provide the exact nature and purpose of the reception expenses of $21,070. Also, indicate what these reception expenses of $21,070 consist of.

A-19. The purpose of these receptions was to provide the forum and opportunity for our service territory economic development professionals to meet and network with a variety of site location and real estate consultants. In 2007 and early 2008, E.ON U.S. hosted events in Atlanta, Covington, Lexington, Louisville, and Nashville. The decision to target these particular markets was driven by proximity, new market development, or analysis indicating these markets had site selection professionals who had previously focused on Kentucky as a target for their clients.

Covington Real Estate Reception – September 13, 2007
Expenses: Event venue, catering, valet parking, service charge - $4,111
Music and florist - $206 TOTAL: $4,317

Nashville Real Estate Reception – November 8, 2007
Expenses: Event venue, catering, valet parking, service charge - $1,798;
Regional showcase gifts: $76 TOTAL: $1,874

Atlanta Real Estate Reception – January 8, 2008
Expenses: Event venue & catering - $3,298;
Regional showcase gifts: $213 TOTAL: $3,511

Louisville Real Estate Reception – March 18, 2008
Expenses: Event venue & catering - $11,368;
TOTAL: $11,368

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 20

Responding Witness: Shannon L. Charnas

Q-20. Attachment to Response to PSC-1-30(b), page 2, shows total EEI dues paid during the test year of $387,603. Please confirm the accuracy of this. If this is not correct, provide the correct answer.

A-20. The amount of dues reported in Attachment to Response to PSC-1-30(b), page 2, of $387,603 is the correct amount of EEI dues recorded in account 930. EEI dues were also recorded in account 921 during the test period.

Expense Account	Account Description	EEI Dues Amount
930	Miscellaneous General Expenses	$ 307,231
930	Miscellaneous General Expenses	80,372
Sub-Total		**387,603**
921	Office Supplies and Expenses	25,665
Total		**$ 413,268**

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 21

Responding Witness: Shannon L. Charnas

Q-21. With regard to the response to AG-1-64 regarding legal expenses for the gas operations, please provide the following information:

a. Provide the actual legal expenses for 2007 and 2008 through August on a monthly basis.
b. For each of the years 2003 through 2007, provide the same expense component breakout as shown for the test year in the response to part (b) of AG-1-64.
c. Provide the specific reason(s) why the 2007 and test year expenses are so much higher than the expenses for the prior 4 years.

A-21. a. Actual legal expenses for 2007 and 2008 through August on a monthly basis are as follows:

Month	2007	2008
January	$ 2,459.55	$ 7,357.95
February	4,068.16	18,488.55
March	50,361.17	66,701.50
April	185,589.53	46,356.75
May	324,508.69	39,983.82
June	328,511.42	23,628.81
July	71,378.67	42,733.13
August	157,532.65	21,328.63
September	66,547.26	
October	29,560.44	
November	59,195.78	
December	107,532.19	
Total	$1,387,245.51	$266,579.14

b. The information requested is not readily available and cannot be compiled in a reliable form as was provided for the test year in response to AG-1 Question No. 64 within the time provided in the procedural schedule.

c. Regulatory issues that occurred in 2007 and the test year resulted in the increased spending. FERC compliance oversight and initiatives are increasing legal expenses associated with these activities.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 22

Responding Witness: Shannon L. Charnas

Q-22. With regard to the response to AG-1-69, please provide the following information:

a. Provide the dollar amount data for the test year in the response to part (a) in the same format and detail as the expense information for 2004 through 2007 in the response to part (b).
b. For each of the years 2004 through the test year, provide the costs, in total and broken out by Accounting, Engineering, Legal and Other (but without showing the detailed expense categories) charged to O&M expense (i.e, exclude any costs that were capitalized or charged to accounts other than O&M).
c. Provide detailed explanations as to why the test year Engineering costs of $2,487,127 and Other costs of $74,613,842 are so much higher than the corresponding costs in the year 2004 through 2007. In addition, in explaining the differences, indicate to what extent the differences are due to capitalized and/or expensed cost differences.

A-22. a. See attached.

b. For each of the years 2004 through the test year, all amounts provided in AG-1 Question No. 69 (a) and (b) were charged to O&M expense.

c. Per review of attachment to response to AG-1 Question No. 69(b), there was an error in the formulas. Please see the revised attachment to response AG-1 Question No. 69(b). Per review of the revised attachment with corrected formulas, the Engineering costs of $2,487,127 during the test year, were actually lower than the corresponding costs in the years 2004 through 2007. Per review of the revised attachment with corrected formulas, while the Other costs of $74,613,842 during the test year did reflect an increase, which was primarily due to increased Other Labor 3rd Party during the test year due to storm restoration expenses, plant outages and the backfilling of positions for the implementation of the Customer Care Solution project. In general, the cost of 3rd party labor is increasing due to limitations of resources in the marketplace.

Louisville Gas and Electric Company
Professional Services Expenses

Test Year	Accounting	Engineering	Legal	Other	Total
0301-Other-Labor-3rd Party		$2,167,037.35		$62,886,197.23	$65,053,234.58
0302-Outside Collection Fees				402,681.86	402,681.86
0303-Material & Equipment		62,873.85		8,977,151.51	9,040,025.36
0305-Mgmt Consulting Fees & Expenses		243,374.11		1,360,533.10	1,603,907.21
0306-Temporary Help		3,993.30		1,282,283.49	1,286,276.79
0307-Security				77,813.40	77,813.40
0310-Contractors-Computer Support				13,614.91	13,614.91
0312-Audit Fees	$424,297.25				424,297.25
0314-Accounting Services	68,101.63				68,101.63
0321-Legal-3rd Party			$2,921,911.70		2,921,911.70
0322-Legal-Affiliate					0.00
0323-Environmental-Labor-3rd Party		9,848.63		90,103.61	99,952.24
0335-Physical & Medical Exams				105,290.93	105,290.93
0374-Servco Convenience Payments				26,110.90	26,110.90
0375-Acctng Use-Misc JE-Nonallocated				(607,938.81)	(607,938.81)
	$492,398.88	$2,487,127.24	$2,921,911.70	$74,613,842.13	$80,515,279.95

Louisville Gas and Electric Company
Professional Services Expense
Revised Response to Attachment to AG-1-69(b)

LG&E - 2004

Category	Accounting	Engineering	Legal	Other	Total
0301-O/S-Other Labor-3rd Party		$3,342,668.47		$48,106,297.48	$51,448,965.95
0302-O/S-Outside Collection Fees				358,322.83	358,322.83
0303-O/S-Material & Equipment		262,472.18		8,250,718.65	8,513,190.83
0305-O/S-Mgmt Consulting Fees & Expenses		220,506.00		1,137,913.26	1,358,419.26
0306-O/S-Temporary Help		6,416.25		1,384,943.13	1,391,359.38
0307-O/S-Security				592,418.46	592,418.46
0309-O/S-Equipment Testing				10,860.07	10,860.07
0310-O/S-Contractors-Computer Support				156,962.48	156,962.48
0312-O/S-Audit Fees	$225,324.00				225,324.00
0314-O/S-Accounting Services	21,885.29				21,885.29
0316-O/S-Other Labor-No Company Expertise		1,256.20		192,111.38	193,367.58
0317-O/S-Other Non-Labor-No Company Expertise		2,385.60		32,709.95	35,095.55
0321-O/S-Legal-3rd Party			$2,547,918.81		2,547,918.81
0322-O/S-Legal-Affiliate				14,254.50	14,254.50
0323-O/S-Environmental-Labor-3rd Party		6,250.00		11,710.88	17,960.88
0330-O/S-Computer Support				213.30	213.30
0335-O/S-Physical & Medical Exams				132,848.97	132,848.97
0336-O/S-Marketing Fees & Expenses				270,145.38	270,145.38
0337-O/S-Outside Printing Service				15,081.83	15,081.83
0375-O/S-Acctng Use-Misc JE-Nonallocated				1,521,557.54	1,521,557.54
Total	$247,209.29	$3,841,954.70	$2,547,918.81	$62,189,070.09	$68,826,152.89

LG&E - 2005

Category	Accounting	Engineering	Legal	Other	Total
0301-O/S-Other Labor-3rd Party		$2,881,577.94		$41,137,940.66	$44,019,518.60
0302-O/S-Outside Collection Fees				463,535.82	463,535.82
0303-O/S-Material & Equipment		415,732.76		7,497,482.73	7,913,215.49
0305-O/S-Mgmt Consulting Fees & Expenses		93,149.49		981,068.65	1,074,218.14
0306-O/S-Temporary Help		54,350.98		1,374,946.41	1,429,297.39
0307-O/S-Security				230,824.94	230,824.94
0310-O/S-Contractors-Computer Support		54,065.65		127,004.87	181,070.52
0312-O/S-Audit Fees	$327,544.30				327,544.30
0314-O/S-Accounting Services	1,442.96				1,442.96
0316-O/S-Other Labor-No Company Expertise		5,200.00			5,200.00
0321-O/S-Legal-3rd Party			$2,927,424.21		2,927,424.21
0323-O/S-Environmental-Labor-3rd Party		21,902.60		33,860.00	55,762.60
0335-O/S-Physical & Medical Exams				109,673.01	109,673.01
0374-O/S-Servco Convenience Payments				28,853.84	28,853.84
0375-O/S-Acctng Use-Misc JE-Nonallocated				(58,489.48)	(58,489.48)
Total	$328,987.26	$3,525,979.42	$2,927,424.21	$51,926,701.45	$58,709,092.34

LG&E - 2006

Category	Accounting	Engineering	Legal	Other	Total
0301-O/S-Other Labor-3rd Party		$3,508,239.75		$48,505,516.24	$52,013,755.99
0302-O/S-Outside Collection Fees				378,217.53	378,217.53
0303-O/S-Material & Equipment		276,918.30		8,081,183.82	8,358,102.12
0305-O/S-Mgmt Consulting Fees & Expenses		60,474.70		1,150,466.37	1,210,941.07
0306-O/S-Temporary Help		0.00		1,314,773.84	1,314,773.84
0307-O/S-Security				25,728.15	25,728.15
0310-O/S-Contractors-Computer Support		0.00		48,285.75	48,285.75
0312-O/S-Audit Fees	$399,814.67				399,814.67
0314-O/S-Accounting Services	13,373.00				13,373.00
0316-O/S-Other Labor-No Company Expertise		0.00		4,821.56	4,821.56
0321-O/S-Legal-3rd Party		6,544.85	$2,532,027.02		2,538,571.87
0323-O/S-Environmental-Labor-3rd Party		18,178.55		109,413.67	127,592.22
0335-O/S-Physical & Medical Exams		219.20		109,199.90	109,419.10
0374-O/S-Servco Convenience Payments				51,100.57	51,100.57
0375-O/S-Acctng Use-Misc JE-Nonallocated				1,230,610.77	1,230,610.77
Total	$413,187.67	$3,870,575.35	$2,532,027.02	$61,009,318.17	$67,825,108.21

LG&E - 2007

Category	Accounting	Engineering	Legal	Other	Total
0301-O/S-Other Labor-3rd Party		$3.799.648 13		$53.075.485 08	$56.875.133 21
0302-O/S-Outside Collection Fees				402.962 95	402.962 95
0303-O/S-Material & Equipment		188.276 42		8.054.600 15	8.242.876 57
0305-O/S-Mgmt Consulting Fees & Expenses		280.131 26		1.131.015 22	1.411.146 48
0306-O/S-Temporary Help		3.993 30		1.191.251 60	1.195.244 90
0307-O/S-Security				88.626 21	88.626 21
0310-O/S-Contractors-Computer Support				9.638 36	9.638 36
0312-O/S-Audit Fees	$405.653 73				405.653 73
0314-O/S-Accounting Services	73.477 48				73.477 48
0321-O/S-Legal-3rd Party			$3.140.528 56		3.140.528 56
0323-O/S-Environmental-Labor-3rd Party		30.879 80		60.340 75	91.220 55
0335-O/S-Physical & Medical Exams				139.919 74	139.919 74
0374-O/S-Servco Convenience Payments				13.241 34	13.241 34
0375-O/S-Acctng Use-Misc JE-Nonallocated				(1,983,281.77)	(1,983,281.77)
Total	$479,131.21	$4,302,928.91	$3,140,528.56	$62,183,799.63	$70,106,388.31

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 23

Responding Witness: Shannon L. Charnas

Q-23. With regard to the response to AG-1-10 (amortizations of deferred costs), please provide the following information:

a. Since the 4/30/08 deferred Gas Franchise costs of $242,675 will be fully amortized by 10/31/08, why isn't the test year amortization expense of $362,246 to be considered a non-recurring event?
b. Since the 4/30/08 deferred Southwest Power Pool costs of $400,800 will be fully amortized by 8/31/08, why isn't the test year amortization expense of $801,600 to be considered a non-recurring event?
c. Since the 4/30/08 deferred TVA costs of $172,680 will be fully amortized by 8/31/08, why isn't the test year amortization expense of $345,360 to be considered a non-recurring event?

A-23. a. The Gas Franchise Fee is paid annually to Metro Louisville for the ability to provide gas service and, thus, is a recurring cost.

b. Southwest Power Pool (SPP) is LG&E's Independent Transmission Organization. The initial term of the Agreement with SPP is for four years beginning June 1, 2006, subject to annual renewals thereafter. The amount of the contract is $1,202,400 per year and will be amortized ratably over that period. This contract is in place because of the MISO exit and was approved by the FERC in Dockets ER06-20-004 and ER06-20-005, and thus is a recurring expense.

c. TVA is LG&E's Reliability Coordinator. The initial term of the Agreement with TVA is for four years beginning July 19, 2006, subject to annual renewals thereafter. The amount of the contract is $543,960 per year and will be amortized ratably over that period. This contract is in place because of the MISO exit and was approved by the FERC in Dockets ER06-20-004 and ER06-20-005, and thus is a recurring expense.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
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Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 24

Responding Witness: Chris Hermann

Q-24. Please describe the nature and purpose of the total Community Involvement expenses of $1,160 listed in the response to AG-1-62, page 2.

A-24. The nature and purpose are as follows:

Vendor Name	Nature	Purpose	Total
Greater Lexington Apartments	Various networking events, trade shows, and fundraisers	To build customer relationships with property owners, landlords, and other members	420
Louisville Apartments	Various networking events, trade shows, and fundraisers	To build customer relationships with property owners, landlords, and other members	740
Total Community Involvement Expenses			**$ 1,160**

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 25

Responding Witness: Chris Hermann / Shannon L. Charnas

Q-25. In the PSC Order, Case No. 2003-00434, page 39, the Order states that KU incurred storm damage expenses of $15,540,679 in storm damage expenses in 2003 and received $8,944,009 in insurance reimbursement for an un-reimbursed storm damage expense balance of $6,596,670. In this regard, please provide the following information:

a. Reference Schedule 1.18 shows that LG&E incurred storm damage expenses of $13,867,000 in 2004. Was this the same storm for which KU incurred $15,540,679 in storm damage expenses? If not, explain.
b. Given that KU received insurance reimbursement of $8,944,009 for its $15,540,679 storm damage expenses, did LG&E similarly receive insurance reimbursement for its $13,867,000 storm damage expenses? If not, why was KU able to receive insurance reimbursements, but not LG&E? If LG&E did receive insurance reimbursement for the $13,867,000 storm damage expenses, what was the reimbursement amount and why has it not been offset against the storm damage expense amount?
c. Why did KU decide to request extraordinary deferral and amortization treatment for the $15,540,679 storm damage expense amount, while LG&E did not request extraordinary deferral and amortization treatment for the $13,867,000 storm damage expense amount?

A-25. a. No. The KU storm was in February 2003. The $13,867,000 for LG&E in 2004 was a yearly total and consisted of several storms.

b. No. The reimbursement to KU in 2003 was a one time situation. LG&E and KU were covered by storm insurance from 2001 through 2003. After that time, the coverage was declined as the premium and deductible were raised and it was deemed not cost effective.. No LG&E storm costs have been reimbursed from insurance companies from because there were no individual incidents which met the deductible during the term of the coverage.

c. The $15,540,679 was for one storm in the KU service territory. The 2004 LG&E expenses of $13,867,000 were for all the storms over the course of the year in the LG&E service territory.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 26

Responding Witness: Shannon L. Charnas

Q-26. With regard to the storm damage expenses listed in Reference Schedule 1.18, please provide the following information:

a. Are the actual storm damage expenses listed for each of the years 1999 through 4/30/08 stated net of insurance reimbursements? If not, why not?
b. If the answer to part (a) is negative, and the Company did receive insurance reimbursements, provide the actual expenses net of insurance reimbursements and recalculate the storm damage expense normalization adjustment on this basis.

A-26. a. There were no insurance reimbursements relating to the LG&E storms during those years.

b. Not applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 27

Responding Witness: Shannon L. Charnas / John J. Spanos

A-27. Please refer to the attachment to LGE AG-1-8. Please provide the derivation (including all parameters) and source of each depreciation rate shown on that attachment that was not specifically shown on pages III-4 through III-12 of Mr. Spanos's LGE depreciation study. Provide all calculations in Excel format with all formulae intact.

A-27. The following plant accounts are depreciated but were not specifically included in the depreciation study. They are included in "Accounts Not Studied" shown on pages III-4 through III-12 of Mr. Spanos's LG&E depreciation study:

303.00 Miscellaneous Intangible Plant—Software	20%
392.10 Transportation Equipment—Cars and Trucks	20%
396.10 Power Operated Equipment—Hourly Rated	20%

The detail relating to these classes of assets has not been historically tracked for depreciation study purposes. The Company's policy on these assets is to use a five year life or 20% depreciation rate.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 28

Responding Witness: William Steven Seelye

Q-28. Follow-up to AG-1-106:

(a) Please reconcile the following as provided in the response to Q-106, which references LG&E response to PSC-2, Question 48, and the figures shown in Seelye Exhibit 25:

	Seelye Exhibit 25	File: BIP Calculation Per PSC-2, Question 48	File: BIP Calculation On & Off Peak Hours Page 11 of 11 Per PSC-2, Question 48
Winter Peak Period Hours	946	946	2,464
Summer Peak Period Hours	2,464	2,464	946

(b) Please provide the precise references, calculations and explanations based on the cost of service study in the LG&E response to PSC-2, Question 48, or elsewhere, that shows the specific steps and procedures to determine the Base, Intermediate, and Peak percentages of electric Production plant implicit in Seelye Exhibit 26 (below in column (a)) based on using the period costs percentages from Seelye Exhibit 25 (below in column (b)):

	(a)	(b)	
Base	33.58%	Non-Time Differentiated Cost	33.89%
Intermediate	39.97%	Winter Peak Period Costs	15.32%
Peak	26.45%	Summer Peak Period Costs	50.78%

A-28. (a) The hours in the file "BIP Calculation On & Off Peak Hours" per PSC-2 Question No. 48, reflect the correct hours.

(b) The procedures and steps used to perform the BIP calculation are: (i) enter the minimum system demand for the combined KU and LG&E systems; (ii) enter the winter system peak demand for the combined KU and LG&E systems; (iii) enter the summer system peak demand for the combined KU and LG&E systems; (iv) enter the winter peak period hours from the file "BIP Calculation On & Off Peak Hours"; (v) enter the summer peak period hours from the file "BIP Calculation On & Off Peak Hours"; and (vi) perform calculations shown on Seelye Exhibit 25.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General Dated September 24, 2008

Question No. 29

Responding Witness: William Steven Seelye

Q-29. Follow-up to AG 1-108: The response to Question No. 108 only refers to pages in Seelye Exhibit 26 and Seelye Exhibit 27, which lists the names and values of functional vectors and allocation vectors. Please provide the requested "detailed explanation or definition" of each of the vectors as stated in Question No. 108.

A-29. See response to Question Nos. 58 and 60 of the Supplemental Response to the Second Date Request of Commission Staff Dated August 27, 2008.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2008-00252
CASE NO. 2007-00564

Response to Supplemental Requests for Information of the Attorney General
Dated September 24, 2008

Question No. 30

Responding Witness: William Steven Seelye

Q-30. Follow-up to AG 1-139: Please reconcile the response to Question No. 139 that for classification purposes "Mr. Seelye did not combine all distribution conductors" with Mr. Seelye's zero-intercept analysis of overhead conductors presented in Seelye Exhibit 28.

A-30. Seelye Exhibit 28 shows the zero-intercept analysis for Account 365 – Overhead Conductor, and Seelye Exhibit 29 show the zero-intercept analysis for underground conductor. Overhead and underground conductors are shown separately and are not combined in these two analyses.